3 Doors to Tax-Free Money

Money is taxed in three ways. Door #3 is the one almost nobody uses.

START HERE: WHERE IS YOUR MONEY TAXED?

1. TAXED NOW

Brokerage and savings accounts. You pay tax every year on interest, dividends, and realized gains.

2. TAXED LATER

401(k) and traditional IRA. You get the deduction today and hand the tax bill to your future self.

3. NEVER TAXED AGAIN

Roth accounts and the HSA. Grows tax-free and comes out tax-free. This is the bucket to build.

THE THREE DOORS INTO THE TAX-FREE BUCKET

DOOR 1 — THE FRONT DOOR

Roth IRA

A direct Roth contribution. 2026 limit: $7,500, plus a $1,100 catch-up at age 50+.

Watch out: Simple — if your income qualifies. Income limits phase out the direct contribution.

DOOR 2 — THE BACK DOOR

Backdoor Roth

Make a nondeductible contribution to a traditional IRA, then convert it to Roth.

Watch out: No income limit on the conversion, but watch the pro-rata rule: other traditional IRA balances can make part of the conversion taxable.

DOOR 3 — THE BIG DOOR

Mega Backdoor Roth

After-tax contributions inside your 401(k), followed by an in-plan Roth conversion.

Watch out: $72,000 (2026) is the total plan ceiling across all sources — not an extra $72,000 on top of your regular deferrals. Your plan must allow both steps.

THE HSA — THE ONLY TRIPLE-TAX-ADVANTAGED ACCOUNT

- **Deduct** Contributions reduce your taxable income in the year you make them.
- **Grow** Earnings compound with no annual tax drag.
- **Spend** Qualified medical costs come out completely tax-free.

Requires enrollment in a qualifying high-deductible health plan. Many people spend the HSA every year; used as a long-term account, it is the most tax-efficient dollar you own.

Your action page

ASK YOUR ADVISOR THESE 3 QUESTIONS

- [ ] 1. How much of my money sits in taxable, tax-deferred, and tax-free accounts today?
- [ ] 2. Does my 401(k) allow after-tax contributions beyond my regular deferral?
- [ ] 3. Does my plan allow in-plan Roth conversions of those after-tax dollars?

YOUR SNAPSHOT — FILL THIS IN

Taxable (taxed now)	
Tax-deferred (taxed later)	
Tax-free (Roth + HSA)	
% of total that is tax-free	

DO THIS NEXT

1 Pull your latest statements and sort every account into one of the three buckets.

2 Call your 401(k) provider and ask the two plan questions above, word for word.

3 If both answers are yes, set your after-tax contribution and turn on automatic in-plan conversions.

Want your own three-bucket snapshot?

Bryan Daly, CFP®, RICP® · New Life Financial Planning · Jupiter, FL
newlifefinancialplanning.com

Educational summary based on The Tax Playbook presentation. Not tax, legal, accounting, investment, or insurance advice. Contribution limits and tax rules change; individual circumstances vary. Consult your own qualified professionals before acting.