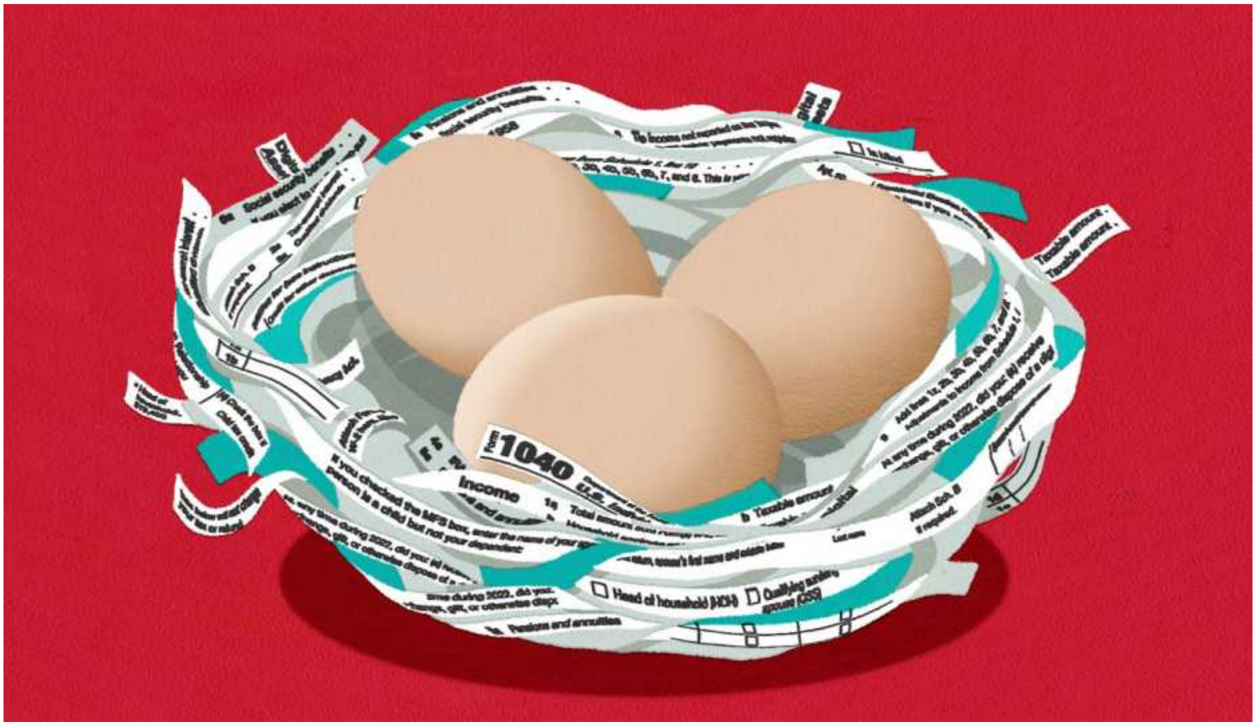
6 Tax Breaks After 50 You Can't Afford to Miss



Senior discounts aren't the only way to save money when you get older — you can also lower your taxes. That's right: Starting as young as age 50, you may become eligible for some valuable tax breaks from Uncle Sam.

Some allow you to contribute more to individual retirement accounts (IRAs), employer-sponsored retirement plans such as 401(k)s and health savings accounts (HSAs). This can be a big help if you're behind on your retirement savings goals or are looking for a source of tax-free money to pay out-of-pocket medical expenses.

If you're already retired, there are other tax benefits that can cut your tax bill when you file your return.

But if you don't know about these perks, you can't claim them. Let's take a look at six tax breaks for people 50 or older.

1. Contribute more to your retirement plan

“The most important kicker when one is over 50 is the additional deductible contribution to a 401(k) or IRA,” says John Power, a certified financial planner at Power Plans in Walpole, Massachusetts. “These are often the highest-earning years, and they often synchronize with children becoming independent,” reducing household expenses. If this is your situation, Power encourages maximizing your retirement savings.

For 2025, the standard contribution limit for employees who participate in 401(k) and 403(b) programs, most 457 retirement saving plans and the federal government's Thrift Savings Plan increases to $23,500, up from $23,000 in 2024. Employees 50 and older can contribute an additional $7,500, for a total of $31,000. These additional amounts are known as “catch-up” contributions. And, starting in 2025, workers who are 60 to 63 years old can make bigger catch-up contributions — up to $11,250, for a grand total of $34,750.

There’s a similar system for annual contributions to most IRAs. For 2025, the standard contribution limit for a traditional or Roth IRA is $7,000, the same amount allowed for 2024. But once again, you can put more in if you’re at least 50 years old (although there's no “supersized” IRA catch-up for people ages 60 to 63). For most IRAs, the 2025 catch-up amount is $1,000, the same as in 2024. (Different contribution limits apply to special IRAs available to small business owners and self-employed people, such as SEP IRAs and SIMPLE IRAs.)

Attractive as these catch-up provisions are, only 15 percent of eligible savers make them, according to Vanguard’s most recent “How America Saves” report.

At the same time, data from the Center for Retirement Research at Boston College indicates that roughly 2 in 5 U.S. households are at risk of being unable to maintain their preretirement standard of living in retirement.

In addition to making your retirement more secure, contributing to a tax-deferred retirement plan such as a traditional IRA or 401(k) can reduce your taxable income. Let's say your salary is $75,000. Contribute 6 percent of that amount — $4,500 — and your taxable income will drop to $70,500. If you’re a single filer in the 22 percent tax bracket, that would cut your federal income tax bill by $990.

Remember, this applies to a traditional IRA or 401(k). Retirement contributions to a Roth IRA or Roth 401(k) are made on an after-tax basis. You get no up-front tax break for these contributions, but the qualifying withdrawals that you take in retirement will be tax-free. When you contribute pretax money to a traditional IRA or 401(k), it will grow tax-free, but you'll be liable for taxes once you start making withdrawals in retirement.

Also keep in mind that the tax deduction you receive for contributions to a traditional IRA may be reduced or even eliminated if you are covered by a workplace retirement plan (or your spouse is) and your income exceeds certain limits. Under IRS rules, for 2025:

- A single taxpayer with a retirement plan at work can’t deduct any of their IRA contributions if their modified adjusted gross income (MAGI) is $89,000 or more. (MAGI is your adjusted gross income, plus certain deductions, such as the student loan interest deduction.)
- For married couples filing jointly, if the spouse making the IRA contribution is covered by a workplace retirement plan, the MAGI cut-off is $146,000.
- If an IRA contributor is not covered by a workplace retirement plan but has a spouse who is, there’s no deduction at a MAGI of $246,000 or more.

Roth IRAs also have income limits. For 2025, a single taxpayer can’t contribute to a Roth IRA if their MAGI is $165,000 or more. For married couples filing jointly, the cut-off is $246,000. (Your MAGI for Roth IRA purposes may be different from your MAGI for purposes of the IRA deduction.)

Finally, when it comes to a traditional IRA or Roth IRA, you have until the tax-filing deadline for the year to make a contribution — that is, you can count a contribution against your 2024 taxes if you make it by April 15, 2025. However, for 401(k)s, 403(b)s, Thrift Savings Plans and most 457 plans, the deadline is Dec. 31 of the tax year.

2. Ease the pain of RMDs

Obviously, the longer you tap your retirement savings, the greater the odds of them running out. Nevertheless, you can't leave that money untouched forever. At some point, you'll have to take required minimum distributions (RMDs), a federally set minimum amount you must annually withdraw from a tax-deferred retirement plan such as a traditional IRA or 401(k). (Roth IRAs and 401(k)s don't require distributions while the owner is alive.)

3. Max out your HSA with catch-up contributions

Another often overlooked opportunity lies in health savings accounts, says Brenna Baucum, founder of Collective Wealth Planning in Salem, Oregon. Many employers offer HSAs as part of their benefits package (and might even put some money in the account), but you can open one on your own if it's not offered at work.

“For those in their 50s, HSAs offer a unique advantage," she says. "By contributing to your HSA, you prepare for future health care expenses and enjoy a triple tax benefit — tax-deductible contributions, tax-free growth and tax-free withdrawals for qualified medical expenses.” However, you can’t contribute to an HSA unless you have medical insurance under a high-deductible health plan (HDHP).

For 2025, you can contribute up to $4,300 if you have coverage under an HDHP for yourself (up from $4,150 in 2024), or up to $8,550 for family coverage (up from $8,300 in 2024). If you’re at least 55 years old, you can contribute up to $1,000 more. However, your contribution limit will be reduced by any amount your employer contributed that has been excluded from your income.

Sandi Weaver, owner of Weaver Financial in Mission, Kansas, reminds her clients to make use of the catch-up contribution once they reach 55: “We get an immediate tax deduction for that catch-up, plus for the basic HSA contribution itself.”

Plus, the account is yours: If you open an HSA through your employer, you can take it with you to a new job and use the funds in retirement.

4. Enjoy a larger standard deduction at 65

You can look forward to an additional tax benefit down the road. The standard deduction, which reduces your taxable income and, in turn, lowers your tax bill, is larger once you reach 65.

For 2024 taxes — the ones your must pay by April 15, 2025 — the basic standard deduction is $14,600 for a single taxpayer (or a married person filing separately from their spouse), or $29,200 for a married couple filing jointly.

But if you are 65 or older, you get an extra deduction — $1,950 if you're single (other than a surviving spouse) or $1,550 if you're married (so, $3,100 total if both you and your mate are 65-plus). The extra deductions are doubled for taxpayers who are both 65-plus and blind.

For the 2025 tax year, which you will file a return for in 2026, the basic standard deduction will be $30,000 for joint filers and $15,000 for single taxpayers and married people filing separately. The extra amount for people 65 or older jumps to $2,000 for single taxpayers and $1,600 for married people.

5. Older people with a lower income may qualify for a tax credit

If you are at least 65 years old or have a disability, you can claim the Credit for the Elderly or the Disabled if your income is below a certain amount.

If you are claiming the credit based on your age, it can be worth as much as:

- $7,500 for married couples filing a joint return.
- $3,750 for married people filing a separate return from their spouse. (With this filing status, you can only claim the credit if you lived apart from your spouse for the entire tax year.)
- $5,000 for all other adults 65 or older.

There are two sets of income limits, which depend on your filing status. The first limit is based on your adjusted gross income (AGI), while the other is based on your nontaxable Social Security, pension, annuity or disability income.

This table shows who generally can claim the credit if all the other requirements are met.

Tax Credit for the Elderly or the Disabled

this table describes income thresholds based on filing status and eligibility for a credit for people filing a joint return where both spouses qualify for the credit the adjusted gross income must be less than twenty five thousand dollars or the nontaxable income must be less than seven thousand five hundred dollars for people filing a joint return where only one spouse qualifies for the credit the adjusted gross income must be less than twenty thousand dollars or the nontaxable income must be less than five thousand dollars for people married but filing a separate return the adjusted gross income must be less than twelve thousand five hundred dollars or the nontaxable income must be less than three thousand seven hundred fifty dollars for all other taxpayers the adjusted gross income must be less than seventeen thousand five hundred dollars or the nontaxable income must be less than five thousand dollars

Table with 3 columns and 4 rows.

Filing status	Your adjusted gross income (AGI) is…	And your nontaxable income is…
Filing a joint return, and both spouses qualify for the credit	Less than $25,000	Less than $7,500
Filing a joint return, but only one spouse qualifies for the credit	Less than $20,000	Less than $5,000
Married, but filing a separate return from your spouse	Less than $12,500	Less than $3,750
All other taxpayers	Less than $17,500	Less than $5,000

Source: IRS

The credit is nonrefundable, which means it can’t reduce your tax bill below $0 and trigger a tax refund. For instance, if you owe $5,000 in taxes before the credit is applied and your credit is worth $7,500, you won’t get a $2,500 refund — but at least your tax bill will be wiped out in this example, so you won’t have to pay the IRS when you file your return.
Tax credits are better than tax deductions. Deductions reduce your taxable income, which lowers your tax bill, but your tax savings don’t equal the amount of the deduction. For example, if you are in the 24 percent tax bracket and you qualify for a $100 deduction, your tax bill is $24 lower.

Credits, on the other hand, generally reduce your tax bill on a dollar-for-dollar basis (unless it’s a nonrefundable credit that’s greater than your pre-credit tax liability). For instance, if you owe $500 in tax before accounting for any tax credits and you qualify for a $300 credit, your final tax bill will be only $200.

6. Don’t forget about state and local tax breaks

Your state, county or city might offer tax breaks for older adults, too.

For instance, some states offer income tax deductions, credits, or exemptions for Social Security benefits or other types of retirement income — or for just being over a certain age.

Property tax breaks for older adults are also very popular with state and local lawmakers. It's even possible to get an age-based sales tax reduction or exemption in some places.

Reach out to your state's tax agency or your local tax department to learn more about tax breaks that might be available for older adults in your area.

By Rocky Mengle and Patricia Amend