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STEP #7
Retirement Planning

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TYPES OF RETIREMENT PLANS

Build today for the freedom of tomorrow.

Retirement plans help you save on taxes now so you can enjoy financial security later.

KEY TAKEAWAY

The right plan depends on your income, employment situation, and retirement goals. Many plans have annual contribution limits and tax benefits.

401(k)

Employer-sponsored plan that lets you save pre-tax dollars through payroll deductions.

- Pre-tax contributions reduce taxable income
- Employer may offer a matching contribution
- 2026 contribution limit: $23,500 ($31,000 age 50+)
- Withdrawals taxed as ordinary income

Traditional IRA

Individual retirement account with pre-tax contributions.

- Contributions may be tax-deductible
- Earnings grow tax-deferred
- 2026 contribution limit: $7,000 ($8,000 age 50+)
- Withdrawals taxed as ordinary income

Roth IRA

Individual retirement account with after-tax contributions.

- Contributions not tax-deductible
- Earnings grow tax-free
- 2026 contribution limit: $7,000 ($8,000 age 50+)
- Qualified withdrawals are tax-free

Roth 401(k)

After-tax contributions within an employer 401(k) plan.

- Pay taxes now, withdraw tax-free later
- Employer match (if any) goes into pre-tax 401(k)
- 2026 contribution limit: $23,500 ($31,000 age 50+)
- Qualified withdrawals are tax-free

457(b)

Employer-sponsored plan for government and certain non-profit employees.

- Pre-tax contributions
- Higher contribution limits than 401(k)s
- 2026 contribution limit: $23,500 ($31,000 age 50+) Catch-up up to $23,500 (ages 60–63)
- Withdrawals taxed as ordinary income

SIMPLE IRA

Retirement plan for small businesses with 100 or fewer employees.

- Employee deferrals are pre-tax
- Employer must contribute either match (up to 3%) or non-elective (2%)
- 2026 employee limit: $16,500 ($20,500 age 50+)
- Withdrawals taxed as ordinary income

SEP IRA

Retirement plan for self-employed individuals and small business owners.

- Employer contributions are pre-tax
- Very high contribution potential
- 2026 contribution limit: 25% of compensation up to $70,000
- Withdrawals taxed as ordinary income

OTHER OPTIONS TO CONSIDER

403(b)

For employees of public schools, certain non-profits, and tax-exempt organizations.

Thrift Savings Plan (TSP)

Retirement plan for federal employees and members of the uniformed services.

Health Savings Account (HSA)

Not a retirement plan, but HSA funds can be invested and used tax-free in retirement for qualified medical expenses.

Brokerage Account

After-tax savings and investments with no contribution limits and maximum flexibility.

Contribution limits apply to 2026 and are subject to change. Early withdrawals may be subject to taxes and penalties.

ROTH vs. TRADITIONAL

TWO PATHS. ONE GOAL: A SECURE RETIREMENT.

Both Roth and Traditional retirement accounts can help you build wealth for the future.
The key difference is when you pay taxes.

TRADITIONAL Pay Taxes Now, Pay Taxes Later	VS.	ROTH Pay Taxes Now, Tax-Free Later
Contributions may be tax-deductible, reducing your taxable income today.	**TAX BENEFIT** When you get the tax break	Contributions are made with after-tax dollars. No tax deduction today.
Money grows tax-deferred. You won't pay taxes on earnings until you withdraw.	**GROWTH** How your money grows	Money grows tax-free. You won't pay taxes on earnings or qualified withdrawals.
Withdrawals in retirement are taxed as ordinary income.	**WITHDRAWALS** How withdrawals are taxed	Qualified withdrawals in retirement are 100% tax-free.
No income limits to contribute.	**INCOME LIMITS** Who can contribute	Income limits may apply to contributions. (Phase-out ranges)
Required Minimum Distributions (RMDs) begin at age 73 (as of 2025).	**RMD RULES** Required Minimum Distributions	No RMDs during the original owner's lifetime.

WHICH IS RIGHT FOR YOU?

It depends on your income, tax bracket, and retirement goals. Many people benefit from a mix of both!

- **Choose Traditional** if you want a tax deduction now and expect to be in a lower tax bracket in retirement.
- **Choose Roth** if you want tax-free income in retirement and expect to be in a higher tax bracket later.

IMPORTANT: Contribution limits apply to both account types. | For 2025, the contribution limit is $7,000 ($8,000 if age 50+). | Consult a financial professional for personalized advice.

BROKERAGE ACCOUNT vs. RETIREMENT PLAN

TWO POWERFUL TOOLS. DIFFERENT PURPOSES.

Both can help you build wealth, but they work in different ways.
Understanding the differences can help you choose the right tool for your goals.

BROKERAGE ACCOUNT Invest with Flexibility	FEATURE	RETIREMENT PLAN Save for the Future
AFTER-TAX DOLLARS You invest money that has already been taxed.	TAX TREATMENT	**PRE-TAX OR AFTER-TAX** Contributions may be pre-tax (traditional) or after-tax (Roth).
FLEXIBLE USE No restrictions on when or how you use the money.	ACCESS TO FUNDS	**LIMITED UNTIL RETIREMENT** Early withdrawals may incur taxes and penalties (before age 59½).
NO CONTRIBUTION LIMITS Invest as much as you want, anytime.	CONTRIBUTION LIMITS	**ANNUAL LIMITS APPLY** The IRS sets annual limits that may change each year.
TAXED EACH YEAR You pay taxes on dividends, interest, and capital gains.	TAX ON GROWTH	**TAX ADVANTAGES** Growth is tax-deferred (traditional) or tax-free (Roth).
NO RMDs No Required Minimum Distributions during your lifetime.	RMD RULES	**RMDs MAY APPLY** Traditional accounts require RMDs starting at age 73 (as of 2025).
WIDE INVESTMENT CHOICES Stocks, ETFs, mutual funds, bonds, and more.	INVESTMENT OPTIONS	**VARIES BY PLAN** Investment options depend on the type of retirement plan.

BEST FOR BROKERAGE ACCOUNTS:

- Short-term and long-term goals
- Building an emergency fund
- Saving for a home, education, or major purchases
- Leaving a financial legacy
- Flexibility and access to your money

BEST FOR RETIREMENT PLANS:

- Retirement savings
- Tax-deferred or tax-free growth
- Reducing taxable income (traditional plans)
- Long-term financial security
- Taking advantage of employer matching (if available)

2026 RETIREMENT CONTRIBUTION LIMITS

Know your limits. Maximize your future.

ACCOUNT TYPE	2026 EMPLOYEE DEFERRAL LIMIT	2026 CATCH-UP (AGE 50+)	2026 TOTAL CONTRIBUTION LIMIT	NOTES
401(k), 403(b), Most 457 Plans	$23,500	$7,500	$70,000	Includes employee deferrals, employer contributions, and profit sharing.
Thrift Savings Plan (TSP)	$23,500	$7,500	$70,000	Same limits as 401(k) plans.
Traditional IRA Roth IRA	$7,000	$1,000	$8,000	Income limits apply for Roth IRA contributions.
SIMPLE IRA	$16,500	$3,500	$19,500	Includes employee deferrals. Employer contributions are separate.
SEP IRA	—	—	$70,000	Employer contributions up to 25% of compensation.
Solo 401(k) / Individual 401(k)	$23,500	$7,500	$70,000	Includes employee deferrals and employer profit sharing.
Health Savings Account (HSA)	$4,400 (Individual) $8,750 (Family)	$1,000	—	Must be enrolled in a qualified high-deductible health plan (HDHP).

These limits are set by the IRS and are subject to change. Catch-up contributions are for individuals age 50 and older by the end of 2026. Always consult a financial professional for guidance tailored to your situation.

CAN YOU CONTRIBUTE TO MULTIPLE ACCOUNTS IN THE SAME YEAR?

YES! You can contribute to more than one type of retirement account in the same year.

HOW IT WORKS

- The IRS allows you to contribute to multiple retirement accounts as long as you meet the rules for each one.
- Each account has its own contribution limit.
- Your total contributions can add up across accounts (except for shared limits like 401(k) employee deferrals).
- You must have earned income to contribute to most retirement accounts.

EXAMPLES: CONTRIBUTING TO MULTIPLE ACCOUNTS IN 2026

EXAMPLE SCENARIO	ACCOUNTS CONTRIBUTED TO	ALLOWED?
1. Sarah is an employee with a 401(k) at work.	• 401(k) – $23,500 • Roth IRA – $7,000 • HSA (Individual) – $4,400	**YES** All within limits.
2. Mark is self-employed.	• Solo 401(k) (Employee) – $23,500 • Solo 401(k) (Employer Profit Sharing) – $46,500 • HSA (Family) – $8,750	**YES** All within limits.
3. Jessica and her spouse both work and want to save together.	• Jessica: 401(k) – $23,500 + Roth IRA – $7,000 • Spouse: 401(k) – $23,500 + Roth IRA – $7,000 (total for both)	**YES** Each person has their own limits.
4. Tom wants to contribute more than the limit to his IRA.	• Roth IRA – $9,000	**NO** Exceeds the $7,000 IRA limit.

KEY RULES TO REMEMBER

- Each account type has its own annual contribution limit.
- 401(k), 403(b), 457(b), and most other employer plans share the same employee deferral limit ($23,500 in 2026).
- IRA limits (Traditional or Roth) are combined. You can't contribute more than $7,000 total across both.
- HSA limits are separate and can be contributed to even if you contribute to other accounts.
- Rules and limits are set by the IRS and subject to change each year.

STRATEGICALLY USING MULTIPLE ACCOUNTS CAN HELP YOU SAVE MORE, REDUCE TAXES, AND BUILD LONG-TERM WEALTH.

HOW TO CALCULATE
HOW MUCH YOU NEED FOR RETIREMENT

A SIMPLE 5-STEP FORMULA TO ESTIMATE YOUR RETIREMENT NUMBER

1 CALCULATE YOUR ANNUAL EXPENSES

Add up your current essential and lifestyle expenses for one year.

EXAMPLE
Annual Expenses
$60,000

2 DETERMINE YOUR RETIREMENT INCOME

Estimate your annual income from Social Security, pensions, annuities, and other guaranteed sources.

EXAMPLE
Annual Income
$24,000

3 CALCULATE YOUR INCOME GAP

Subtract your retirement income from your annual expenses.

EXAMPLE
Income Gap
$36,000
($60,000 – $24,000)

4 APPLY THE 4% WITHDRAWAL RULE

Divide your income gap by 4% to find the retirement savings needed to generate that income annually.

EXAMPLE
Retirement Savings Needed
$900,000
($36,000 ÷ 0.04)

5 ADJUST FOR YOUR SITUATION

Adjust for factors like taxes, healthcare, inflation, longevity, and desired lifestyle.

EXAMPLE
Adjusted Goal
$1,000,000+
(Add a buffer for comfort and the unknown.)

KEY RULES & THINGS TO CONSIDER

- **4% RULE:** Historically, you can withdraw 4% of your portfolio in your first year of retirement, then adjust that amount annually for inflation.
- **INFLATION:** Plan for your expenses to increase over time. A common assumption is 2–3% annual inflation.
- **HEALTHCARE:** A 65-year-old couple may need $315,000+ for healthcare in retirement (Fidelity estimate, 2024).
- **LONGEVITY:** Plan for a retirement that could last 25–30+ years.
- **BUFFER:** It's smart to add 10–20% extra to your number for peace of mind.

EXAMPLE: 65-YEAR-OLD COUPLE

Annual Expenses (today)	$60,000
Less: Estimated Annual Income	$24,000
Income Gap	$36,000
÷ 4% Withdrawal Rate	÷ 0.04
Retirement Savings Needed	**$900,000**
Add 10% Buffer	+ $100,000
TARGET RETIREMENT SAVINGS GOAL	**$1,000,000**

This is an estimate, not a guarantee. Your actual number will depend on your lifestyle, tax situation, investment returns, and future needs. Review your plan regularly and adjust as needed.

SOCIAL SECURITY
WHEN SHOULD YOU TAKE IT?

The timing of your Social Security benefits can have a big impact on your lifetime income.

KEY FACTS

You can start Social Security as early as age 62.
However, your benefit will be permanently reduced.

Your Full Retirement Age (FRA) is when you are eligible for 100% of your benefit.
FRA is 66–67 depending on your birth year.

You can delay benefits past your FRA up to age 70.
Your benefit increases for each month you wait.

Benefits are based on your 35 highest-earning years.
Higher lifetime earnings lead to higher benefits.

Spousal benefits, survivor benefits, and disability benefits are also available.

HOW YOUR BENEFIT CHANGES

Based on Your Full Retirement Age (FRA) Benefit

AGE YOU START	MONTHLY BENEFIT	VS. FRA BENEFIT
62 (Earliest)	70%	−30%
63	75%	−25%
64	80%	−20%
65	86.7%	−13.3%
66 (FRA for some)	100%	0%
66 + 2 months	101.3%	+1.3%
67 (FRA for most)	100%	0%
68	108%	+8%
69	116%	+16%
70 (Latest)	124%	+24%

For each year you delay past your FRA (up to age 70), your benefit increases by about 8% per year.

WHEN YOU MIGHT CONSIDER TAKING BENEFITS

TAKE EARLY (AGE 62–64) IF:

- You need the income to cover essential expenses
- You have a shorter life expectancy
- You will use the money to invest for growth
- You are still working and haven't reached FRA (earnings limit applies)

TAKE AT FRA (66–67) IF:

- You want your full, unreduced benefit
- You prefer a balance between income now and higher payments later

DELAY (AGE 68–70) IF:

- You can afford to wait
- You want the highest monthly benefit possible
- You have a longer life expectancy
- You don't need the income right away

WHY IT MATTERS

If your FRA benefit is $2,000/month:

- Taking at 62: $1,400/month
- Taking at 67 (FRA): $2,000/month
- Taking at 70: $2,480/month

Delaying until age 70 could mean $480 more per month for life compared to taking at FRA.

REMEMBER

There is no one-size-fits-all answer. The best time to take Social Security depends on your health, financial situation, goals, and life expectancy.

THE POWER OF RETIREMENT PLANNING SOFTWARE

SEE THE DETAILS. PLAN WITH CONFIDENCE.

Software reveals the big picture and the fine details—so you can make smarter decisions today for a more secure tomorrow.

WHY IT MATTERS

See Beyond the Surface
Go deeper than basic estimates by analyzing year-by-year cash flow, income sources, and potential shortfalls.

Test Different Scenarios
Model market performance, inflation, expenses, taxes, and retirement ages to see how they impact your future.

Identify Risks Early
Spot gaps in income, sequence of return risk, and longevity risk before they become problems.

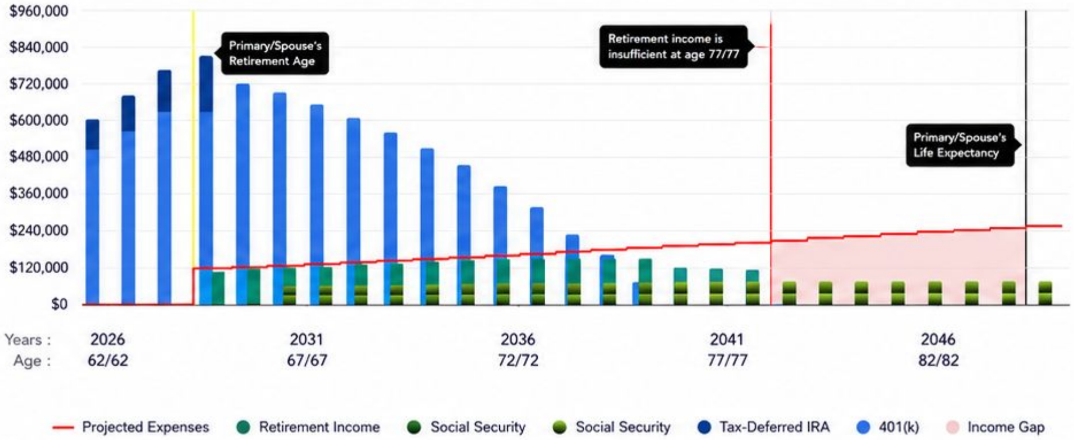
Make Data-Driven Decisions
Compare strategies side-by-side and make confident decisions based on facts, not guesswork.

Stay on Track
Update your plan regularly and adjust as life and markets change.

DETAILED INSIGHTS YOU CAN SEE WITH RETIREMENT PLANNING SOFTWARE

Retirement Planning Results — **Current Retirement Funds: $600,000**

Portfolio	Starting Balance	Retirement Balance	Retirement Years with Sufficient Income	Retirement Years with Insufficient Income
Fixed Return	$600,000	$854,688	12 years	9 years



THE BOTTOM LINE

Retirement planning software doesn't just show you numbers—it shows you the path.

It helps you answer critical questions:

- Will my money last as long as I do?
- When can I retire?
- What happens if the market drops?
- Do I have enough income to cover my lifestyle?

The more you know, the better you can plan.

KNOWLEDGE TODAY. CONFIDENCE TOMORROW.

A detailed retirement plan shows you where you stand—so you can take action today to help secure the retirement you've worked so hard for.

THE TOP 3 ISSUES PEOPLE FACE IN RETIREMENT

Understanding these risks can help you plan today for a more secure tomorrow.

1 LONG-TERM CARE COSTS

Long-term care is one of the biggest unknown expenses in retirement.

- 70% of people turning 65 will need long-term care in their lifetime.
- The average cost of a private room in a nursing home is $108,405 per year.*
- LTC expenses can quickly deplete savings if not planned for.

2 SEQUENCE OF RETURNS RISK

Poor investment returns early in retirement can have a lasting impact on your portfolio.

- Losses in the early years, when you're withdrawing, are more damaging.
- It can reduce the overall amount of income your portfolio can generate.
- Market volatility is normal—planning for it is essential.

3 OUTLIVING YOUR MONEY

Thanks to longer life expectancy, many retirees risk running out of money.

- A 65-year-old couple has a 50% chance that one spouse will live past age 90.**
- Inflation can erode purchasing power over time.
- A plan that lasts 30+ years is critical to lasting financial security.

THE BOTTOM LINE: These three risks—long-term care costs, sequence of returns risk, and outliving your money—can significantly impact your retirement. A comprehensive plan helps you prepare, protect, and enjoy your future.

*Source: Genworth 2024 Cost of Care Survey **Source: Social Security Administration, Actuarial Life Table, 2023

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Thank You