

Let's Talk...

Let's Talk ... About Which Accounts to Use in Retirement

As you approach or settle into retirement, it's important to figure out how to make the most of your retirement accounts. Knowing which accounts to tap into and when can really make a difference in your financial well-being.

Understanding Different Retirement Accounts

Let's break down the most common retirement accounts you might have:

Account or Benefit Type	Description
Traditional 401(k) Roth 401(k)	For details about the Traditional and Roth 401(k) accounts , read "Let's Talk...About Traditional vs. Roth 401(k) Contributions" .
Traditional IRA	Similar to a Traditional 401(k), this account allows you to defer taxes until you withdraw funds. You may have an IRA in addition to your 401(k) accounts.
Roth IRA	Similar to a Roth 401(k), this account allows for after-tax contributions, and qualified withdrawals in retirement are tax-free. Eligibility to contribute is subject to income limits.
Social Security	These benefits serve as a vital source of income for many retirees, helping to cover living expenses and maintain financial stability in retirement.
Health Savings Account (HSA)	HSAs offer triple tax benefits—your contributions are tax-deductible, the growth is tax-free, and withdrawals for qualified medical expenses are also tax-free. For more information, visit the Halliburton Benefits site .

SECURE 2.0 Act Contributions for Those 60-63 Years Old

Effective for the 2025 tax year, the SECURE 2.0 Act allows for higher catch-up contributions to retirement plans for those 60-63 years old. These increased limits provide an opportunity for those approaching retirement to save more through the Halliburton Retirement Plan. Keep in mind: starting in 2026, those making more than \$145,000 in the prior year will be required to make any catch-up contributions to a Roth 401(k), rather than a traditional 401(k) account.

401(k) account holders	2025 Contribution Limits
Those under 50 years old	\$23,500
Those 50-59 years old & 64+	\$23,500 plus an additional \$7,500 in catch-up contributions
Those 60-63 years old	\$23,500 plus an additional \$11,250 in catch-up contributions

When to Use Each Account

When planning your withdrawals, balance your immediate financial needs with the long-term growth potential of your accounts. Here are strategies to consider:

- **In Your Early Retirement Years:** If you've just retired, consider using your taxable accounts first. By preserving your tax-advantaged accounts, you can maximize their growth potential and reduce your tax burden in the future.
- **For Healthcare Expenses:** Your HSA is a great resource for qualified medical expenses. Be sure to take advantage of this account to pay for eligible healthcare costs so that you can preserve your other retirement savings for future needs.
- **Tax Planning:** If your income varies, strategic withdrawals can help manage your taxable income. For example, withdrawing from tax-deferred accounts, such as the Traditional 401(k), in years when your income is lower can help minimize the tax impact of the withdrawals. Conversely, it may be helpful to withdraw from your Roth in years when your taxable income is higher, especially if it's close to breaching the next tax bracket.
- **Legacy Planning:** If you want to leave assets to your heirs, consider using your Roth accounts last. This way, your heirs can benefit from tax-free withdrawals, maximizing the value of your legacy. Roth accounts are particularly advantageous for legacy planning because they do not have required minimum distributions (RMDs) during your lifetime, allowing your investments to grow tax-free without the need for mandatory withdrawals. This approach ensures your heirs can inherit the full value of your Roth accounts.
- **Social Security Timing:** The age at which you start taking Social Security can significantly impact your overall retirement income. Delaying benefits can increase your monthly payout, providing more financial security later in retirement. However, it's important to note that higher withdrawals from other accounts can increase your taxable income, and if your combined income exceeds certain thresholds, up to 85% of your Social Security benefits may be subject to federal income tax. To reduce taxes on Social Security, consider spreading out your taxable income more evenly throughout retirement.

- **Required Minimum Distributions (RMDs):** If you have a Traditional 401(k) or IRA, be aware of RMDs, which require you to start withdrawing a minimum amount at a certain age. These distributions are also considered taxable income and can affect your tax bracket and overall tax situation. [Learn more](#).

It's always advisable to consult with a tax advisor or financial planner to tailor your withdrawal strategy to your specific financial situation and goals.

Additional Resources

To learn more about developing a retirement withdrawal strategy, read "Let's Talk ...About Making Your Retirement Savings Last".

Fidelity's step-by-step Retirement Decision Guide can help you feel more confident and supported as you transition to retirement.

Sources:

[Fidelity: 9 Types of Retirement Accounts](#)

[Fidelity: Tax-Savvy Withdrawals in Retirement](#)

[Investopedia: Can Your 401\(k\) Impact Your Social Security Benefits?](#)

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