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# How to save after you max out your 401(k)

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**If you're already able to maximize your 401(k) contributions, you're making good progress toward retirement.**

It's possible that maxing out your 401(k) contributions each year will provide you with enough income to retire at age 65. But if you'd like to retire earlier, or spend more in retirement, your 401(k) may not be enough on its own; you'll need to save additional dollars in other investment accounts.

We suggest using our [Savings waterfall worksheet](#) to help you prioritize your savings based on after-tax growth potential. If you aren't yet able to max out your 401(k) contributions, we suggest aiming to contribute at least enough to get the full employer match.

For a brief overview of what an employer matching contribution is, watch our video, [Let's talk about money: 401\(k\) company match](#).

As you work through the worksheet, make sure you both fill out each level of the waterfall before moving on to the next level. For instance, make sure you maximize employer matching contributions from each of your employer plans before directing savings to your Health Savings Account (if applicable) so that you can benefit from an increased savings potential each pay period.

Some plans have an auto-increase feature, which can help you gradually increase your retirement savings over time without the need for active decision-making. While we suggest reviewing your contributions annually, turning on the auto-increase feature can be helpful in case you forget to do this every year.

If you're already maxing out your 401(k) contributions, we've listed the next account types to take advantage of to help you make the most of every additional dollar saved:

**1. Deductible contributions to a Traditional IRA (if you're eligible):** Deductible contributions to a Traditional IRA can reduce your taxable income that year, providing an immediate tax savings while allowing your investments to grow tax-deferred.

For 2025, the annual contribution limit is \$7,000 with an additional \$1,000 catch-up contribution for those age 50 and over. Eligibility to make deductible contributions is based on your income and whether you or your spouse are covered by a retirement plan at work.

See our [2025 Tax fact sheet](#) for more information.

**2. 529 College Savings (if applicable):** If college costs are in your future, consider adding this step to your savings waterfall. A 529 plan is designed to help you save for future education expenses, offering tax advantages that can help you grow your savings. Contributions grow tax-deferred, and withdrawals for qualified education expenses are tax-free at the federal level. Contributions are tax-deductible, or come with tax credits in over 30 states (though not at the federal level). It's important to note that some states may also impose taxes or restrictions on certain distributions, so do consider your state's policies.

See our report [529 College Savings FAQ](#) for more information on how to make the most of your college savings.

**3. After-tax 401(k)/IRA contributions (also known as "non-deductible"):** When you are saving in an IRA or 401(k), after-tax or non-deductible contributions are another type of contribution that can be made. Nondeductible contributions do not give you any tax deduction, but your investments grow without incurring annual taxes on growth and income. When you withdraw these funds, you will pay ordinary income tax on any earnings that your contributions have generated, but not on the contributions themselves.

After-tax contributions' tax benefits aren't as attractive as pretax or Roth contributions' tax benefits, but these contribution types can be used as a "backdoor" for getting funds into a Roth retirement account, even when you can't make a direct Roth contribution.

For more information, please see:

- [How to implement a 'mega backdoor Roth conversion'](#)
- [How to use the 'backdoor Roth IRA' strategy](#)

**4. After-tax savings in a taxable account:** Once you've taken full advantage of the other account types in your savings waterfall, taxable accounts can be used to supplement your retirement savings.

While earnings are subject to capital gains and dividend taxes, tax management strategies can help you to optimize your after-tax returns in these accounts.

Connect with your financial advisor to learn more about these strategies for the various account types in your savings waterfall. For example, taxable account strategies that employ tax-loss harvesting, tax-deferred accounts such as annuities and life insurance policies, and real estate investments that may allow you to defer capital gains.

Another benefit of saving in a taxable account is that these assets can enjoy a broad range of investment options that might not be available to you in your 401(k)s and IRAs. Work with your financial advisor to make sure you're taking advantage of all the investment options that are available to you.

For more insights on managing your retirement assets, please visit [ubs.com/retirementguidebook](https://ubs.com/retirementguidebook).

See this month's Modern Retirement Monthly, [Is it enough to max out your 401\(k\) every year?](#), 26 March, 2025, which includes further details and disclosures.

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