



STABLER

WEALTH MANAGEMENT

# Supercharge Your 401k: These Overlooked Strategies Can Fast-Track Work Optionality

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As a financial planning firm that specializes in working with Microsoft professionals, one of the most overlooked opportunities within Microsoft's benefits program is the robust 401(k) program. In this article we'll go over the various strategies available for Microsoft professionals to maximize their 401(k) benefits; this alone will provide a great start on that track towards obtaining work optionality!

## Microsoft's 50% 401(k) Match (aka "Free Money")

Microsoft has a very competitive 401(k) matching program in which it matches 50% of your employee contribution up to your maximum regular contribution of \$22,500 for 2024. **This equates to up to \$11,250 that Microsoft will contribute to your 401(k) for 2023** – for context Amazon's match comes out to only 2% of contributions. This is quite literally free money that serves as additional compensation to you and boosts your retirement portfolio in a tax advantaged way. For employees aged 50 and above, you are able to contribute an additional \$7,500 on top of the \$22,500 cap, however, please note that Microsoft's 50% match does not apply to this \$7,500 catch-up contribution amount.

## Beyond Traditional: The Roth 401(k)

In addition to the traditional 401(k), Microsoft offers its employees the option to make their contributions to a Roth 401(k). This approach allows you to pay taxes up front (you don't get a tax deduction on your contributions like the traditional option), however you then enjoy tax-free growth as all of your future withdrawals are tax-free. For many Microsoft employees we recommend utilizing the traditional pre-tax option as they are likely in a higher tax bracket then they will be in their retirement years (teaser: especially given the Backdoor Roth we're about to mention), however as the current federal tax rates are set to go up in 2026 and the risk of a state income tax in the future – the Roth option has become compelling in many instances. We suggest meeting with our office to evaluate which is the best option for you.

## The Mega Backdoor Roth = Game Changer

Perhaps the biggest needle-mover of Microsoft's 401(k) plan is the Mega Backdoor Roth. This feature allows you to contribute an additional \$32,250 into the after-tax part of your 401(k) in 2023, a sum which Microsoft then immediately converts to a Roth without any additional tax. Although Microsoft does not match these after-tax contributions, the ability to make such a substantial additional

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backdoor contribution to your Roth account can be a game changer when it comes to retirement planning.

## To Sum it All Up

Microsoft's 401(k) program offers plenty of horsepower to accelerate your path towards financial independence. Between Microsoft's match of up to \$11,250, the \$22,500 (\$30,000 if over the age of 50) you can contribute to the Traditional Pre-Tax or Roth 401(k), and the extra \$32,250 that can be put in through the after-tax Backdoor Roth, that totals up to \$73,500 that can be added to your 401(k) each year in a tax advantaged way! Utilizing your 401(k) along with the other benefits that Microsoft offers can make that goal of work optionality a reality in no time.

Please do not hesitate to contact our office to review your financial plan with one of our Certified Financial Planners. At Stabler Wealth Management we specialize in helping Microsoft professionals make the most of their wealth and work towards achieving financial freedom.

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Please tune in to our website blog ([www.stablerwealthmanagement.com](http://www.stablerwealthmanagement.com)), YouTube channel and LinkedIn page to receive our latest financial planning updates for Microsoft professionals.

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