

Ways to Afford Your Retirement Account Catch-Up Contributions

Turning 50 might not be everyone's idea of excitement, but when it comes to saving for retirement, 50 is when things start getting a lot more interesting.

That's because people age 50 and over can make what are known as "catch-up" contributions to IRAs and most workplace-based retirement plans. These special contributions are in addition to regular contribution limits and allow individuals to maximize the amount of tax-advantaged retirement savings they can stash away.

The catch-up phenomenon has never been more important as American workers attempt to rebuild retirement savings devastated by recent market losses. Taxpayers 50 or older are permitted to make additional contributions beyond standard limits. For calendar year 2010, here are the standard contribution limits with their catch-up amount:

1. Traditional and Roth IRAs have a standard contribution limit of \$5,000 with an over-50 catch-up contribution of \$1,000 for a total contribution limit of \$6,000.
2. SIMPLE IRAs have a standard contribution limit of \$11,500 with an over-50 catch-up contribution of \$2,500 for a total contribution limit of \$14,000.
3. 401(k), 403(b), 457(b), Roth 401(k) and Roth 403(b) plans have a standard contribution limit of \$16,500 with a catch-up contribution of \$5,500 for a total contribution limit of \$22,000.

So, where to find the money? Here are some suggestions to make it happen:

Earn more: Yes, a tall order in a tough economy. But if you can take on extra freelance work or a part-time job that you enjoy, you can work to extinguish debt and maximize your savings.

Cut out the extras: Either on paper or on the computer, write down every dollar you spend in the average week (and cut off credit card use during that week). At the end of that week, start marking out non-essential items just to see how much you could live without. Start with gourmet coffee and restaurant or carryout meals and work backward from there. And don't forget those regular monthly expenditures that can really add up. Do you really need premium cable? Can you surrender your landline in favor of a cell phone that's matched to the exact number of minutes you'll need? Can you afford a higher deductible on your health, home or auto insurance to save on premiums?

Set a budget: Once you've established how your income covers the essential expenses you must plan for and a few inexpensive treats that should stay in, build a budget that includes specific amounts you can allocate toward debt. Going forward, keep a running total of your spending and revisit how that budget is working on a monthly basis until you start to see some positive results, and then you can review the performance of that budget a little less frequently.

If you can do it safely, take over home and auto maintenance yourself: The do-it-yourself movement is in a new phase with the economic downturn. For any home or auto maintenance chores you may have during the year, learn as much as you can about those tasks and estimate

the cost of materials and your time before doing them yourself. Previous generations made do-it-yourself a necessity. See if that option is right for you and you might save considerable money doing it. Also, for bigger jobs, pair up with friends and family and you can help each other save money.

Turn down the thermostat and park the car: Don't underestimate the value of energy savings in your budget. Keep the temperature down at home and opt for public transit, biking and walking where you need to go. For a look at how much public transit can save you, go to the American Public Transit Association's [gas savings calculator](#) . And if you're going to walk or bike, that's not only going to save your money, it'll do wonders for your health.

Go debit: Debit cards wearing a bankcard logo are typically welcome at most stores where credit cards are accepted. This way, you pay cash without carrying cash. If you don't have such a card, you can probably get one from your bank to replace your traditional ATM card, but remember to tell them to limit your buying power on the card to only what you have in your account. And use overdraft protection to avoid fees.

Buy used for yourself: If you need clothing, a car or a new watch to replace the old one that's past fixing, it might be worthwhile to buy second-hand at shops or on the Internet. Plenty of people have unloaded items in relatively good shape to bring in cash during the recent downturn. Get in the habit of saving money on everything.