UBS

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Chief Investment Office GWM
Investment Research

Where should I put my savings?

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

Emergency fund

Six to 12 months of spending:
$____________

401(k)
(company match)

My company's plan match:
Up to ___**%** of my salary (**$**__________)

Health Savings Account

Max. contribution (employer + employee, 2025):
Self only: $4,300[1] | **Family:** $8,550[1]

401(k) (maximum)

Max. deductible contribution (2025, employee): $23,500[2,3]

IRA (deductible contributions)

Max. IRA contributions (deductible + non-deductible, 2025): $7,000[4]

529 College Savings

Annual gift tax exclusion (2025): $19,000/beneficiary[5]

401(k)/IRA[4] (non-deductible contributions)

Max. 401(k) contribution (employer + employee, 2025): $70,000[2,3,6]

After-tax savings
(taxable account)

No limits

Savings
(income minus expenses)

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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 (2025)

[1] **HSA (age 55 and older):** $1,000 additional ($9,550 total for families)

[2] **401(k) (age 50-59, 64 and older):** $7,500 additional ($31,000 total)

[3] **401(k) (age 60-63):** $11,250 additional ($34,750 total) **NEW**

[4] **IRA (age 50 or older):** $1,000 additional ($8,000 total)

Other notes

[5] There is generally no annual contribution limit balance for 529 College Savings plans, though your state may set a maximum account size. Using the special 5-year accelerated gifting rule for 529 contributions, you and your spouse can each give up to $95,000 per beneficiary every five years ($19,000 x 5 years = $95,000 based on the 2025 annual gift tax exclusion) without tapping into your lifetime gift and estate tax exemption or triggering gift taxes. Your 529 contributions may qualify you for deductions or tax credits to offset your state income taxes. Check your state's 529 plan(s) for terms and limits.

[6] The maximum that you and your employer combined can put into your 401(k) plan is $70,000 ($77,500 if you are age 50-59, or 64 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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