AN OVERVIEW OF RETIREMENT ACCOUNTS

The puzzle pieces of your *retirement savings*

Every account you have follows different rules.
Fitting them together is the work.



ABRI

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Retirement planning is harder *than it looks*

Saving as a child meant a piggy bank. Saving for retirement means investing what you set aside, across a collection of accounts you have picked up over a career: a 401(k) here, an old plan from two jobs ago, an IRA you opened yourself, maybe a 403(b) or a SEP.

Each of those pieces is taxed differently, accessed differently, and inherited differently. Fitting them together so the money is there when you need it starts with knowing how each one works. This guide is that playbook, written for people who are close to retirement or recently in it.

WHAT THIS GUIDE COVERS

- The 401(k), and what happens to it when you leave a job
- Traditional and Roth IRAs, and when each one wins
- 403(b), 401(a), 457, SEP and SIMPLE plans
- What SECURE Act 2.0 changed, including what took effect this year
- Whether an annuity belongs inside a retirement account

PIECE 01

The *401(k)*

The most common employer-sponsored retirement account. It is jointly owned by you and your employer, and it typically holds stocks, bonds, mutual funds, and target-date funds. Most plans offer a traditional version; many now also offer a Roth version.[1]

Contributions come straight out of your paycheck. In a traditional 401(k) you owe no tax on gains or rebalancing until you withdraw, which leaves the whole balance compounding. Withdrawals before age 59½ generally carry a 10% penalty on top of ordinary income tax, though leaving your job at 55 or later can waive the penalty on that plan's balance.[2]

The employer match is the single best return available to most savers. If your plan matches 4% and you contribute 2%, you are declining half of it. Contribute at least to the full match before anything else.



What happens when you leave your job

The account is yours, but the plan is your employer's. When you leave, you generally have three options.[3]

01 · WITHDRAW THE MONEY

Rarely the right move. The balance is taxable in the year you take it, plus the 10% penalty if you are under 59½ and do not qualify for the age-55 exception. Reserve this for a genuine cash emergency.

02 · ROLL IT OVER

Moving the balance to an IRA or a new employer's 401(k) preserves its tax treatment and usually widens your investment choices. A direct trustee-to-trustee transfer is safest; an indirect rollover must be completed within 60 days or it becomes a taxable distribution.

03 · LEAVE IT WHERE IT IS

Reasonable if the old plan is well run and cheap, though you usually cannot contribute further. The risk is drift: a career of job changes leaves a trail of forgotten accounts nobody is managing.[4]

PIECE 02

The traditional *IRA*

An IRA is an account you open yourself, on your own terms, funded when you choose rather than through payroll. Contributions may be deductible depending on your income and whether you are covered by a workplace plan, growth is tax-deferred, and withdrawals in retirement are taxed as ordinary income.[5]

Contribute more than the annual limit and the excess is subject to a 6% penalty for every year it stays in the account. Traditional IRAs are also subject to required minimum distributions beginning at age 73.[6]

A note on tax-smart investing

Inside the account, trades and reallocations are not taxable events. Only withdrawals are. That gives you room to rebalance during the growth years without a tax bill following every decision.[7]

There is often a window worth using: the years after you retire but before Social Security and RMDs begin. Income is at its lowest, so traditional IRA withdrawals or Roth conversions in that window can be taxed at a rate you will never see again, while delaying Social Security raises that benefit for life.

PIECE 03

Roth options: IRA *and 401(k)*

The difference between traditional and Roth is when you pay. Roth contributions are made after tax, then grow and come out tax-free in retirement if the rules are met. The question is simply whether your rate today is lower than the rate you expect later. Early career, a low-income year, or a belief that rates rise all argue for Roth.[8]

ROTH IRA INCOME LIMITS, 2026

Direct contributions phase out between $153,000 and $168,000 of modified adjusted gross income for single filers, and between $242,000 and $252,000 for married filing jointly. Above the top of the range, direct contributions are not permitted.[9]

ROTH 401(K)

Same contribution limits and penalties as a traditional 401(k), but funded after tax and withdrawn tax-free from 59½. Its advantage over the Roth IRA: no income limit at all. Since 2024 it also has no RMDs.[10]

INHERITED ROTH ACCOUNTS

Under the SECURE Act, most non-spouse heirs must empty an inherited Roth IRA or Roth 401(k) within 10 years. Distributions are still tax-free, but the account cannot compound across a beneficiary's lifetime the way it once could.

CONVERSIONS

You can move traditional dollars into a Roth at any income level by paying the tax in the conversion year. Done deliberately, in a low-income year, with the tax paid from outside the account, it is one of the most useful tools available. Done casually it is an expensive mistake.

PIECE 04

2026 contribution *limits*

ACCOUNT	EMPLOYEE LIMIT	CATCH-UP AT 50+	AGES 60 TO 63
401(k), 403(b), 457(b)	$24,500	$8,000	$11,250
Traditional and Roth IRA	$7,500	$1,100	Not applicable
SIMPLE IRA and SIMPLE 401(k)	$17,000	$4,000	$5,250
Total additions, all sources	$72,000	Plus catch-up	Plus catch-up
SEP IRA	Lesser of 25% of pay or $72,000	Employer funded	Employer funded

Compensation cap for plan purposes is $360,000. Source: IRS Notice 2025-67.

IN EFFECT NOW

If you earned more than $150,000 in FICA wages from your employer last year, your age-50 catch-up contributions must be made as Roth. There is no traditional pre-tax option for those dollars, and if your plan does not offer a Roth source you may not be able to make catch-up contributions at all. Worth confirming with your plan administrator.

PIECE 05



The other *plans*

403(B)

The nonprofit and public-sector counterpart to the 401(k), with the same contribution and catch-up limits and an exemption from nondiscrimination testing. Menus lean toward annuities and insurance-based products, with less investment flexibility. Think of it as a hybrid of a pension and a 401(k), often rewarding long tenure with one employer.[11]

401(A)

Government and nonprofit plans where enrollment is often mandatory and the employer sets the contribution. The employer also controls how the plan is invested, typically conservatively: government bonds and value-oriented funds. Exits are by rollover, lump sum, or annuity.[12]

457(B) AND 457(F)

Offered by government and tax-exempt employers. The 457(b) mirrors 401(k) limits and tax treatment but is more flexible on withdrawals: separate from service and the 10% early-withdrawal penalty generally does not apply, whatever your age. Employer matching is rare and counts against your own limit. The 457(f) is a supplemental plan for highly compensated executives and behaves more like deferred salary, with vesting risk attached.[13]

SEP IRA

Common at small firms and for the self-employed. The employer funds it, up to 25% of compensation or $72,000 in 2026, whichever is less, against a $360,000 compensation cap. Contributions are due by the tax filing deadline including extensions, which makes it a rare plan you can still fund after the year ends.[14]

SIMPLE IRA AND SIMPLE 401(K)

Also built for small employers, with both sides contributing and employer contributions required. The SIMPLE 401(k) caps employer contributions and can offer loans; the SIMPLE IRA does not cap them and is more flexible for the employer. SECURE Act 2.0 made Roth SIMPLE plans available.[15]

PIECE 06



What SECURE Act 2.0 *changed*

The law arrived in stages. Most provisions are now live; a few are still ahead.[16]

CHANGE	WHAT IT MEANS	STATUS
RMD age	Raised from 72 to 73, moving to 75 for those born in 1960 or later. Roth 401(k)s no longer have lifetime RMDs.	In effect
Roth catch-up mandate	Catch-up contributions must be Roth for employees earning above $150,000 in prior-year FICA wages.	In effect
Super catch-up	A larger catch-up of $11,250 for ages 60 to 63, replacing the standard amount in those four years only.	In effect
Automatic enrollment	New 401(k) and 403(b) plans must enroll eligible employees automatically.	In effect
Emergency withdrawals	Up to $1,000 a year penalty-free for an urgent expense. Repay it or wait three years before taking another.	In effect
Student loan match	Employers may match your student loan payments with contributions to your retirement plan.	In effect
Part-time eligibility	Long-term part-time workers qualify after two consecutive years of 500 or more hours.	In effect
529 to Roth IRA	Unused 529 funds in an account at least 15 years old can move to the beneficiary's Roth IRA, within the annual limit and a $35,000 lifetime cap.	In effect
Retirement Savings Lost and Found	A federal database for tracking down plans from former employers.	Live
Saver's Match	Replaces the Saver's Credit with a 50% federal match on up to $2,000 of contributions, paid into your account, with income phase-outs.	Starts 2027

PIECE 07

Can an annuity work inside *a retirement account?*

An annuity is an insurance contract: you pay premiums or a lump sum, and the insurer pays you an income stream for a set period or for life. Its main use in retirement is managing the risk of outliving your money. It also brings costs, surrender terms, and complexity that vary widely between contracts.[17]

Some 401(k) and IRA providers allow annuities to be held inside the account, combining the account's tax treatment with the contract's income guarantees. That combination is genuinely useful for some retirees and genuinely wrong for others, and the penalties for misusing either product are real. It is a decision to make with an advisor, not from a brochure.[18]

SECURE Act 2.0 simplified one piece of this. Annuity distributions and the rest of your account's RMDs can now be aggregated into a single calculation, rather than tested separately. That removed a real disincentive to holding an annuity in a qualified plan.[19]

Fitting the pieces *together*

Knowing the rules is half of it. The other half is sequencing: which account you draw from first, which year you convert, when you claim Social Security, and how the whole picture affects your bracket. Those choices interact, and they change as the law changes.

That is what we do at Abri. If you want a second read on how your accounts fit together, reach out for a complimentary review.

GET IN TOUCH

Share your story and see if we're a fit.

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Sources

1 IRS, 401(k) Plan Overview.

2 IRS, Topic No. 558, Additional Tax on Early Distributions.

3 IRS, Rollovers of Retirement Plan and IRA Distributions.

4 Department of Labor, Retirement Savings Lost and Found.

5 IRS, Publication 590-A, Contributions to IRAs.

6 IRS, Publication 590-B, Distributions from IRAs.

7 IRS, Publication 550, Investment Income and Expenses.

8 IRS, Roth Comparison Chart.

9 IRS Revenue Procedure 2025-32, 2026 inflation adjustments.

10 IRS, Designated Roth Accounts.

11 IRS, Publication 571, Tax-Sheltered Annuity Plans (403(b)).

12 IRS, 401(a) Qualified Plan Requirements.

13 IRS, Publication 4484, Retirement Plan Options for Tax-Exempt Employers.

14 IRS, SEP Plan FAQs and Notice 2025-67.

15 IRS, SIMPLE IRA Plan and SIMPLE 401(k) Plan.

16 SECURE 2.0 Act of 2022, Division T of Public Law 117-328.

17 FINRA, Annuities.

18 SEC Office of Investor Education, Annuities.

19 IRS, Required Minimum Distributions for Defined Contribution Plans.

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