

# RETIREMENT VEHICLES

[00:00:00] Hello everyone. Welcome to the Well It Depends podcast. I'm your host, Derek Doyle. And this is Andrew Baron. Today's episode is being recorded on February 27th, 2026, and today's episode we're gonna be talking about the new retirement landscape. The information in this episode is current as of the date recorded and is not intended as financial, tax or legal advice.

You should consult your tax, financial, and or legal advisors before implementing any transactions and or strategies concerning your finances and how it's evolved and changed over the last 30 years. And as advisors, we see it prevalent with a lot of our retirement planning specific needs and how we are getting people ready for retirement for their specific situation.

To dive into this, Andrew, what. The main shift that we've been seeing in the retirement space is that there has been [00:01:00] a specific precise shift away from pension plans in the private sector to now. 4 0 1 Ks. 4 0 3 Bs. Or what we would like to define as define contribution plans. Give us a little background for the audience so that they can understand what is a defined benefit plan versus a defined contribution plan.

Before we dive into some of the specifics. So it is a little jargony to use these terms. Yes. But defined benefit is what it sounds like. It is a defined benefit that you get in retirement. Traditionally, people think about this as pensions, where you work for a company for 20, 25, 30 years and you get some percentage of your average salary life, and it may have been taken for your spouse.

This was often set up back when people were living to maybe 60 years old, so the funding requirements were a little bit different when it was set up versus the funding requirements today where people are [00:02:00] living into their eighties, nineties. We have someone that's over a hundred in our office, right?

The funding requirements for companies became extreme, so a lot of this has been pushed off onto the individual for them to save, which brings us back to. The contribution side where it's, I will make X contribution a thousand, 5,000, \$10,000 towards your retirement, and then it's up to you to spend it such that it lasts for you in that space.

Yeah. And just to give some like numbers and some data to back that we've seen over the past 30 years. Now just under 90% of private sector participants are under the defined contribution plan, whereas that was not the case 30 years

ago where it was mostly a defined benefit. In our space, we see it as the shift is being a.

Put onto the employees to bear the risk now in terms of it is on your side and your template now to make those contributions and then invest them [00:03:00] accordingly and let, and hopefully the investment performance keeps up to allow you to have a retirement. That to me, when the risk is put on the employees, that's when the financial advisor can step in because it, it's not that these things have been taken place quite yet, but when you start seeing headlines where last year Trump was trying to put an executive order in where private credit, some of these alternative investments are trying to get put into 401k plans, my instant knee jerk reaction is red flags are going off where it's like.

Are these really benefiting the employee or is this kind of just a cash grab for that specific industry, but just overall in, in this space? I think it is very important for advisors or employees to have advice on how to allocate your 401k. There's a lot of times that it's very easy for us as advisors to assume that everyone knows what to do, but you see a lot of cases where someone gets a [00:04:00] contribution.

They don't invest it at all. It just sits in cash or a money market in their 401k, and they could be doing much better than having it sit in cash or just a plain vanilla money market fund. I wanted to get your opinion a little bit on what are some like tips for the early person starting off on, uh, with a 401k or 4 0 1 4 0 3 B to start investing.

It's maybe some foolproof guides to making sure you are saving enough into your retirement plan. I don't know if I can make it foolproof. Yeah, but some good trends to do are save anything, especially if you're first starting out it, it can be challenging depending on what your expenses are, since you may not have a lot to start with as a cushion, so you may need a lot of your income for your current expenses.

Even if it's only 1%, only 5%, you may feel like it's not enough, but what you have on your side is time. So the way to get to those [00:05:00] 15, 20% targets that you should be reaching for is every time you get a raise, maybe every year or when you get a promotion, take a portion of that raise. Maybe half of it and increase your savings rate and use the other half towards your current cost of living.

Uh, I think it helps psychologically since you are still getting a benefit, since you are seeing a higher paycheck, but you're also paying yourself in the future and it can help. Make up for those early years where you may have been saving single digits to overcome those higher double digit rates, what you're targeting.

Yeah, and talking about setting up automatic contributions. I think it's also important for the audience to understand the annual limits behind some of these contributions. And since we are in full tax season swaying and we're already starting to do some 2026 tax planning, I think it's important to mention these numbers.

So. People, employees under the age of 50, your annual contribution is gonna be [00:06:00] \$24,500 that you can contribute to a pre-tax 401k or 403 B. And the key quirk that I wanted to point up that starts this year is. If you are a wage earner above, uh, \$150,000, your ketchup contributions, whether that be your regular ketchup, which is 50 to 59, or your super ketchup, which is 60 to 63, that now all has to be a Roth contribution.

I, I do think it's important to mention that this is when maybe an advisor can step in and help you plan a little bit, because if you are a high income earner, it might make sense for you not to take. The Roth contribution now with being in a higher tax bracket and maybe delay that if your income is maybe supposedly supposed to drop once you retire.

Do you have any thoughts or opinions on electing to take those Roth contributions now versus later? The question we usually like to ask, is your income gonna be higher now while [00:07:00] working, or is your tax rate gonna drop as soon as you stop working? 'cause your income falls? There's a lot of considerations.

Yeah. It's been big thing on any retirement is the contribution since you're limited every year, to what you can contribute and what you're honing in on is that catch up. And so since you only have a truncated number of years to even take advantage of that. It's hard for me to say to not do it, but it really has.

Depends on what other assets you hold. Where is your income? Because just being over one 50 is a very broad range. Being at 180 is very different than five 80, for example. What is your income? What other alternatives are available to you? Because especially high income earners may have outside plans besides just the traditional four one K that may make more sense to fund instead.

For just a traditional brokerage account, if you are especially light on taxable assets. Yeah, and talking about where you're at in terms of your life stages of where your [00:08:00] income is. I think it's also important to revisit your 401k or 403B every single year and look to possibly rebound a lot of times.

Your allocation when you first start working at 26 is going to be very different than your allocation when you're five years out from retirement, and a lot of times it's very easy for you to forget to go ahead and rebalance and shift away from maybe some of these risk assets. As you get closer to retirement.

So I think it's important to always rebalance your account, you know, every single year just as a maintenance check in to see where you're currently at and where your account's sitting. One of the next things, Andrew, that you and me come across often is the benefits and the perks of once you are detached from that employer, how many advantages there are from.

Rolling your old employer account into a rollover IRA. There's things called stuff that kind of bubble wraps your 401k or 403B to [00:09:00] limiting what specific investments you can and can't hold. But there's also things like QCDs and other retirement tax planning strategies that are not allowed inside of some of these employer accounts.

Explain to the audience some of these, uh, benefits of once you are detached from your employer, uh, how important and some of some maybe missed opportunities you might have if you didn't roll your plan over to, uh, an IRA. I'm actually going to answer your question with the opposite of, let's talk about the four one K advantages first.

So there's a handful of things that 401ks allowed that IRAs do not, uh, most notably is access at 55. So if you are planning on retiring early, you can actually pull funds out of a 401k at 55. Versus 59 and a half from an IRA. So that's one notable difference between the two. And then the other would be if you work for a publicly traded company [00:10:00] and you receive stock in your 401k, that can be rolled out in a special transaction.

I won't get into the nuances on this since that's not what this podcast is about, but that can also play a role since it does save you on taxes to keep money in a 401k. But to answer your original question, why would we do a IRA? So typically, not always, but very oftentimes because there's something called ERISA, your options inside of a form K are limited.

This is a good thing for a lot of people, since you don't have crazy speculative things that you might accidentally buy, especially if you are very young, but. IRA allows you the entire investment market basically to pick and choose how you see fit so you can control what you're investing in a much better way than is available to you in a four one K.

Yeah. And then once again, there are mandatory distributions which [00:11:00] occur either 73 or 75 if you're born 1960 or later, where you have to take money out of these accounts. So IRAs. Allow you to what is also considered aggregate. So if you even have a hundred accounts, if you satisfy your RMD from one account, it's considered satisfying all of them.

However, each 401k or 403 B, that you have to take a RMD from that account specifically. And then I think as you were alluding to, there's also qds, which is a qualified charitable distribution. Such that you can take money from your retirement account directly to a charity and it's not taxable to you.

Yeah. So if you don't need money for your especially charitable inclined, this can be a very tax efficient, advantageous thing to do. Yes. I think it's very important that you pointed out the benefits of. Staying in your employer plan, especially early on, maybe if you are under the age of 55, no. And [00:12:00] also when you turn 55, there are perks.

'cause we all here in the industry, the 59 and a half rule for your IRAs, that's not the case for your 401k or 403 B. So it is important that there are some pros. This 401k really well. That's something I learned today too. So. I think it, it really does show you the complex strategy that can take place when you are planning to decide to roll over or not, and also it takes some planning on the side of, does it make sense for me to stay inside of this account currently or not?

Whether you are currently still working or not working. To touch upon kind of the last, they like to call it the three legged stool of retirement. I, I do think it's important while we're on the topic of retirement, to address social, social security and a lot of the concerns that you and me are hearing, mostly sometimes on a week to week basis around the funding and the solvency of the program, and specifically the [00:13:00] trust fund.

Just to lay out what me and Andrew are talking about, if you are not aware of the situation we're in, social Securities Trust Fund is supposed to be fully depleted, projected by 2033, and how Social Security works is every single year it is a pay as you go system where. The government is collecting your payroll tax through Social Security, and that is being funded to pay out the benefits.

And every single year there's not enough payroll deductions to meet the ongoing liabilities. So Social Security has to tap into their trust fund to pay out the needed benefits. So that's just a broad view of what's going on here. But I do see scenarios, and you and me both probably agree on this, where social security does have a lot of easy fixes, at least in our eyes, that could be passed today in Congress, but they're just not, because it's [00:14:00] not a priority.

Currently, it's not. The phrase I like to say is, it's not the closest shark to the boat at the moment. Explain what are some of these easy fixes, whether that being, raising the full retirement age, increasing the wage cap on which social security is currently taxed at, or even increasing the fight, the payroll percentage.

Just talk about those three scenarios and how this could easily solve the problem. So the first one I think makes almost obvious is just increasing payroll taxes. Right now everyone pays 6.2% and your employer pays another 6.2%, which funds social security up to that wage base, which we were talking about.

Yep. If I've seen math where if we were just to increase this by 1%, so total funding is 12.4. So you pick up half a percentage and your employer picks up the other half, make it to 13.4. This alone would fix social security for decades. Mm-hmm. So that seems like an [00:15:00] easy fix. Yes. It would be a tax increase, but you could couple that with Next thing is.

Wage. The wage base. So they already did this for Medicare in the early two thousands where there was a cap and they just removed it so that everyone paid into Medicare. Whether you made 200,000 million, 10 million, et cetera. We could do the same thing with social security, where very high income people continue to pay 6.2% of their income indefinitely no matter what.

That would obviously help offset. Well, maybe we need to take from everybody else, so that's not 1%. Maybe that's reduced. And another thing would just be changing the age. You probably wouldn't do it for anyone. Let's say under, or, oh, excuse me, anyone over 50. So anyone who's within. A decade of benefits, but for everybody else, since there's staggered amount of time, you could just slowly delay it just like they did last time.[00:16:00]

When we bumped it from 65 to 67 7, we could slowly have it from 67 to 69 or something along those lines. And I think, like you said, it's most likely going to be some sort of combined approach. I don't see it being just one or the other. It's probably going to be a mix of a few that we've mentioned. But I, I do say

without having the crystal ball in front of me, I do think that we are, you know, just not worried about it as a country right now.

But I would say we've been saying this to clients. There is probably no scenario where social security is completely wiped off the face of the planet, where it's not being funded and benefits are not being paid. That is really the backbone for the retirement community and the retirees for the last call it almost sixty, seventy, eighty years.

Oh, more than that. More than that. Well, there is no scenario in my opinion, where it just completely goes away. No, it's just a law. Yeah. So if. [00:17:00] The Congress was going to get rid of it. Those people would all be eliminated and new Congress people would be voted and they would fix social security if it really came down to that.

I hope we aren't a year away and we're talking about this in 2032. Where nothing's been done, and it becomes much more of a hot button where every year that goes by is a little bit more concerning, but it is just a congressional act that will solve this. Yeah, and that goes into, I wrote a blog on this.

Your own social security statement states that this is not intended to be your full retirement income. Social security is well aware that. This is, you're not supposed to be treating your social security as your only source of income in retirement. And that's ties into what we were talking about before.

Social security is, it is important. To save and contribute to your other retirement plans so that you do have a wide variety, a diverse selection of income when it comes to retirement. Social security or your pension sets a [00:18:00] base floor for you. And then you have other avenues, whether it's your IRA, Roth IRA, A brokerage account.

You have other means that you can supplement areas of your retirement income with, and you should never be relying on one. Vehicle for your retirement spending needs ever. I, I don't think any advisor would ever recommend a one bucket approach to retirement spending. I think the only other thing that we get talked about a lot in meetings with clients is when to take social security and some of the nuances around the age, whether I should be taking it early.

At full retirement or delayed retirement. Any thoughts or opinions on to simplify that question for some people that might be still asking themselves, what, when should I take and why? So those kind of are the three big times is do you take it early? Maybe age 62, which time I think this makes sense for people,

are you're truly [00:19:00] desperate to transition into the retirement stage of life.

You're done with working maybe. Enjoy your work or maybe you have health issues and you don't expect to have a lot of time in retirement. This may make a lot of sense for you. Yes, you understand that I'm getting it today, and I would overall have less if I live into my, let's say eighties than if I chose one of the other options.

But once again, it does give you assets today and cashflow today that you wouldn't otherwise have, which helps take pressure off of. Drawing money off of your other assets. So in some ways this can actually be a good strategy for some people. Next one is full retirement age, which by its name is the amount you basically are been saving for your whole life.

So I think this makes sense for a large number of people since it is the full benefit. And if you really look at where the break even is between full retirement [00:20:00] and 70, which is maximum, it's often in your early to mid eighties. So you have to ask yourself, do you care that you're getting more from social security in your eighties or in your mid sixties?

Which maybe makes another sense if you're considering traveling or things like that. And then for 70, for people that are. You're very wealthy, where it's actually almost a burden where it's extra income. They may not even need delaying it to maximum makes the most sense. Or if you know you have longevity, if.

People consistently live to nineties or a hundred in your family, waiting all the way to 70 may also makes sense. Yeah, and to summarize basically the three options that you laid out, there is truly no one size fits all approach to this. It is case by case and it is client by client. We cannot ever sit down and say that.

65 or 60 age 67 is the best solution for everyone because it is [00:21:00] never as easy as that. And that's why when it comes to retirement and retirement planning, it is important to start having these conversations and start looking at the numbers to see what makes sense for your specific case and scenario.

But overall, I think we did, we talked about pensions 4 0 1 Ks, social Security, the. Outer sphere of what retirement is and how it can be used, and what are the different income sources and how you can invest to make sure you have multiple streams of income once you do hit retirement age. It's always a very

complex conversation to have, and that's why having an advisor can give you more confidence as you enter retirement.

So. We'll end the episode today and this was the Well Depends podcast. I'm your host, Derek Doyle. And I'm Andrew Baron. And we'll see you guys next time.

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