



BIRTHDAYS OVER

50

Worth Celebrating!

Mark These Birthdays on Your Calendar

CHAPMAN
Private Client Services

CONGRATULATIONS!

You've reached the big "five- 'O'". The fun is just getting started! Before you start planning for retirement, make sure you put these relevant dates in your calendar. Beginning at 50 years old, there are several birthdays that are essential to be aware of as they can influence your retirement timeline and overall financial plan.



Catching Up at Age **50**



At age 50 and older, many retirement plans allow individuals to make additional catch-up contributions beyond standard limits. For 2026, individuals can contribute up to \$7,500 to an IRA, with an additional \$1,100 catch-up contribution, for a total of \$8,600. SIMPLE retirement accounts have a standard contribution limit of \$16,500, with an extra \$3,500 catch-up, allowing contributions of up to \$20,000 for those age 50 and older.¹ Employees participating in employer-sponsored plans such as 401(k)s, 403(b)s, 457 plans, and the Thrift Savings Plan can contribute up to \$24,500, plus a \$8,000 catch-up contribution, for a total of \$32,500.¹ In addition, under provisions of SECURE 2.0, some participants ages 60 through 63 may be eligible for enhanced catch-up contributions of \$11,250, bringing potential total contributions to \$35,750, depending on plan terms.²



Start Early at the Age of **55**

A lot of people don't know that if they stop working in the year they turn 55 or later, they can withdraw money out of their 401(k) or employer-sponsored retirement plans without penalty. Note that this does not apply to IRAs and any type of individual retirement account. In addition, it is important to note that this does not include funds that have been rolled into an IRA, given that the IRA has different rules on when you can start taking penalty-free withdrawals.³

Half Birthdays are Back in Style at

59^{1/2}



Age comes with benefits. Once you reach 59 1/2, you can withdraw from your IRA or old 401(k)s without penalty.

If you are retired or have terminated employment and still have funds in your 401(k) plan, you can access them at age 59 1/2 and pay no early withdrawal penalty tax. If you have rolled your 401(k) funds into an IRA, the rules are the same. Age 59 1/2 is the earliest you can withdraw funds from an IRA account and pay no early withdrawal penalty tax.

If you are still working, you can access funds from an old 401(k) plan once you reach age 59 1/2, but you may not have the same access to funds inside the 401(k) plan at the company for which you currently work. Check with your 401(k)-plan administrator to see if your plan allows an “in-service” distribution at age 59 1/2. Some 401(k) plans allow this, and others don’t.



You’ve Reached Minimum Retirement Age at

62

The earliest you can claim Social Security benefits is age 62. However, claiming benefits before your full retirement age will result in a permanently smaller benefit. If you want to claim past your full retirement age, your benefit will increase by about 8% per year you defer until age 70.⁴

If you’re planning on working while receiving Social Security, keep in mind that your benefit can be reduced. Social Security beneficiaries under their full retirement age who earn more than \$24,480 in 2026 will have \$1 withheld for every \$2 they earn above this limit. This earnings limit jumps to \$65,160 for the year recipients reach their full retirement age, and the penalty decreases to \$1 withheld for every \$3 earned above the limit. After beneficiaries reach their full retirement age, no benefits are withheld if they continue working.⁵

Get ready for Medicare at Age 65



If you're turning 65 or are new to Medicare, it is critical to decide on health care plans. If you postpone enrollment, you may have to pay extra and may lack healthcare coverage for a period of time. Your Initial Enrollment Period is the first opportunity to join. If you're eligible for Medicare when you turn 65, you can sign up during the 7-month period that:

- Begins 3 months before you turn 65.
- Includes the month you turn 65.
- Ends 3 months after the month you turn 65.⁶

Once you reach 65, you can register for Part A (hospital insurance) even if you have health coverage through your job. Generally, this won't cost anything since most individuals pay Medicare taxes while employed. If you are already getting Social Security, you will be enrolled in Parts A and B automatically. You may choose to forego Part B (medical insurance) because it involves an extra cost, but if you're not covered by your employer and decide to enroll in the future, you may face an increase in premium for the duration of your enrollment unless you qualify for a "Special Enrollment Period" (SEP).⁷



Fast Fact

Economic research indicates that delaying Social Security benefits often results in higher lifetime income than claiming at age 62. For many households, waiting to claim can meaningfully increase total benefits received over retirement.⁸

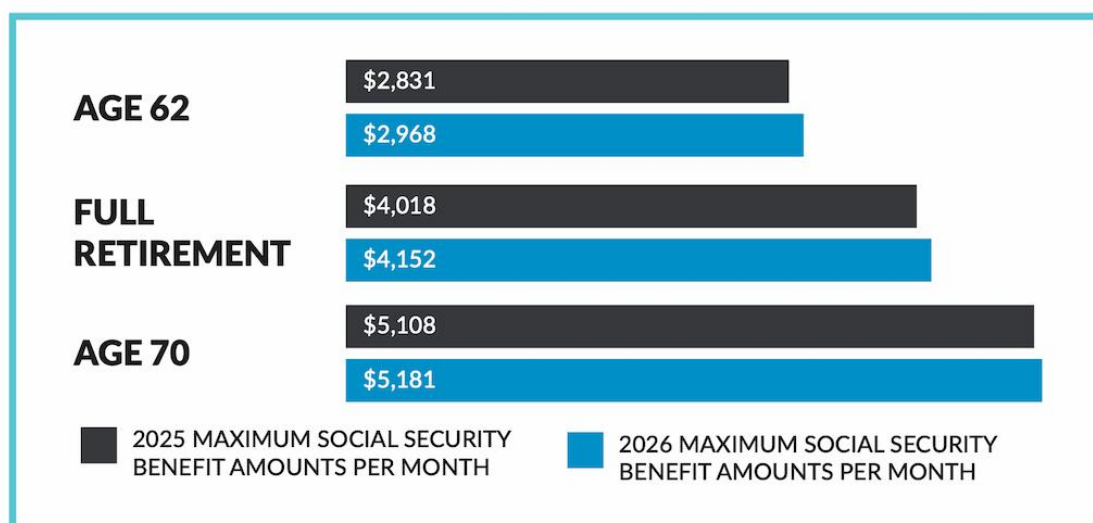
65-67

Is Your Full retirement Age



In 2026, individuals are eligible to receive their full Social Security benefits between the ages of 66 and 67, depending on their birth year. Following a notable Cost-of-Living Adjustment (COLA) of 3.2% in 2024, then 2.5% in 2025, the COLA for 2026 is 2.8%. As a result, the maximum monthly benefit for those retiring at full retirement age in 2026 has increased to \$4,152.⁹

Even if you may not receive the maximum sum in Social Security benefits, you can still make a plan to get the most you can out of your benefit. You can begin by examining your benefit declarations on a regular basis to make sure you are getting the credit for the taxes you are paying into the system. Looking over your statements can also help you determine when to apply for benefits by showcasing the amount you are receiving.





73

And Required Income

In 2022, the SECURE Act 2.0 modified the age when Required Minimum Distributions need to be taken from 72 to 73. These RMDs are applicable to qualified retirement plans such as 401(k)s, 403(b)s, Profit Sharing plans, Money Purchase Pensions, IRAs, Simple IRAs, and SEP IRAs, providing retirees with additional time to allow their retirement savings to expand tax-free.¹⁰

The annual RMD (Required Minimum Distribution) is the floor of what the retiree is obligated to take out of their retirement account, but they have the choice to withdraw more. Taking out more than the RMD could lead to a greater tax requirement and any additional funds withdrawn won't benefit from tax-free growth.

If you forget to take an RMD, it's going to cost you. There is a 25% penalty based on the RMD you were supposed to take.¹¹ RMDs are based on the total balance of all your IRAs, 401(k)s, and other traditional retirement plans as of December 31st of the previous year. You can visit your financial professional to develop a retirement timeline including your RMDs that works for you.



Recognizing and planning for these milestone birthdays is a good way to make sure you are ready for retirement. You may find that planning your retirement around these birthdays may provide you with financial advantages. Furthermore, it is critical to be aware of these dates in order to prevent any penalties from being inflicted if the date is not met. And while you're at it, why not plan birthday parties around these key dates?

Do You Have Questions About Your Retirement Birthday (Party) Timeline?

We cordially invite you to give us a call and visit our office to go over your options and strategies to make these birthdays truly worth celebrating.

Sources

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