



Unlocking the Power of After-Tax 401(k) Contributions

Your Secret Weapon to Building Wealth Beyond Traditional Limits

Congratulations if you've maxed out your 401(k) contributions — you're already ahead of the retirement game. But did you know there's an additional opportunity to turbocharge your retirement savings?

Enter the after-tax 401(k) contribution strategy.

This after-tax 401(k) is a powerhouse for building your retirement savings. It lets you contribute money that you've already paid taxes on, so you can stash away even more for the future. The real magic happens as your contributions grow tax-free — just like a Roth IRA or Roth 401(k). When you make qualified withdrawals, there are no taxes or penalties — only pure, tax-free retirement fund withdrawals.

How high-income savers can fatten their 401(k)s

For those who already maxed their 401(k) with pre-tax dollars but are hungry for more retirement plan growth, after-tax contributions may be an option. By funneling already-taxed income into your 401(k), you're opening a gateway to additional tax-free growth that rivals the Roth IRA.

2025 Salary Deferral Limits:¹

- Standard: \$23,500
- Age 50+: \$31,000

- Ages 60-63: \$34,750
- Total annual limits (including employer match): up to \$70,000; \$77,500 for Age 50+; and \$81,250 for Ages 60-63²

For the truly ambitious, the after-tax 401(k) can transform into a financial strategy which allows you to:

1. Contribute after-tax dollars to your 401(k)
2. Convert those contributions to a Roth account
3. Watch your money grow tax-free and enjoy tax-free withdrawals in retirement³

Is this right for me?

While the after-tax 401(k) strategy is powerful, it's not universally available.⁴ Be sure to:

- Check with your HR or benefits department to see if your plan allows after-tax contributions and in-service rollovers
- Consider the timing carefully to minimize taxes on earnings during conversion

Retirement planning isn't a one-size-fits-all puzzle, especially for high-income earners. The after-tax 401(k) strategy could be the missing piece to your retirement plan. It might seem complex at first glance, but the long-term payoff can be meaningful.⁵

Ready to elevate your retirement game? Don't leave money on the table. Speak with your trusted advisor to see if this strategy is right for you.

Endnotes

¹ EP Wealth Advisors, "How Much Can I Contribute to a 401(k) in 2025?," EP Wealth Advisors (2/10/2025), <https://www.epwealth.com/blog/how-much-can-i-contribute-to-a-401k-in-2025#:~:text=Total%20Maximum%20Contribution%20Limits%20for,combined%20employee%20and%20employer%20limit.>

² Adam Hayes, "401(k) Contribution Limits for 2024 vs. 2025," Investopedia, <https://www.investopedia.com/retirement/401k-contributionlimits/#:~:text=to%20certain%20limits.,The%20limit%20on%20total%20employer%20and%20employee%20contributions%20for%202025,63%2C%20the%20limit%20is%20%2481%2C250.>

³ Ibid.

⁴ Elizabeth Ayoola, "After-Tax 401(k) Contributions: A Guide for How They Work," Nerdwallet (February 11, 2025), <https://www.nerdwallet.com/article/investing/after-tax-401k-contributions>.

⁵ Fidelity Viewpoints, "What to do with after-tax 401(k) contributions," Fidelity (n.d.), <https://www.fidelity.com/viewpoints/retirement/401k-contributions>.

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