

PRIORITIZING VARIOUS ACCOUNTS FOR MAXIMUM TAX SAVINGS

Source: Michael Kitces, <https://www.kitces.com/blog/hierarchy-tax-preference-savings-vehicle-roth-high-income/>



Basic Tax-Deferred Growth

NON-DEDUCTIBLE IRA

(\$6,000 individual limit + \$1,000 catch-up)

Tax-Free (Backdoor) Roth Accounts

AFTER-TAX IRA CONTRIBUTIONS

(to be subsequently Roth converted)

(\$6,000 individual limit + \$1,000 catch-up)

Deferred "Mega Backdoor"
Tax-Free Roth Contributions

AFTER-TAX 401(K) CONTRIBUTIONS

(to be subsequently Roth converted)

(up to \$57,000 defined contribution limit + \$6,500 catch-up)

Double-Tax-Preferred
Retirement Accounts
(and Deferred Comp and 529s)

TRADITIONAL &
ROTH-STYLE 401(K)
SALARY DEFERRAL

\$19,500 individual limit
+ \$6,500 catch-up

TRADITIONAL &
ROTH-STYLE IRAS

\$6,000 individual limit
+ \$1,000 catch-up

DEFERRED
COMPENSATION

based on available
income to defer

529 PLANS

annual gift limits and
state-specific 529 plan
maximum

Triple-Tax-Free HSAs
for Retiree Medical Expenses

HEALTH SAVINGS ACCOUNTS (HSA)

\$7,100 for families or \$3,550 for individuals + \$1,000 catch-up

Foundation

DISABILITY INSURANCE

EMERGENCY SAVINGS

3-6 months of fixed expenses

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