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2026 tax year

Where should I put my savings?

A savings waterfall to help prioritize after-tax growth potential

Emergency fund	**6-12 months of spending:** **$**____________
401(k) (company match)	**My company's plan match:** Up to ___**%** of salary: **$**__________
Health Savings Account	**Max. contribution (employer + employee):** **Self only:** $4,400[1] **Family:** $8,750[1]
401(k) (maximum)	**Max. deductible contribution (employee):** $24,500[2,3]
IRA (deductible contributions)	**Max. IRA contributions (deductible + non-deductible):** $7,500[4]
529 College Savings	**Annual gift tax exclusion:** $19,000/beneficiary[5]
401(k)/IRA[4] (non-deductible contributions)	**Max. 401(k) contribution (employer + employee):** $72,000[2,3,6]
After-tax savings (taxable account)	No limits

Savings
(income minus expenses)

Source: IRS Notice 2025-67.

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Additional considerations

Annual catch-up contributions (2026 tax year)

[1] **Health Savings Account (age 55 and older):** $1,000 additional ($5,400 total for individuals and $9,750 total for families)*

[2] **401(k) (age 50-59, 64 and older):** $8,000 additional ($32,500 total)**

[3] **401(k) (age 60-63):** $11,250 additional ($35,750 total)**

[4] **IRA (age 50 or older):** $1,100 additional ($8,600 total)

Other notes

5 There is a special 5-year accelerated gifting rule for 529 contributions allowing for "front-loading" of contributions. Each person may contribute up to $95,000 per beneficiary ($19,000 x 5 years = $95,000 based on the 2026 annual gift tax exclusion) every five years without tapping into their lifetime gift and estate tax exemption or triggering gift taxes. 529 contributions may qualify for deductions or tax credits to offset state income taxes. Check the state's 529 plan for terms and limits.

6 The total contribution limit (for employee and employer contributions together) is $72,000 ($80,000 if you are age 50-59, or 64 or older). If the 401(k) plan allows employees to make after-tax contributions and offers in-service distributions or conversions, employees may be able to implement a "Mega Backdoor Roth conversion," making after-tax contributions and then converting those after-tax dollars to a Roth 401(k) or Roth IRA. The employee will owe income taxes on any earnings accrued on the after-tax contributions prior to the conversion, but any future earnings will grow tax-free.

* To contribute to a Health Savings Account, you must participate in a high-deductible health plan (HDHP). For 2026, a plan qualifies as an HDHP if the annual deductible is not less than $1,700 for self-only coverage or $3,400 for family coverage and annual out-of-pocket expenses (excluding premiums) do not exceed $8,500 for self-only coverage or $17,000 for family coverage.

** Not all 401(k) plans allow catch-up contributions. Starting in 2026, 401(k) catch-up contributions must be made as Roth contributions if you earned more than $150,000 of wage income from your current employer (in the previous year). If your 401(k) sponsor does not offer a Roth 401(k), they may disallow catch-up contributions for high earners.

Source: IRS Notice 2025-67.

Next steps

1. Estimate the family's expected savings for the calendar year and use the savings waterfall to help prioritize contributions.
2. Review the plan with a financial advisor.
3. Set up direct deposits and recurring account transfers so that funds are automatically deposited and invested as they arrive in each account.
4. Update this plan each year—and after major life events (marriage, a new child, etc.)—to reflect earnings and spending/saving patterns.

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