

Roth IRA Guide 2026

A plain-language walk through the Roth IRA: who can contribute, how much, what the money can do while it is in the account, and the rules that decide whether a withdrawal is tax-free.

Tax-free growth

Earnings and qualified withdrawals come out free of federal income tax.

Your money, any time

Contributions can be withdrawn at any age, for any reason, without tax or penalty.

No required withdrawals

Unlike a traditional IRA, a Roth never forces you to take money out during your lifetime.

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THE BASICS

Roth IRA

A Roth Individual Retirement Account (IRA) can help you save for retirement by offering **tax-free earnings accumulation and withdrawals**, high income eligibility limits, tax-free withdrawals of contributions at any time, and the ability to contribute as long as you have earned income.

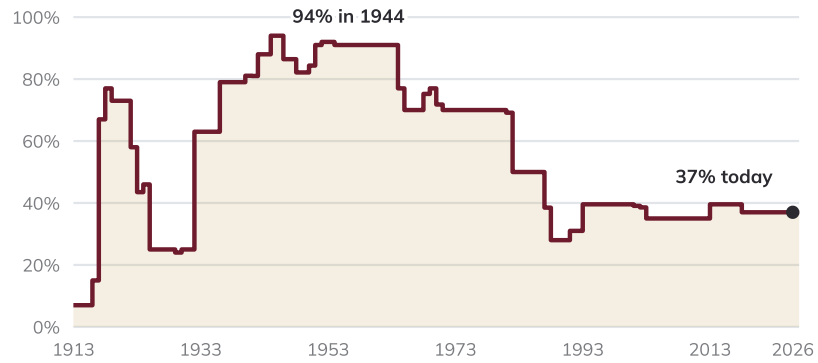
Why should I consider a Roth IRA?

To potentially save on taxes.

If you think you might be in a higher tax bracket in retirement, or that income tax rates may be raised while you are in retirement, you can help avoid paying those increased taxes by strategically paying them sooner, while they are lower.

Top federal individual income tax rate, 1913 to 2026

Highest marginal rate on ordinary income. Source: Tax Policy Center, Historical Highest Marginal Income Tax Rates (taxpolicycenter.org); 2026 rate per IRS Rev. Proc. 2025-32.



What do you think?

Will federal income tax rates next go up, down, or stay the same?

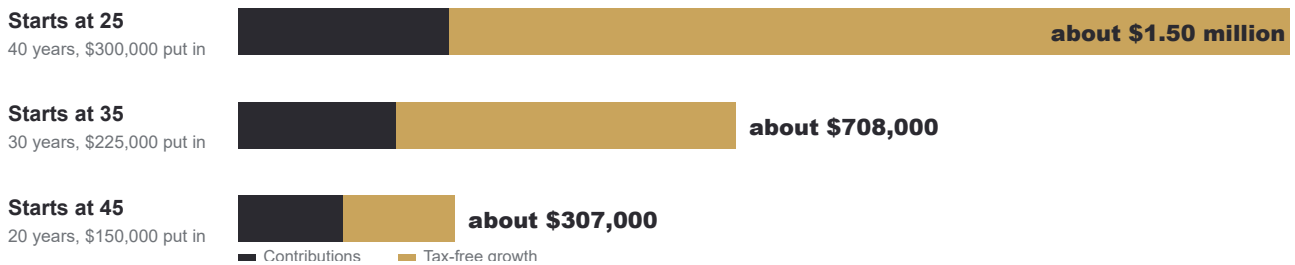
If you think they will go up, why wait to pay more?

Paying tax on retirement money now, at today's rates, is the trade a Roth offers.

Ask us how to fit tax planning into your overall financial strategy.

Why starting early matters more than the limit

Hypothetical: $7,500 contributed every year until age 65, growing at 7% a year. What changes is only the starting age.



This hypothetical illustration is for educational purposes only and does not represent any specific investment or guarantee a result. It assumes a constant 7% annual return, contributions at the end of each year, no fees or taxes, and that the contribution limit stays at $7,500. Actual returns will vary and may be negative. Values are rounded.

Who should consider investing in a Roth?

Someone who:

- Has maximized his or her traditional IRA tax deduction
- Is not working but wants to keep contributing to a Roth IRA[1]
- Wants the ability to withdraw contributions at any time
- Does not want to be subject to mandatory distributions at age 73[2]
- Expects to be in a higher tax bracket at retirement
- Wants to reduce or avoid taxes at retirement
- Wants to diversify the tax treatment of retirement assets
- Wishes to leave tax-free assets to beneficiaries
- Wants to supplement other retirement savings

> **A COMMON PAIRING**
>
> Many clients hold both a traditional IRA or 401(k) and a Roth IRA. Pre-tax money gives you a deduction today; Roth money gives you tax-free income later. Having both lets you choose, year by year in retirement, which account to draw from and how much taxable income to show.

Roth IRA vs. traditional IRA at a glance

	Roth IRA	Traditional IRA
Contributions	After-tax, no deduction	Pre-tax, may be deductible
Growth	Tax-free	Tax-deferred
Qualified withdrawals	Tax-free	Taxed as ordinary income
Income limit to contribute	Yes (page 4)	No, but the deduction can phase out
Required minimum distributions	None during your lifetime	Begin at age 73 (75 if born 1960 or later)
Withdraw contributions early	Any time, tax-free and penalty-free	Taxed, plus 10% penalty before 59½
Contribution deadline for 2026	April 15, 2027, for both	

[1] A spouse with no earned income can still contribute to his or her own Roth IRA based on the working spouse's earned income (a "spousal IRA"), as long as the couple files jointly and their combined modified adjusted gross income is under the limit on page 4.

[2] Required minimum distributions from traditional IRAs begin at age 73 under the SECURE 2.0 Act. For people born in 1960 or later, the starting age rises to 75. A Roth IRA has no required distributions during the owner's lifetime. Source: irs.gov/retirement-plans/retirement-plan-and-ira-required-minimum-distributions-faqs

PART ONE

Contributions

Who can put money into a Roth IRA, how much, and by when.



Are you eligible?

Two factors determine whether you can open and contribute to a new Roth IRA, or keep contributing to an existing one:

1. Your current year's **earned income** (income you make from working, typically salary, hourly wages, or profits from a small business).
2. Your **tax filing status**.

If you have earned income, you then need to make sure you are not going to make more than the federal government allows for a Roth IRA contribution. The amounts differ depending on your filing status.

Earning limits

The earning limits are based on your **modified adjusted gross income (MAGI)**: the adjusted gross income from your federal tax return with certain items added back, such as foreign earned income, student loan interest deductions, IRA contribution deductions, and deductions for higher education expenses.

The maximum MAGI for a full Roth IRA contribution in **2026**:

SINGLE OR HEAD OF HOUSEHOLD

$153,000

Full contribution below this amount. Reduced contribution from $153,000 to $168,000. No contribution at $168,000 or above.

MARRIED FILING JOINTLY

$242,000

Full contribution below this amount. Reduced contribution from $242,000 to $252,000. No contribution at $252,000 or above.

Married filing separately (if you lived with your spouse at any time during the year): the contribution phases out between $0 and $10,000 of MAGI.

EXAMPLE

Inside the reduced range

Jordan is single with a MAGI of $160,500, halfway through the $153,000 to $168,000 range. The allowed contribution shrinks in proportion:

Full 2026 limit	$7,500
Reduced by half (7,500 of the 15,000 range)	– $3,750
Jordan can contribute about	**$3,750**

OVER THE LIMIT?

You may still have a route in

There is no income limit on a Roth 401(k) at work, and no income limit on converting a traditional IRA to a Roth. Some higher earners make a nondeductible traditional IRA contribution and convert it, often called a "backdoor" Roth.

The catch is the pro-rata rule: if you hold other pre-tax IRA money, part of the conversion is taxable. This is worth running past your advisor and CPA before you do it.

Source: IRS News Release IR-2025-111 and Notice 2025-67 (2026 cost-of-living adjustments), irs.gov/newsroom.

2026 MAXIMUM CONTRIBUTIONS

YOUR ROTH IRA

$7,500 under age 50

$8,600 age 50 or older

The lesser of 100% of earned income or the limit shown. The age 50+ catch-up is $1,100 for 2026.

SPOUSAL IRA

$7,500 under age 50

$8,600 age 50 or older

For a non-working spouse, funded from the working spouse's earned income.

The limit applies to all of your IRAs combined, traditional and Roth together. Contributions to a Roth 401(k) at work do not count against it.

15 months to contribute

IRA rules give you about 15 months to make a contribution for a given tax year. For **2026**, you can contribute any time from January 1, 2026 through **Thursday, April 15, 2027**, the day federal income tax returns are due. Tell the custodian which tax year the contribution is for.

Employer retirement plans

Do you have a retirement plan through your employer? If you do, you can still contribute to a Roth IRA, even if your employer's plan is a Roth-based plan.

Age limits

You can contribute to a Roth IRA at any age. There is no minimum and no maximum, as long as you have enough earned income to cover the amount of your contribution.

Stay-at-home spouse

No problem. A non-working spouse can open a Roth IRA based on the working spouse's earnings. Just be sure your combined MAGI is below the allowable limits on page 4 and that you file a joint return.

Tax deduction

You cannot deduct Roth IRA contributions on your tax return when you make them ("on the front end"). But because qualified withdrawals from a Roth IRA are not reported as income, the benefit arrives "on the back end," which can help keep your taxable income lower in retirement.

WORTH KNOWING

Small, regular contributions count. Money invested in January has a full year longer to grow than money invested the following April, and an automatic transfer removes the decision each month.

Reaching the 2026 limit, three ways

$625 a month

Twelve automatic transfers, January through December. The simplest habit to keep.

$289 a paycheck

Twenty-six biweekly transfers, timed with payday so the money never sits in checking.

One lump sum

Any time before April 15, 2027. Tax refunds and year-end bonuses are common sources.

AT WORK

Roth IRA and Roth 401(k) are separate limits

If your employer plan offers a Roth option, you can put up to $24,500 into it in 2026 ($32,500 if you are 50 or older) with no income limit, and still fund a Roth IRA on top.

ORDER OF PRIORITY

A common sequence for a younger saver

1) Contribute enough at work to capture the full employer match. 2) Fund the Roth IRA. 3) Go back and raise the workplace contribution. Your advisor can adjust this for your tax bracket and goals.

PART TWO

Distributions

Taking money out: what is always tax-free, what can be taxed, and the two tests that decide.



Distributions from a Roth IRA before age 59½

Contributions to a Roth IRA (the money you put in) can be withdrawn at any time, for any reason, free of taxes and with no penalty. Each distribution is always treated as coming first from contributions and then from earnings, regardless of the order in which they were actually credited to the account.

Earnings withdrawn from a Roth IRA (the money you made from investment gains above and beyond your contributions) are taxed as ordinary income and subject to a 10% early distribution penalty unless you have held a Roth IRA for at least **5 years** and reached **age 59½**.

If you have reached age 59½ but the Roth account has not been open for 5 years, you will owe tax on any earnings you withdraw, but not the 10% penalty.

Important note: the five-year clock

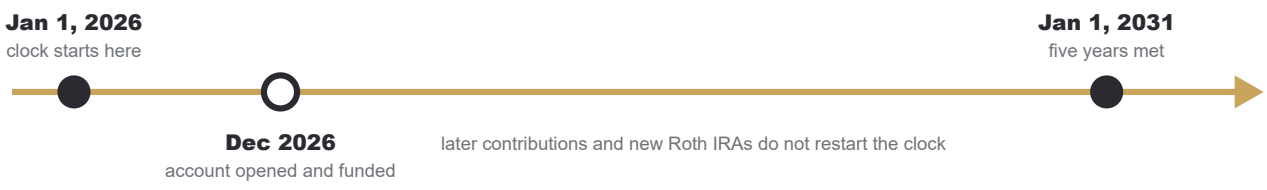
The five-year clock does not start on the day you opened or funded your Roth IRA. It starts on the **first day of the tax year** for which the first contribution was made.

Example: If you open and fund a Roth IRA in December 2026, your five-year clock started on January 1, 2026, nearly a year earlier. The five-year waiting period is locked to that date. It does not restart each time you make an additional contribution.

THE TWO TESTS, SIDE BY SIDE

A withdrawal of earnings is **tax-free and penalty-free** only when both are true: the account has passed the five-year mark, and you are 59½ or older (or the withdrawal is because of death, disability, or a qualified first-time home purchase). Miss one test and the earnings are taxed. Miss the age test with no exception and the 10% penalty applies as well.

The five-year clock, drawn out



Penalty-free distributions from a Roth IRA

Exceptions to the 10% penalty

The 10% early withdrawal penalty will not apply to a distribution of earnings as long as the distribution is for one of the following qualifying reasons. The IRS list for traditional and Roth IRAs is a distribution that is:

- Not in excess of your unreimbursed medical expenses that are more than a certain percentage of your adjusted gross income
- Not in excess of certain health insurance premiums after you have received unemployment compensation (or would have been eligible to receive it but for your self-employed status)
- Made because you are totally and permanently disabled
- Made to you because you are terminally ill
- Made to a beneficiary or estate on account of the IRA owner's death
- Made as part of a series of substantially equal periodic payments for your life (or life expectancy) or the joint lives of you and your designated beneficiary (see IRS Notice 2022-6)
- Not in excess of your qualified higher education expenses
- Not in excess of $10,000 used in a qualified first-time home purchase
- Made directly to the government to satisfy an IRS levy of the IRA under section 6331 of the Code
- A qualified reservist distribution
- Not in excess of $5,000 and the distribution is a qualified birth or adoption distribution (per parent, per child, within one year of the birth or adoption)
- Made to a victim of domestic abuse by a spouse or domestic partner, up to the lesser of $10,000 (indexed for inflation) or 50% of the account (see IRS Notice 2024-55)
- Made to a qualified individual who sustains a qualified federally declared disaster, up to $22,000
- Made for personal or family emergency expenses, up to $1,000 in a calendar year (see IRS Notice 2024-55)
- Excepted from the additional income tax by federal legislation relating to certain emergencies and disasters
- Made to you as a corrective distribution, including a returned IRA contribution withdrawn by the filing due date (including extensions), not including earnings on the returned contribution
- A permissible withdrawal from a SIMPLE IRA or SARSEP with an automatic enrollment feature

> **PENALTY-FREE IS NOT THE SAME AS TAX-FREE**
>
> These exceptions remove the 10% penalty. They do not, by themselves, make earnings tax-free. Earnings come out tax-free only when the account has passed the five-year mark and you are 59½ or older, disabled, deceased, or using up to $10,000 for a first home. Contributions, as always, come out first and are never taxed.

Newer exceptions added by SECURE 2.0

The terminal illness, domestic abuse, federally declared disaster, and $1,000 emergency expense exceptions were added by the SECURE 2.0 Act of 2022 and have been available since 2024. An emergency expense withdrawal can be repaid within three years, and no further emergency withdrawal can be taken during those three years unless it is repaid or new contributions cover the amount.

Source for exceptions: IRS Tax Topic 557, Additional tax on early distributions from traditional and Roth IRAs. irs.gov/taxtopics/tc557. See also IRS Publication 590-B, Distributions from Individual Retirement Arrangements.

All Roth IRAs are viewed as one

When applying the rules above, the IRS views all of your Roth IRAs as one big Roth IRA. For example, once you have met the 5-year rule for one of your Roth IRAs, you have met it for all of them. Also, distributions from a Roth IRA **will not count as distributions of earnings until you have withdrawn an amount greater than the total of all of your contributions to all of your Roth IRAs**.

> ***If you have many Roth IRAs, the IRS views all of them together as one big Roth IRA.***

WORKED EXAMPLE

What comes out first

Sam, 36, has contributed $40,000 to two Roth IRAs over eight years. Together they are now worth $55,000. Sam withdraws $45,000 to start a business.

Contributions (tax-free, no penalty)	**$40,000**
Earnings (taxable, plus 10% penalty)	**$5,000**
Tax and penalty apply only to	**$5,000**

At a 22% federal rate the earnings cost about $1,100 in tax plus a $500 penalty. The other $40,000 comes out clean.

RECORD-KEEPING

Know your contribution total

The IRS does not track your Roth basis for you. Keep a running total of what you have put in over the years so you can show how much comes out tax-free if you ever tap the account early.

- Form 5498 from the custodian each May shows that year's contributions.
- Form 8606 records nondeductible contributions and conversions.
- Keep both with your tax returns, or ask us to keep the tally.

DEFINITION

Conversion: moving money from a pre-tax plan to an after-tax plan

Pre-tax 401(k) or traditional IRA → **After-tax Roth IRA**

You report the amount of the conversion on your income tax return and pay ordinary income tax on the converted amount for the year of the conversion. There is no income limit on conversions, and no limit on the amount.

Your Roth basis tracker

A place to keep the running total. Contributions and conversions are what you can withdraw before earnings.

Tax year	Contributed	Converted	Withdrawn	Running basis
2025 EXAMPLE	*$7,000*	*$0*	*$0*	*$7,000*

Early distributions after a Roth conversion

The penalty rules for conversions are a bit different from those for annual contributions. Any distribution of converted amounts (assuming they were taxable at the date of the conversion) will be subject to the 10% penalty, though it will be free from ordinary income tax, if the distribution occurs less than 5 years after the first day of the year in which the conversion occurred. If, however, the distribution was for a qualifying reason, it will be free from penalty.

If the conversion included amounts that were not taxable (because they came from a nondeductible IRA), those amounts will not be subject to the 10% penalty even if they are withdrawn from the Roth before the first day of the fifth year after the conversion.

Each conversion has its own five-year clock for penalty purposes, separate from the account's five-year clock for tax-free earnings. Once you reach age 59½, the conversion clocks no longer matter.

CONVERSION MATH

The tax bill comes with next year's return

Alex, 34, converts a $50,000 old 401(k) to a Roth IRA in 2026. Alex is in the 22% federal bracket and the whole amount stays inside it.

Amount converted	**$50,000**
Federal income tax at 22%	**$11,000**
Paid from savings, not from the IRA	**$11,000**

Paying the tax from outside the account keeps the full $50,000 growing tax-free and avoids a penalty on money pulled out to cover the bill. State income tax may also apply.

TIMING

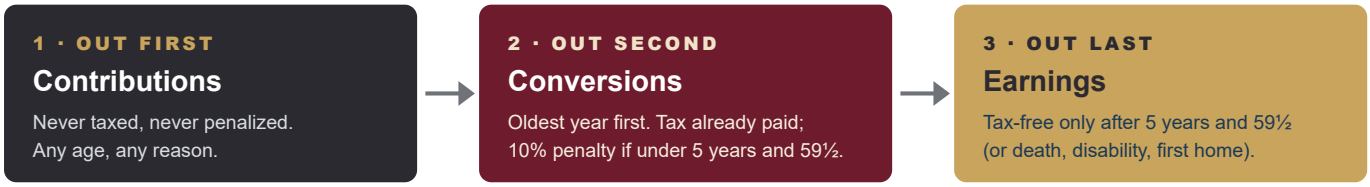
When a conversion tends to make sense

- A lower-income year: a job change, a sabbatical, parental leave, or the first years of a business.
- Early in a career, when the balance is small and the tax bill is manageable.
- After a market decline, so the same shares convert at a lower taxable value.
- Spread across several years to stay under the next tax bracket.

Order of distributions

Distributions from a Roth IRA are treated as coming out in the following order:

1. **Regular contributions.** Always first, always tax-free and penalty-free.
2. **Conversion and rollover contributions**, on a first-in, first-out basis (generally, total conversions and rollovers from the earliest year first). Within each year's conversion, the taxable portion (the amount that was included in gross income because of the conversion) comes out first, then the nontaxable portion.
3. **Earnings on contributions.** Last, and the only layer that can ever be taxed.



Mandatory distributions

A traditional IRA forces you to take required minimum distributions (RMDs) once you reach age 73 (age 75 for anyone born in 1960 or later). A Roth IRA has **no required distributions during your lifetime**, because you have already paid tax on that money. The account can keep growing tax-free for as long as you live.

Beneficiaries who inherit a Roth IRA do have to take distributions, generally emptying the account within 10 years for most non-spouse heirs, but those distributions are tax-free as long as the original owner's five-year clock has run. A surviving spouse can treat the Roth as his or her own and continue with no required distributions.

WHY THIS MATTERS FOR AN ESTATE

Because nothing has to come out, a Roth IRA is often the last account a retiree touches and the first one a family wants to inherit. Beneficiary designations control who receives it, not the will, so review them whenever your family situation changes.



Questions to bring to your advisor

A Roth IRA is one tool. Whether it is the right one, and how much to put in it, depends on the rest of your picture. A few questions worth working through together:

1. Based on my income and filing status, can I contribute directly to a Roth IRA this year, and how much?
2. Would a Roth conversion make sense in a lower-income year, such as the years between retirement and when Social Security or RMDs begin?
3. How much of my retirement savings is pre-tax today, and what would a healthier balance between pre-tax and Roth look like?
4. Does my employer plan offer a Roth 401(k) option, and should I be using it alongside a Roth IRA?
5. Who is named as beneficiary on each of my retirement accounts, and is that still what I want?
6. If my income is above the Roth limit, does a backdoor Roth or a Roth 401(k) at work make sense for me?

Spouse inherits

Can treat the Roth IRA as their own. No required distributions during their lifetime; the original five-year clock carries over.

Adult child inherits

Must generally empty the account by the end of the tenth year after the death, but no annual minimum is required and the withdrawals are tax-free once the five-year clock has run.

Minor child inherits

The ten-year clock does not start until the child reaches 21. Disabled and chronically ill heirs, and heirs within ten years of the owner's age, may stretch over their own life expectancy.

THE FORM, NOT THE WILL

A Roth IRA passes by its beneficiary designation, and that form overrides anything a will says. New marriage, divorce, a new child, a death in the family: each one is a reason to pull up the form and check it. Naming a contingent beneficiary keeps the account out of probate if the primary beneficiary is gone.

Distributions from a Roth IRA at a glance

The table shows how a withdrawal is treated depending on what is withdrawn, your age, and whether the account's five-year clock has run. "Taxable" refers to federal income tax on earnings; contributions are never taxed on the way out.

Distribution reason	Withdrawn within the first 5 years		Withdrawn after 5 years	
	TAXABLE	10% PENALTY	TAXABLE	10% PENALTY
Contributions, before age 59½	No	No	No	No
Contributions, after age 59½	No	No	No	No
Earnings, before age 59½ (no exception applies)	Yes	Yes	Yes	Yes
Earnings, after age 59½	Yes	No	No	No
EARNINGS, BEFORE AGE 59½, WHEN AN EXCEPTION APPLIES				
1) Death	Yes	No	No	No
2) Disability	Yes	No	No	No
3) First-time home purchase ($10,000 lifetime limit)	Yes	No	No	No
4) Qualified higher education expenses	Yes	No	Yes	No
5) Substantially equal periodic payments	Yes	No	Yes	No
6) Health insurance premiums of certain unemployed people	Yes	No	Yes	No
7) Unreimbursed deductible medical expenses	Yes	No	Yes	No
8) Terminal illness	Yes	No	Yes	No
9) Qualified birth or adoption ($5,000)	Yes	No	Yes	No
10) Emergency personal expense ($1,000 per year)	Yes	No	Yes	No

Death, disability, and a first-time home purchase are "qualified" reasons: after five years, earnings come out tax-free as well as penalty-free. The other exceptions remove the penalty only. Converted amounts follow the separate rules on page 9. Simplified for illustration; state taxes may also apply.

Maya, 29

Account open 4 years. Withdraws $6,000 toward a home down payment. All of it is contributions.

No tax, no penalty. Contributions come out first, at any age, for any reason.

Dev, 41

Account open 6 years. Withdraws $15,000 for a car: $11,000 contributions and $4,000 earnings. No exception applies.

$4,000 taxable, plus a $400 penalty. Under 59½ with no qualifying reason, the earnings are hit both ways.

Priya, 38

Account open 3 years. Withdraws $10,000 for a first home: $7,000 contributions and $3,000 earnings.

$3,000 taxable, no penalty. First-home purchase waives the penalty, but under five years the earnings are still taxed.



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YOUR ADVISOR

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Questions about whether a Roth IRA, a conversion, or a mix of pre-tax and Roth savings fits your plan? That is a conversation worth having before April 15.

Six things to do this year

1. Check your 2026 filing status and MAGI against the limits on page 4.
2. Open the account, or fund the one you have, before April 15, 2027.
3. Set up an automatic monthly contribution so the limit takes care of itself.
4. Name a primary and a contingent beneficiary, and check them after any life change.
5. Capture the full employer match at work before adding more anywhere else.
6. Review the mix of pre-tax and Roth savings with your advisor once a year.

Dec 31, 2026

Last day a Roth conversion counts for the 2026 tax year.

Jan 1, 2027

First day you can contribute for 2027.

Apr 15, 2027

Deadline for 2026 Roth IRA contributions.

The tax information contained in this material is based on federal laws existing on the date of its publication. Such laws are subject to legislative change and to judicial and administrative interpretation. Anyone considering the application of this information to his or her own situation should consult with his or her professional tax advisor. Contribution limits, income limits and penalty exceptions shown are for the 2026 tax year and are indexed annually by the IRS. This material is for general information only and is not a recommendation to buy, sell or convert any account. Investing involves risk, including the possible loss of principal.

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