

8 accounts to help improve your retirement

Make Your Plan

Key Insights

- Being intentional about saving is a great first step in preparing for retirement.
- Depending on your circumstances, there are a variety of retirement accounts to consider.
- There are several kinds of individual retirement accounts—such as Rollover, SEP, and Roth—that you may be able to take advantage of when saving for retirement.
- It also may help to have some money set aside in a taxable, general investing account that can give you some flexibility and supplement retirement savings.



Judith Ward, CFP®
Thought Leadership Director

You'll hear "experts" like me tell you that you need to save **at least 15%** (including any company match) of your income each year for retirement. Many of us may have to rely on retirement savings, combined with **Social Security benefits**, to fund a retirement that could last decades.

Some of us may be able to save 15% of our income now. Others may need to take incremental steps to get there. That's OK. Being intentional about saving, and setting a course to get on track, is a great first step.

Depending on your circumstances, here are eight retirement accounts to consider:

1. Start with your 401(k) plan at work.

In 2025, you can sock away up to \$23,500 if you are under age 50, \$31,000 if you will be age 50 or older, and \$34,750 if you are between ages 60 and 63.

Taking advantage of a company match is a good starting point. Or consider starting to save 6% of your salary if your company does not offer a match. Use services in your plan that help you automatically increase your contribution rate over time.

2. Open or fund an individual retirement account (IRA).

If you don't have access to a workplace plan or if you want to supplement your savings, consider an IRA. You can contribute up to \$7,000 (\$8,000 if you are age 50 or older) to an IRA in 2025 and 2024. The good news—you have until April 15, 2025, to make a contribution for 2024. Ideally, you'll want to take advantage of the tax deductibility of your contribution, but your deduction may be limited if you, or your spouse, are covered by a retirement plan at work and your income exceeds certain levels.

3. Consider a Roth option.

While a [Roth option](#) doesn't provide you with an immediate tax benefit, it does provide potentially tax-free income in retirement. With the unpredictability of future tax rates, it may be beneficial to have a mix of accounts with different tax treatments. You can make Roth contributions in two ways:

- Through a Roth IRA: The same [contribution limits](#) mentioned previously apply; however, the ability to contribute is phased out if your income exceeds certain levels.
- Through a 401(k) or 403(b) plan: You may be able to direct contributions to a designated Roth account if your workplace plan offers this option. In this case, contributions are not limited by your income level.

 If your spouse doesn't have their own earned income (or very little), they can fund their own IRA based on your compensation if you file a joint income tax return.

4. See if your spouse is eligible for [spousal IRA](#) contributions.

If your spouse doesn't have their own earned income (or very little), they can fund their own IRA based on your compensation if you file a joint income tax return. The IRA

can be either Traditional or Roth, and the same contribution limits apply. However, your combined IRA contributions can't exceed your combined income.

5. Self-employed? Consider saving in a simplified employee pension plan IRA (SEP-IRA) or Individual (solo) 401(k).

A SEP-IRA is easy to set up and maintain, and it has very generous contribution limits. In 2025, you can contribute the lesser of 25% of compensation or \$70,000 (\$69,000 for 2024). Your contribution may be tax-deductible. An Individual 401(k), or solo 401(k), is suited for a business owner with no employees apart from their spouse. They can make contributions as an employer and employee, potentially up to \$70,000 in 2025 (\$69,000 for 2024).

6. Explore a Rollover IRA.

Since cashing out of your employer plan may result in paying taxes and a penalty, you have three options that keep your money tax-deferred when you change jobs. You can leave it with your previous employer (if permitted), roll it in to your new 401(k) plan (if permitted), or roll it in to an IRA. If you've changed jobs several times and wish to consolidate all your balances into a single account, a Rollover IRA may be a good option.¹ It's best to do a direct rollover (meaning you never receive a check) so that the money transfers directly from one institution to the other.

7. Fund a health savings account (HSA).

You may be wondering what [an HSA](#) has to do with retirement. This account provides triple tax advantages. Your contributions are tax-deductible; your money can grow tax-deferred; and when

you withdraw the money (for qualified health care expenses), you do so tax-free. If you participate in a high-deductible health plan (HDHP), you can contribute \$4,300 for individual coverage or \$8,550 for family coverage in 2025 (\$4,150 and \$8,300, respectively, in 2024). Many people use HSAs to cover immediate, out-of-pocket health care costs. But they are also a good way to invest tax-free for the long term to offset future health expenses in retirement.

 A combination of taxable, tax-deferred, and tax-free sources of savings just might be the recipe for retirement success.

8. Invest in a taxable nonretirement account.

While it's important to utilize the tax advantages of the accounts previously listed, you may want to build up savings that are more accessible to give you financial flexibility. You should already have money on the side for emergencies. You could also supplement your retirement savings with investments for the longer term, especially if you may not benefit from the tax deductibility of IRA contributions. A combination of taxable, tax-deferred, and tax-free sources of savings just might be the recipe for retirement success.

¹ When deciding between an employer-sponsored plan and an IRA, there may be important differences to consider — such as range of investment options, fees and expenses, availability of services, and distribution rules (including differences in applicable taxes and penalties). Depending on your plan's investment options, in some cases, the investment management fees associated with your plan's investment options may be lower than similar investment options offered outside the plan.

INVEST WITH CONFIDENCE®

T. Rowe Price identifies and actively invests in opportunities to help people thrive in an evolving world, bringing our dynamic perspective and meaningful partnership to clients so they can feel more confident.

Important Information

This material is provided for general and educational purposes only and is not intended to provide legal, tax, or investment advice. This material does not provide recommendations concerning investments, investment strategies, or account types; it is not individualized to the needs of any specific investor and is not intended to suggest that any particular investment action is appropriate for you.

Any tax-related discussion contained in this material, including any attachments/links, is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding any tax penalties or (ii) promoting, marketing, or recommending to any other party any transaction or matter addressed herein. Please consult your independent legal counsel and/or tax professional regarding any legal or tax issues raised in this material.

The views contained herein are as of the date written and are subject to change without notice; these views may differ from those of other T. Rowe Price associates.

This information is not intended to reflect a current or past recommendation concerning investments, investment strategies, or account types, advice of any kind, or a solicitation of an offer to buy or sell any securities or investment services. The opinions and commentary provided do not take into account the investment objectives or financial situation of any particular investor or class of investor. Please consider your own circumstances before making an investment decision.

Information contained herein is based upon sources we consider to be reliable; we do not, however, guarantee its accuracy.

Past performance is not a reliable indicator of future performance. All investments are subject to market risk, including the possible loss of principal.

T. Rowe Price Investment Services, Inc., distributor, and T. Rowe Price Associates, Inc., investment adviser.

© 2024 T. Rowe Price. All Rights Reserved. T. ROWE PRICE, INVEST WITH CONFIDENCE, and the Bighorn Sheep design are, collectively and/or apart, trademarks of T. Rowe Price Group, Inc. RETIRE WITH CONFIDENCE is a trademark of T. Rowe Price Group, Inc.