Himmelwright
Huguley
Boles

Roth Planning Opportunities for 2026

Roth accounts remain one of the most powerful tools in retirement planning, offering tax-free growth and qualified tax-free withdrawals. Beyond the well-known Roth IRA, the Roth designation is now available across most major retirement vehicles — Roth 401(k), Roth 403(b), Roth 457(b), Roth SEP IRA, and Roth SIMPLE IRA. Each has its own rules, contribution limits, and interaction effects, and SECURE Act 2.0 has meaningfully expanded the landscape. This summary outlines how the pieces fit together for the 2026 tax year.

Key Benefits

Roth IRAs offer a distinctive mix of features that make them especially valuable for long-term planning:

- Contributions are made with after-tax dollars, so qualified withdrawals come out tax-free.
- Original contributions can be withdrawn at any time, free of tax and penalty.
- No required minimum distributions (RMDs) are required during the original owner's lifetime.
- Provides a source of tax-free income to balance taxable accounts in retirement.

Roth IRA — 2026 Contribution Limits

For 2026, the annual Roth IRA contribution limits are:

- $7,500 annual contribution limit for individuals under age 50.
- $8,600 annual contribution limit for individuals age 50 or older (includes the $1,100 catch-up).

The limit applies to all personal, non-employer, IRAs combined (traditional and Roth) and cannot exceed your earned income for the year. There is no upper age limit for making Roth IRA contributions.

Roth IRA Income Limits (MAGI Phaseouts)

Eligibility to contribute directly to a Roth IRA phases out based on modified adjusted gross income (MAGI):

- Married Filing Jointly: $242,000 – $252,000
- Single or Head of Household: $153,000 – $168,000
- Married Filing Separately (lived with spouse during the year): $0 – $10,000

Taxpayers with income above the applicable range are not permitted to contribute directly to a Roth IRA, though the backdoor strategy below may still be available.

Backdoor Roth IRA Strategy

High-income taxpayers who exceed the direct-contribution limits may still build Roth assets through a two-step “backdoor Roth” strategy:

1. Make a nondeductible contribution to a traditional IRA.
2. Convert those funds to a Roth IRA.

Roth conversions themselves are not subject to income limits, which is what makes this approach available to higher-income taxpayers who would otherwise be ineligible to contribute directly.

Important Considerations

Before pursuing a backdoor Roth, review the following:

- Pro rata rule: If you hold other pre-tax balances in traditional, SEP IRAs, or SIMPLE IRAs, the IRS pro rata rule may cause a portion of the conversion to be taxable. This is a trap for the unwary.
- Form 8606: Accurate reporting on Form 8606 is essential to track your after-tax basis and avoid double taxation in future distribution years.
- Plan rollovers: Some taxpayers reduce the pro rata impact by rolling pre-tax IRA balances into an employer retirement plan (such as a 401(k)) before completing the conversion. Plan rules matter so it is advisable to check with the current plan administrator of your employer retirement plan to see if that is acceptable.

Excess Contributions

Contributions that exceed the annual limit are subject to a 6% excise tax each year the excess remains in the account. To avoid ongoing penalties, the excess contribution and any related earnings should generally be withdrawn by the tax filing deadline, including extensions.

Roth 401(k), 403(b), and 457(b) Plans

Most employer-sponsored retirement plans now offer a Roth option, allowing employees to make after-tax salary deferrals that grow tax-free. These workplace Roth accounts share several important features that distinguish them from a Roth IRA:

- No MAGI limits or phaseouts. Unlike Roth IRAs, anyone whose employer offers the option may contribute to a Roth 401(k), 403(b), or governmental 457(b) regardless of income.
- Higher contribution ceilings. The 2026 elective deferral limit is $24,500, with an $8,000 catch-up contribution at age 50+ and an enhanced $11,250 catch-up for those age 60–63 (SECURE 2.0 §109).
- Roth employer matches. Under SECURE 2.0 §604, employers may now allow matching and nonelective contributions to be designated as Roth. These amounts are immediately taxable to the employee in the year contributed, but grow tax-free thereafter.
- No lifetime RMDs. Beginning in 2024, Roth 401(k), Roth 403(b) and Roth 457(b) balances are no longer subject to required minimum distributions during the owner's lifetime, aligning them with Roth IRA treatment.
- 457(b) availability. Governmental 457(b) plans (state, county, municipal employees) may offer a Roth option. Non-governmental 457(b) plans — those sponsored by private tax-exempt employers — generally cannot.

Workplace Roth accounts are particularly valuable for high-income taxpayers who are phased out of direct Roth IRA contributions, as the MAGI limits simply don't apply at the plan level.

Roth SEP and Roth SIMPLE IRAs

SECURE Act 2.0 §601 authorized Roth treatment for SEP and SIMPLE IRA contributions, effective for tax years beginning after 2022. This is especially relevant for self-employed individuals and small-business employees:

- Employee election. Contributions designated as Roth are includible in the employee's gross income in the year contributed, reported on Form W-2, but qualify for tax-free growth and tax-free qualified withdrawals.
- Employer contributions. Employer SEP or SIMPLE contributions may also be designated as Roth at the employee's election, with the same immediate-taxation treatment.
- Adoption is optional. Each employer chooses whether to offer the Roth feature, and not every payroll provider has implemented it. Confirm availability with your plan administrator before relying on this option.
- Contribution limits. The standard SEP and SIMPLE IRA limits apply ($72,000 & $17,000); Roth designation is a tax election, not a separate contribution bucket.

How the Roth Buckets Interact

A common source of confusion is how these accounts work together. A few key points clients should understand:

- Separate contribution limits. The Roth IRA limit ($7,500 / $8,600) and the workplace plan limits for Roth accounts are independent. An eligible individual can fully fund both in the same year.
- Separate five-year clocks. Each Roth account type generally has its own five-year holding period for qualified-distribution purposes. Opening a Roth IRA early — even with a modest contribution — starts the clock for all future Roth IRA assets, including amounts later rolled in from a Roth 401(k).
- Rollover clock advantage. When Roth 401(k) or Roth 403(b) funds, for example, are rolled into a Roth IRA, the receiving Roth IRA's clock controls. A long-standing Roth IRA can therefore "shelter" newly rolled-over workplace Roth funds under its already-satisfied five-year period.
- MAGI doesn't apply at the plan level. High earners who are locked out of direct Roth IRA contributions, if not implementing a back-door strategy, can still build substantial Roth balances through workplace plans, and later consolidate via rollover.
- Mega backdoor Roth. Some 401(k) plans permit after-tax (non-Roth) employee contributions above the elective deferral limit, which can be converted in-plan to Roth or rolled to a Roth IRA. Availability depends on plan design — worth checking your plan document.

529-to-Roth IRA Rollovers

Under SECURE Act 2.0, unused 529 plan funds may now be rolled into a Roth IRA for the plan beneficiary, subject to several limitations:

- Annual rollovers are limited to the IRA contribution limit for the year ($7,500 for 2026), reduced by any other IRA contributions the beneficiary makes.
- A lifetime cap of $35,000 per beneficiary applies.
- The 529 account must generally have been open for at least 15 years.
- The receiving Roth IRA must belong to the 529 beneficiary, not the account owner.

This option provides welcome flexibility for families concerned about overfunding education accounts; while giving beneficiaries a head start on long-term retirement savings.

Next Steps

Roth planning is highly fact-specific, and the right strategy depends on your income, existing retirement accounts, and overall tax picture. Please reach out if you would like to discuss whether a 2026 Roth contribution, backdoor conversion, or 529 rollover makes sense for your situation — we are happy to model the impact alongside your broader tax plan.