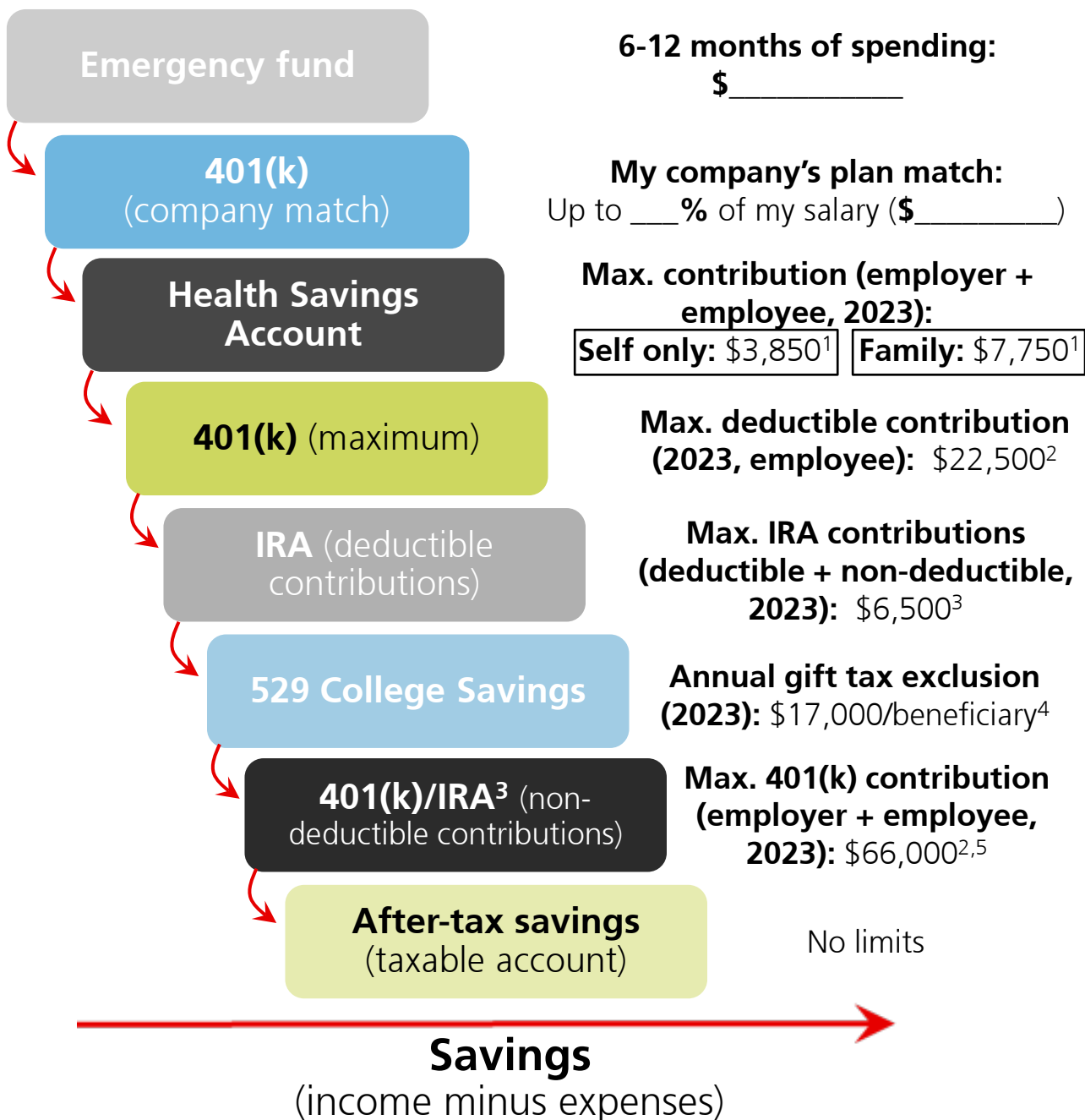


Where should I put my savings?

A **savings waterfall** to help you prioritize your after-tax growth potential





Next steps

1. Write down your expected savings for the calendar year and draft a savings plan using the savings waterfall as a guide.
2. Review your plan with your family and your financial advisor.
3. Set up direct deposits and recurring account transfers so that your savings are automatically deposited and invested as they arrive in each account.
4. Update your plan each year, and after major life events (marriage, a new child, etc.) based on your earnings and spending patterns.

Additional considerations

Annual catch-up contributions (2023)

- ¹ **HSA (age 55 and older):** \$1,000 additional
- ² **401(k) (age 50 and older):** \$7,500 additional
- ³ **IRA (age 50 or older):** \$1,000 additional

Other notes

- ⁴ Although each state sets a maximum account balance for 529 College Savings plans, there is generally no annual contribution limit. Using the special 5-year accelerated gifting rule for 529 contributions, you and your spouse can each give up to \$85,000 per beneficiary every 5 years ($\$17,000 \times 5 \text{ years} = \$85,000$) without tapping into your lifetime gift and estate tax exemption or triggering gift taxes. In over 30 states, your 529 contributions may qualify you for deductions or tax credits to offset your state income taxes. Check your state's 529 plan for terms and limits.
- ⁵ The maximum that you and your employer combined can put into your 401(k) plan is \$66,000 (\$73,500 if you are age 50 or older). If your 401(k) plan allows you to make after-tax contributions, and your plan offers in-service distributions or conversions, you may be able to make after-tax contributions and then distribute/convert them to a Roth IRA or the Roth 401(k) part of your plan. Upon distribution/conversion, you will owe taxes on any earnings accrued on these after-tax contributions—but once the assets are in the Roth account, future qualified distributions will be tax-free. This strategy can help to increase the amount of earnings you can put into tax-exempt assets each year.

Appendix

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Version D/2022. CIO82652744

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