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Important Birthdays Over 50

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Most children stop being “and-a-half” somewhere around age 12. Kids add “and-a-half” to make sure everyone knows they’re closer to the next age than the last.

When you are older, “and-a-half” birthdays start making a comeback. In fact, starting at age 50, several birthdays and “half-birthdays” are critical to understand because they have implications regarding your retirement income.

Important Birthdays

Age 50

At age 50, workers in certain qualified retirement plans are able to begin making annual catch-up contributions in addition to their normal contributions. Those who participate in 401(k), 403(b), and 457 plans can contribute an additional \$6,000 per year in 2017.¹ Those who participate in Simple IRA or Simple 401(k) plans can make a catch-up contribution of up to \$3,000 in 2017. And those who participate in traditional IRAs can set aside an additional \$1,000 a year.²

Age 59½

At age 59½, workers are able to start making withdrawals from qualified retirement plans without incurring a 10% federal income-tax penalty. This applies to workers who have contributed to IRAs and employer-sponsored plans, such as 401(k) and 403(b) plans (457 plans are never subject to the 10% penalty). Keep in mind that distributions from traditional IRAs, 401(k) plans, and other employer-sponsored retirement plans are taxed

as ordinary income.

Age 62

At age 62 workers are first able to draw Social Security retirement benefits. However, if a person continues to work, those benefits will be reduced. The Social Security Administration will deduct \$1 in benefits for each \$2 an individual earns above an annual limit. In 2016, the income limit is \$16,920.

Age 65

At age 65, individuals can qualify for Medicare. The Social Security Administration recommends applying three months before reaching age 65. It's important to note that if you are already receiving Social Security benefits, you will automatically be enrolled in Medicare Part A (hospitalization) and Part B (medical insurance) without an additional application.³

Age 65 to 67

Between ages 65 and 67, individuals become eligible to receive 100% of their Social Security benefit. The age varies, depending on birth year. Individuals born in 1955, for example, become eligible to receive 100% of their benefits when they reach age 66 years and 2 months. Those born in 1960 or later need to reach age 67 before they'll become eligible to receive full benefits.

Fast Fact: Early Benefits. The most popular age to begin taking Social Security benefits is 62—the age chosen by 42% of men and 48% of women.

Source: The Motley Fool, April 19, 2016

Age 70½

At age 70½, participants must begin taking required minimum distributions (RMDs) from traditional IRAs and qualified retirement plans, such as 401(k), 403(b), and 457 plans. RMDs are based on your account balance and life expectancy.

Understanding key birthdays may help you better prepare for certain retirement income and benefits. But perhaps more importantly, knowing key birthdays can help you avoid penalties that may be imposed if you miss the date.

The catch-up limit is adjusted in \$500 increments.

If you reach the age of 50 before the end of the calendar year.

Individuals can decline Part B coverage because it requires an additional premium payment.

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