Resources to Fund Your Retirement and Wealth-Transfer Goals

The first step in a portfolio review is to inventory all the assets you have available to fund your retirement and wealth-transfer goals. There are many ways to think about your assets, but one helpful strategy is to look at them based on income-tax treatment. Taxes can have a major impact on how much you can accumulate and the net amount available for your use – or for the benefit of your family members or charities.

Taxable Resources

Cash
Interest earned is taxable at ordinary income tax rates.

Stocks, Bonds, and Mutual Funds
Short-term gains, interest, and nonqualified dividends are taxed at ordinary-income rates.

Business Interests and Real Estate
Business and rental income generally is subject to tax at ordinary income rates.

Tax on growth is deferred until you sell the asset (longer if you implement tax-deferral strategies) and generally subject to long-term capital gains rates if you held the asset more than 12 months.

Tax-Deferred Resources

Traditional IRA
Ability to deduct contributions phases out at a low income-level if you or your spouse participates in an employer-sponsored retirement plan, but you may be able to make nondeductible contributions. Account grows tax deferred.

Distributions are taxed at ordinary-income rates. Required Minimum Distributions (RMDs) begin at age 73.

Traditional Defined-contribution Plan
Examples include profit-sharing plans, 401(k)s, 403(b)s, 457s, SIMPLEs, and SEPs.

Contributions are pretax and account grows tax-deferred. Employer may provide profit-sharing or matching contributions.

Distributions are taxed at ordinary-income rates. RMDs must begin at age 73 unless you are still working or own 5% or more interest in your company.

Defined-benefit Plan (Pension)
The employer funds the plan and bears the investment risk. It is important to know what you are expected to receive and what factors may affect your future benefits. There are no income-tax consequences to you when the plan is funded. You pay tax at ordinary-income rates when you receive distributions.

Nonqualified Deferred Compensation
If the plan is properly structured and administered, tax on the compensation will be deferred until paid out.

The funds are not protected from the employer's creditors. If the company goes bankrupt, you may never get any of the deferred compensation.

Employer-provided Restricted Stock
You pay ordinary income tax when the restrictions lapse (such as if you remain with the company for a certain period of time or the company meets certain performance goals).

You can elect to instead recognize the income when you receive the stock, which may be beneficial if the stock's value is negligible or has great appreciation potential.

Employer-provided Stock Options
No tax is owed when the options are granted; the tax treatment at exercise depends on whether you have incentive stock options (ISOs) or nonqualified stock options.

It is important that you understand your plan and the potential tax consequences so you can plan for how and when to exercise the options and sell the stock.

Tax-Free Resources

Roth IRA

Contributions are after-tax, but there are income limitations on the ability to contribute to a Roth IRA.

Qualified distributions[1] are tax-free. RMD rules do not apply (except if you inherited the Roth IRA).

There are no longer income-based limits on who can convert a traditional IRA to a Roth IRA. The converted amount may be taxable in the year of the conversion.

Roth 401(k), 403(b), 457 plan

Contributions are after-tax, and there are no income-based limits on designated Roth contributions. Qualified distributions are tax-free.[1]

Municipal bonds and municipal bond funds

Interest on state and local government bonds is excludible on federal returns.

If the bonds were issued in your home state, interest also may be excludible on your state return.

1 A qualified withdrawal from a Roth IRA is one that is made at least five years after the year of the individual's first designated Roth contribution and is made: on or after attainment of age 59 1/2, on the account of the individual's disability, or after the account holder's death.

August 2025