

Quaker Oats Credit Union

6 Tips to Help You Max Out Your 401(k) in 2017

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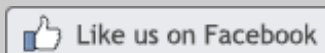
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We're one month into 2017. Hopefully you've recovered from all the holiday expenses and are ready to get your finances on-track. A



401(k) account allows you to take advantage of tax breaks, employer contributions, investment growth and automatic saving. However, it's important to avoid fees and penalties.

Below are 6 tips to help your 401(k) account grow faster in 2017.

1) Qualify for tax breaks

You can defer paying income tax on up to \$18,000 that you save in a 401(k) plan. A worker in the 25 percent tax bracket who contributed the maximum amount to a 401(k) would save \$4,500 on his income tax return. Income tax won't be due on this money until it's withdrawn from the account.

Workers who earn less than \$31,000 in 2017 (\$62,000 for couples) might additionally qualify for the saver's credit, worth between 10 and 50 percent of 401(k) contributions, up to \$2,000 for individuals and \$4,000 for couples.

2) Make catch-up contributions

Workers age 50 and older are eligible to save an additional \$6,000 in a 401(k) plan in 2017 for a total 401(k) contribution of \$24,000.

3) Get a 401(k) match

A 401(k) match is one of the fastest possible ways to boost your retirement savings. If your employer will give you 50 cents for each dollar you save, that's a 50 percent return on your investment. A dollar-for-dollar 401(k) match is a quick way to double your money.

4) Avoid penalties

If you take money out of your 401(k) account too soon or too late, you may be hit with a penalty. There's a 10 percent early withdrawal penalty if you take out money from your 401(k) before age 55. You will also be charged a 50 percent tax penalty if you are retired and fail to take distributions from the account after age 70 ½.

5) Sign-up for direct deposit

Your 401(k) contributions can be withheld from your paycheck before you ever get a chance to spend them. This is the fastest way to get money into your account and reduce the temptation to skip a deposit.

6) Increase your withholding

As you get raises and bonuses, consider redirecting part of your pay increase to your 401(k) plan. Some 401(k) plans have an automatic escalation feature that will increase your savings rate over time without any further action.

Source: www.money.usnews.com

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