Your moment & your money: Getting started

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RBC Wealth Management

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Investment choices pyramid

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The relationship of risk and reward is central to the decision-making process for investors. Understanding your time horizon and your overall objectives for investing is key to making investment choices. For example, savings accounts carry very little risk, but they offer little in the way of reward because they do not pay very much interest. Stocks can offer investors potentially good returns—but they also carry a high degree of risk, because there is no guarantee you won't lose your money in a stock. Some investors are more aggressive by nature, and are willing to take on more risk in exchange for potentially higher returns. On the other hand, conservative investors prefer investments that are unlikely to lose money—even if they do not grow significantly.

The investment choices pyramid provides context at a glance for investments that tend to carry more risk and reward and those that typically have less risk or reward.

Choosing the right mix of investments is a personal decision and one that is best done with the guidance of a professional.

Talk to your financial advisor about the portfolio that is right for you.

More risk | Potentially higher returns

Less risk | Potentially lower returns

Limited partnerships
Options
Commodities

Speculative stocks and bonds
Alternative investments

Real estate investment trusts
International stocks

Blue chip stocks | Growth portfolios or funds
Balanced portfolios or funds | Variable annuities

Preferred stock | Convertible securities
Municipal bonds | Corporate bonds

Fixed annuities | Money market funds | Savings bonds
Insured savings accounts | Treasury securities | Certificates of deposit

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Investment definitions and phrases

Wealth Management

- **Annual report:** The yearly financial statement issued by a business or foundation. The annual report contains data about a company's activities, liabilities, assets, profits and expenses. The annual report is made for the benefit of the company's shareholders or stock owners.
- **Asset:** An asset represents physical and nonphysical items that are owned by individuals or companies.
- **Basis point:** A basis point is 1/100 of 1%. For example, if the news says that the central bank increased the interest rate 25 base points from 5%, this means that the new interest rate is 5.25%.
- **Bear market:** The term bear market refers a to a financial market with downward movement of prices.
- **Bonds:** These are a form of debt security in which the issuer owes a debt to the bondholders. The issuing institution will repay the principal at a fixed date, also known as the maturity date.
- **Bull market:** The term bull market refers to a financial market with upward movement of prices.
- **Capital gain:** This represents an increase in the value of an investment/asset.
- **Capital loss:** A capital loss is a decrease in the value of an investment/asset.
- **Certificate of Deposit (CD):** Promissory notes offered by commercial banks, thrift institutions and credit unions.
- **Closed-end funds (CEF):** Structured, listed and traded like a stock on the exchange. Despite the name similarities, a closed-end fund has little in common with a conventional mutual fund, which is technically known as an open-end fund.
- **Collateralized mortgage obligation (CMO):** Mortgage-backed security is a type of security that creates separate pools of pass-through rates for different classes of bondholders with varying maturities, called tranches. The repayments from the pool of pass-through securities are used to retire the bonds in the order specified by the bond's prospectus.
- **Commission:** Refers to the fees charged by brokers for trading securities.
- **Common stock:** Refers to securities that entitle owners to voting rights. In addition, it gives the right to receive a portion of the dividends and capital gain/loss.
- **Diversification:** Represents a technique for the identification and assessment of potential risks and combines a diverse array of investments in a portfolio.
- **Dividends:** These represent payments that are made by a corporate entity to its shareholders. Corporations may approach their profits in two alternative ways: they can either reinvest the surplus or spread it among the shareholders as dividends.
- **Dollar cost averaging:** When we buy on a regular schedule a fixed dollar amount of a particular investment regardless of the share price, we employ dollar cost averaging.
- **Dow Jones:** This is an index based on the share value of the top 30 blue-chip stocks listed on the NYSE (New York Stock Exchange).
- **Equity:** This refers to interest in assets, distributed among shareholders in a particular corporation.
- **Exchange-traded Funds (ETFs):** A security that tracks an index, a commodity or a basket of assets like an index fund but trades like a stock on an exchange. ETFs experience price changes throughout the day as they are bought and sold.
- **Individual retirement account (IRA):** Represents a retirement account, usually offering various tax advantages and benefits in view of retirement savings.

- **Initial public offering (IPO):** The first issue of company shares to the public.
- **Municipal bond:** A debt security issued by a state, municipality or county to finance its capital expenditures. Municipal bonds are exempt from federal taxes and from most state and local taxes, especially if you live in the state in which the bond is issued.
- **Mutual fund:** A mutual fund collects money from a number of investors and then invests them in market instruments that may include stocks, bonds and other securities types.
- **NASDAQ:** Also referred to as the National Association of Securities Dealers Automated Quotations, the NASDAQ represents the American Stock Exchange.
- **Penny stock:** A stock that is traded for less than $5 per share is called a penny stock in the United States.
- **Preferred stock:** A preferred stock or preferred shares refers to a category of ownership in a company that has a greater claim on the earnings and assets than common stock.
- **Quote:** Essentially the naming price of something. A stock quote is the highest price a buyer is willing to pay and the lowest price that a seller would accept for this particular security.
- **Real Estate Investment Trust (REIT):** A security that sells like a stock on the major exchanges and invests in real estate directly, either through properties or mortgages.
- **Real estate mortgage investment conduits (REMIC):** A complex pool of mortgage securities created for the purpose of acquiring collateral. This base is then divided into varying classes of securities backed by mortgages with different maturities and coupons.
- **Redemption price:** The price at which a bond can be bought back by the bond issuer before maturity date. In the case of mutual funds, the redemption price is the price at which the mutual fund shares are redeemed by the fund.
- **SEC:** As an independent agency of the government, the U.S. Securities and Exchange Commission (SEC) is responsible for the enforcement of federal laws and regulations that regulate securities, the stock exchanges, the securities industry and the electronic markets for securities.
- **Shorting shares:** A way for profiting when the share price of a company falls. "To short" means to sell a share that is not in one’s possession so that the investor buys it back when its price decreases. A profit is earned from this process.
- **Stock:** A stock or share is a partial ownership in a certain company.
- **Stock dividend:** A dividend paid in the company’s stock instead of cash.
- **Stock exchange:** This represents a market on which all kinds of securities may be purchased or sold.
- **Treasury bill:** This is the way the U.S. government raises money from the public through bond offerings.

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Regular investing

An approach to building wealth.

Regular investing enables investors to apply the disciplined savings-first approach needed to help successfully build wealth over time. And by using the valuable investment strategy of dollar-cost averaging (DCA), regular investing can be an effective way to invest in many market conditions.

A sound way to invest over the long term

There will always be investors who are tempted to stop investing during periods of heightened market volatility. Investing regularly enables anxious investors to ease into any type of market.

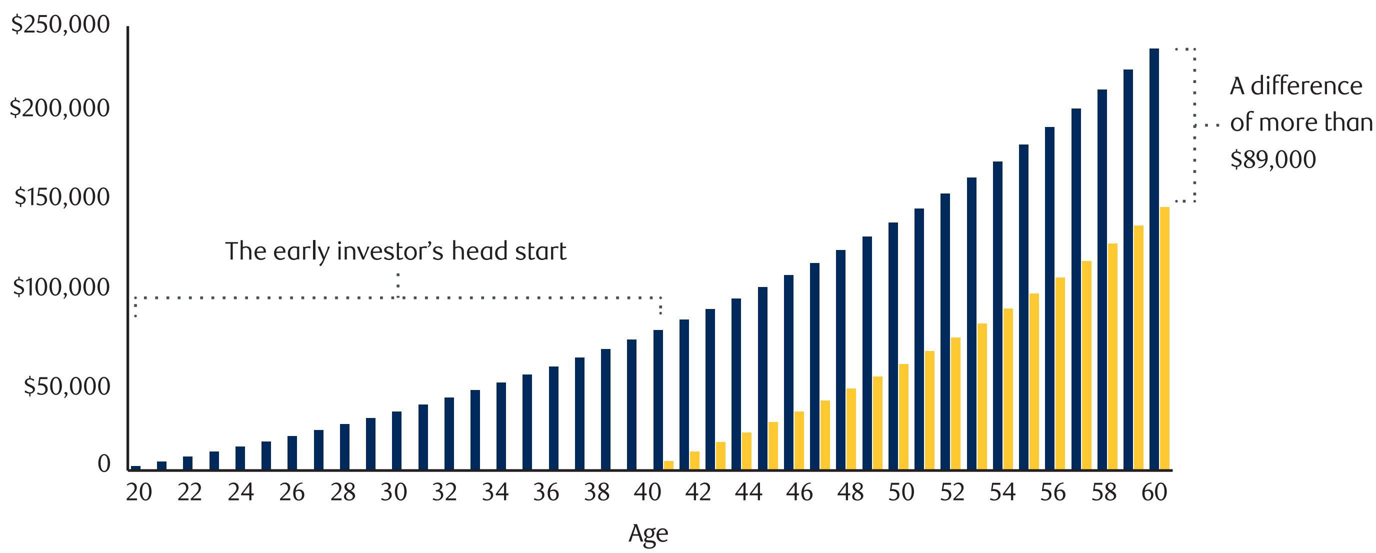
However, building wealth is not simply about saving. Knowing how much, how long and what to invest in is just as vital in order to successfully reach your financial goals. Long-term success is more likely to be the result of time in the markets rather than timing the markets.

Invest early, invest often

Using the chart below, let's take a look at two different types of investors:

- The early investor invests $200/month from age 20 until age 60.
- The late investor invests $400/month from age 40 until age 60.

Investing early can pay off over the long term



Source: RBC Global Asset Management. Assumes 4% per year investment return.

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By age 60, both investors will have invested a total of $96,000. Assuming an annual investment return of 4%, the early investor will have accumulated over $237,000 by age 60, while the late investor will have accumulated about $148,000 by the same age—a difference of more than $89,000 just by starting to invest earlier. While this example uses a simple rate of return, the difference could be more pronounced when investing in the markets, where the strategy of DCA can be used.

Invest regularly

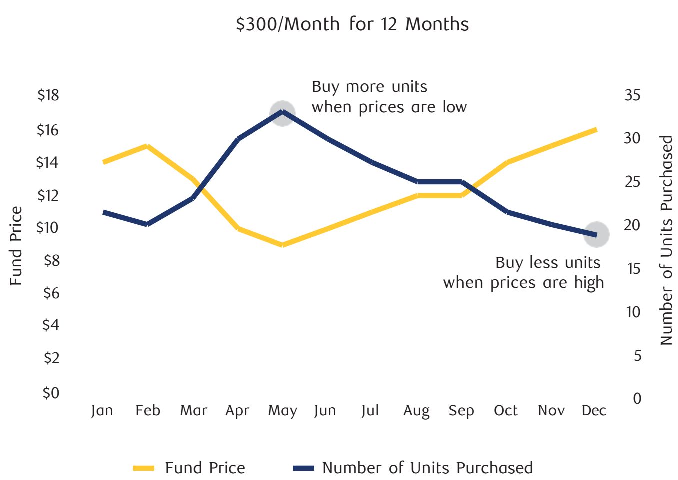
Investing a fixed amount on a regular basis helps ensure that your investment strategy remains a priority through all types of market conditions.

By contributing smaller amounts of money to an investment plan on a continual basis (bi-weekly, monthly), regular investing can act as an anchor to help you maintain discipline when market conditions become volatile.

Regular investing also provides the opportunity to help smooth out returns over time, ultimately reducing overall portfolio volatility. This is achieved because investing a fixed dollar amount on a regular basis gives you a chance to buy more investment units when prices are low and fewer units when prices are high, thereby producing a more level investing experience over the long term.

Talk to your financial advisor about how to take advantage of regular investing, including implementing DCA as a strategy in your long-term wealth management plan.

Investing regularly in a fluctuating market



Source: RBC Global Asset Management Inc. For illustrative purposes only.

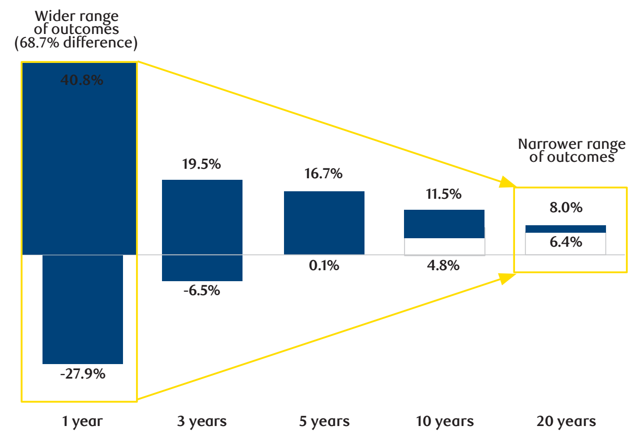
*Fund prices are hypothetical.

Use time to your advantage

Investors who maintain perspective and stay mindful of their investment time horizon have a better chance of reaching their investment goals than those who react to short-term market fluctuations.

Staying invested and trying not to “enter and exit” the markets when volatility increases can help reduce fluctuations over the long term. The longer an investment is held in a portfolio, the less chance it has of incurring a negative rate of return. This is because historically fluctuations in value tend to smooth out over time as the impact of market volatility diminishes. Moreover, years of strong equity markets can outweigh periods of decline, resulting in long-term returns that outperform other asset classes.

Over time, a diversified portfolio tends to experience lower volatility



Rolling 1-, 3-, 5-, 10- and 20-year average annualized returns from January 2001 to December 2023. All returns are in U.S. dollars. Diversified portfolio represented by 2% Cash, 38% Fixed Income, 60% Equities. Cash represented by U.S. Treasury Bills. Fixed Income represented U.S. Aggregate Government Related Index (10%); U.S. Aggregate Investment Grade Index (14%); U.S. Aggregate High Yield Index (5%); Global Aggregate (9%). Equities represented by S&P 500 Total Return Index (24%); S&P Midcap 400 Index (9%); S&P Small Cap 600 Index (3%); MSCI EAFE Net Total Return USD Index (20%), MSCI Emerging Markets Index (4%).

Source: Morningstar, RBC Global Asset Management.

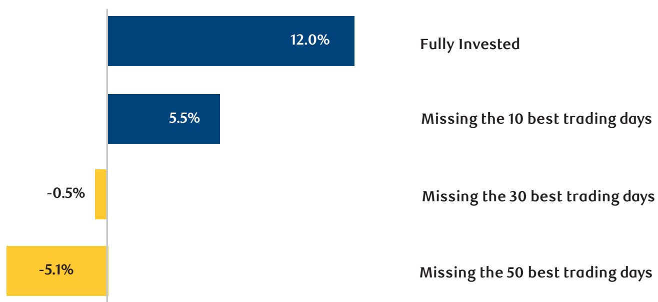
Maintain discipline

Reacting to short-term market “noise” by making dramatic portfolio changes, like moving in and out of the markets, can have a negative impact on achieving your long-term investment goals. History shows that by maintaining discipline and perspective during market downturns, patient investors have been rewarded when markets returned to an upward path.

As market volatility increases, investors have a natural tendency to want to move into safer investments, hoping to avoid further losses. However, this move can result in needlessly locking in losses on investments that, given time, are likely to recover. A key to overcoming this tendency is to refrain from trying to time the market. Selling at the wrong time and missing just a few days of a market recovery could have a significant long-term impact on your portfolio.

Historically, why it’s best to stay invested

Missing just 10 best days in the market over the past 10 years would have reduced returns



Based on the annualized returns of the S&P 500 Total Return Index for 10 years, ending December 31, 2023.

Source: Morningstar, RBC Global Asset Management.

Where do you go from here?

The three strategies outlined above can help you stay focused and feel confident about reaching your long-term investment goals. Talk to your financial advisor about these strategies to help ensure you stay the course and maintain confidence through all types of markets.

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Past performance is no guarantee of future results.

Crypto investment scams and what you should know to stay safe

Wealth Management

What you should know

Cryptocurrency investment scams, often known as "pig butchering," results in billions of dollars lost by consumers annually. Scammers form friendships with victims to lure them into making crypto investments via fake apps and websites. Initially, these investments seem to grow steadily with small amounts, but ultimately, the goal is to swindle victims out of tens of thousands to millions of dollars.

Types of cryptocurrency scams to watch

Fake cryptocurrency websites

Scammers create replica cryptocurrency websites, or slightly alter legitimate ones, to deceive victims into buying cryptocurrency. These fake sites often feature phony testimonials and trading records, leaving individuals unable to recover any funds once they make a payment.

Crypto phishing scams

Scammers use fake websites to engage in phishing, tricking individuals into revealing personal information, especially related to their cryptocurrency wallets. It's crucial to verify the authenticity of any site before entering sensitive data.

Fake celebrity endorsements

Scammers often use fake celebrity endorsements to promote fraudulent financial services, luring victims through social media with enticing offers that lead to downloading malicious apps, potentially granting access to personal funds.

Ponzi schemes

Ponzi schemes have adapted to the crypto landscape by enticing investors with seemingly legitimate cryptocurrency portfolios, using funds from new investors to pay earlier ones while pocketing the excess. Scammers often fake documents and account statements to maintain the illusion of success and attract more victims.

Cryptocurrency donations

Individuals and corporations can donate cryptocurrency to legitimate charities, but scammers often create fake websites that mimic these organizations to exploit people's charitable intentions and steal their money.

Rug pull scams

Pump-and-dump schemes involve fraudsters who artificially inflate the price of a cryptocurrency by promoting it, only to cash out and abandon the project, leaving investors with worthless coins.

Blackmail scams

Scammers may attempt to blackmail individuals by claiming to possess compromising images and asking for cryptocurrency payments to prevent them from sharing the material. In such cases, the FTC recommends ignoring the threats and reporting the incident to the FBI.

Business opportunity scams

Scammers frequently advertise fraudulent business opportunities, claiming they can yield substantial profits with little investment of money or time. They often create a sense of urgency to pressure victims into making payments.

Romance scams

Romance scams take advantage of individuals' emotions, particularly targeting the elderly. Scammers initiate fake romantic relationships online to gain trust and then manipulate victims into sending money for fabricated reasons.

The warning signs

- Unexpected contact online from someone you don't know
- A request not to consult with a financial institution or your financial advisor
- New companies or online friends promoting investment opportunities that you "can't miss"
- New companies or online friends pressuring you into making financial decisions and asking for money or fees

- Poor grammar on the website, low-quality images, broken links and multiple spelling errors
- Websites or social media accounts that closely resemble legitimate ones but differ by just a few words, aiming to trick people into investing in businesses they believe they have heard of or seen before.

How to protect yourself

- Purchase securities only from individuals who are registered and licensed to sell them.
- Communicate through legitimate company channels, never through social media or encrypted apps, as scammers can impersonate registered financial advisors to commit fraud.
- Don't send or transfer any funds until you've thoroughly verified the legitimacy of the seller.
- Be cautious of any online investment gurus who pressure you to "act quickly."
- Never send money to people you meet online and avoid making investments based solely on their advice.
- Do not download any software they may ask you to install on your computer.
- Be wary of anyone online offering investments with "guaranteed payouts."
- Even if these "online friends" arrange professional-looking video calls with multiple participants, they could all be in on it and it may still be a scheme.

How to report a cryptocurrency scam

If you discover that you have fallen victim to an online cryptocurrency scam, the first thing you should do is immediately stop sending money to the scammers. Next, contact your bank to inform them of the situation so they are aware. Make sure to collect all communications with the scammers. Finally, file a report with the **FBI Internet Crimes Complaint Center** at IC3.gov.

Roth IRA

A Roth IRA is a tax-advantaged retirement account owned by individuals. It's attractive to investors as the contributions grow tax-deferred and can provide tax-free income during retirement.

Contribution limits

Contributions to a Roth IRA may be made in one or more payments throughout the year. For 2025, the contribution limit is the lesser of 100% of compensation or $7,000. For 2026, the contribution limit is the lesser of 100% of compensation or $7,500. In addition, individuals age 50 or older may contribute an additional $1,000 for 2025 and $1,100 for 2026 as catch-up contributions.[1]

Benefits of a Roth IRA

Roth IRAs provide considerable benefits to investors including:

- **Tax-free earnings** — Your Roth IRA earnings will accumulate tax-free. This means that the power of compounding is put to full use in your retirement account.
- **Tax-free withdrawals with qualified distributions** — You'll pay no taxes on distributions as long as your Roth IRA has been open at least five years and you have reached age 59½.
- **Age limit for contributions** — There are no age restrictions for contributing to a Roth IRA.
- **No required minimum distributions** — There are no required minimum distributions at any time during your life.
- **Early withdrawal penalty exceptions** — Distributions from Roth IRAs made prior to age 59½ may be subject to an additional 10% early withdrawal penalty. However, a number of exceptions exist to eliminate this penalty:
  - Distributions made to your beneficiary after your death
  - Unreimbursed medical expenses that are greater than 7.5% of your adjusted gross income (AGI)
  - Distributions made because of a qualifying disability
  - Qualified reservist distributions
  - Substantially equal periodic payments
  - Involuntary distributions due to IRS levy on the account
  - Qualified birth or adoption distributions (QBOAD)
  - Survivors of domestic abuse (limited to $10,000)
  - Emergency withdrawal exception (limited to $1,000)
  - Principal place of residence in qualified disaster area (up to $22,000)
  - Qualified long-term care premium payments (limited to $2,500 annually)
  - Terminally ill

Contribution eligibility

Roth IRA eligibility phase-out ranges			
Contributions can be made at any age as long as the contributor—or their spouse—has earned income and your modified adjusted gross income (MAGI) does not exceed the following:			
Filing status	**Full for 2025**	**Partial for 2025**	**Not eligible for 2025**
Single filers	up to $150,000	$150,001–$165,000	$165,001 or more
Joint filers	up to $236,000	$236,001–$246,000	$246,001 or more
Married, filing separately	up to $9,999	Not eligible	$10,000 or more
Filing status	**Full for 2026**	**Partial for 2026**	**Not eligible for 2026**
Single filers	up to $153,000	$153,001–$168,000	$168,001 or more
Joint filers	up to $242,000	$242,001–$252,000	$252,001 or more
Married, filing separately	up to $9,999	Not eligible	$10,000 or more

Tax and penalty-free access to contributions

Roth IRAs are funded with after-tax dollars, which means you have the ability to distribute your principal (original contributions made) without being subject to income taxes or early withdrawal penalties. Distributions of principal may occur at any time and at any age. While Roth IRAs were created with the intent of providing tax-free income for those in retirement, this Roth IRA feature can be a valuable planning option in the event of unforeseen emergency expenses.

Investing your Roth IRA assets

Assets in a Roth IRA can be invested in many types of investments including mutual funds, common stocks, corporate and government bonds, annuities and more.

The investments you select will depend on your individual needs, your tolerance for risk and your time horizon—how long you have until retirement. We can help you determine how much you'll need to meet your retirement goals and can assist you in selecting appropriate funding vehicles for your Roth IRA.

Conclusion

Investing in a Roth IRA can be an excellent way to help you fund the type of retirement you dream of. Your financial advisor can assist you in determining if a Roth IRA is the right IRA for you.

Start funding your Roth IRA today. The sooner you act, the more time you'll have to accumulate the wealth you'll need in retirement and let the power of tax-free growth work for you.

1. Total yearly contributions to all IRAs may not exceed $7,000 for 2025 and $7,500 for 2026, unless you are eligible for the catch-up contribution.

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Traditional IRA

A traditional IRA is a tax advantaged retirement account owned by an individual. Its features are attractive to many investors as the contributions grow tax deferred and may be tax deductible with certain retirement plan coverage and income thresholds being met.

Tax-deferred advantages

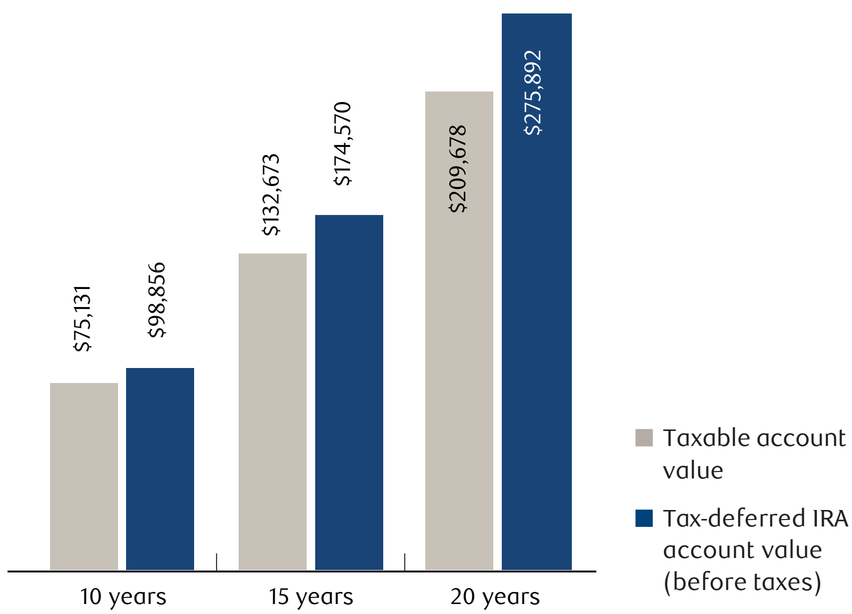
When saving for retirement, you want every investment advantage you can get—and one of the biggest is tax deferral.

Earnings on your IRA investments are tax-deferred and may accumulate faster than if they were held outside an IRA.

The hypothetical illustration shows you how you might accumulate more in an IRA compared to a taxable account.

Assumptions:

- $7,500 (2026) contribution per year to an IRA vs. a $7,500 deposit to a taxable account
- 24% federal tax bracket, 6% annual average rate of return
- Taxes on investment earnings are paid annually in the taxable account but deferred until withdrawn from the IRA



This chart is for illustrative purposes and not intended to be representative of any specific investment vehicle. Past performance is not indicative of future results.

When you do begin to take withdrawals, any pretax balances within an IRA will be taxable as income. You may, however, be in a lower tax bracket. Therefore, your total tax obligation could be less than it would have been with the taxable investment.

Contribution limits

Anyone who has earned income or is married to someone with earned income and files taxes jointly may contribute to an IRA. In 2025, the annual contribution limit for an individual is the lesser of 100% of compensation or $7,000. For 2026, the annual limit is the lesser of 100% of compensation or $7,500. In addition, individuals who are age 50 or older may contribute an additional $1,000 to their IRA for 2025 and $1,100 for 2026.

Deductibility limits

Whether your IRA contribution is tax deductible depends on your marital status, retirement plan coverage and your modified adjusted gross income (MAGI) for the year.

	2025	2026
Single filer, retirement plan participant with MAGI of:		
Fully deductible	$79,000 or less	$81,000 or less
Partially deductible	$79,001–$89,000	$81,001–$91,000
Nondeductible	$89,001 or more	$91,001 or more
Single filer, no retirement plan participation:		
	Fully deductible	Fully deductible
Married, filing separately, retirement plan participant with MAGI of:		
Partially deductible	$0–$10,000	$0–$10,000
Married, filing a joint return, both covered by retirement plan with MAGI of:		
Fully deductible	$126,000 or less	$129,000 or less
Partially deductible	$126,001–$146,000	$129,001–$149,000
Nondeductible	$146,001 or more	$149,001 or more
Joint filer, no retirement plan participation (but spouse is participant) with MAGI of:		
Fully deductible	$236,000 or less	$242,000 or less
Partially deductible	$236,001–$246,000	$242,001–$252,000
Nondeductible	$246,001 or more	$252,001 or more
Joint filer, neither spouse is a retirement plan participant:		
	Fully deductible	Fully deductible

Source: Internal Revenue Code and Regulations §219(g)(3)(B).

Penalty-free withdrawal options

Your IRA is a retirement savings vehicle—it wasn't designed to help you pay for short-term goals. You have to pay a 10% penalty—in addition to applicable taxes—on most withdrawals you make before age 59½. However, there are certain exceptions available to you that are exempt from the 10% early withdrawal penalty.

Penalty-free exceptions

- Distributions made to your beneficiary after your death
- Unreimbursed medical expenses that are greater than 7.5% of your adjusted gross income (AGI)
- Distributions made because of a qualifying disability
- Qualified post-secondary education expenses for you, your spouse, your child or grandchild
- First-time homebuyer expenses for primary residence, up to $10,000 lifetime limit
- Health insurance premiums during period of qualified unemployment
- Qualified reservist distributions
- Substantially equal periodic payments
- Involuntary distributions due to IRS levy on the account
- Qualified birth or adoption distributions (QBOAD)
- Survivors of domestic abuse (limited to $10,000)
- Emergency withdrawal exception (limited to $1,000)
- Principal place of residence in qualified disaster area (up to $22,000)
- Qualified long-term care premium payments (limited to $2,500 annually)
- Terminally ill

Although you may be able to take these distributions without paying a penalty, you will still owe income taxes on your IRA's earnings and deductible contributions. Consult with your tax professional before making any withdrawals.

Investment options for your IRA

Assets in a traditional IRA can be invested in many types of investments, including mutual funds, common stocks, corporate and government bonds, annuities and more.

The investments you select will depend on your individual needs, your tolerance for risk and your time horizon—how long you have until retirement. We can help you determine how much you'll need to meet your retirement goals and can assist you in selecting appropriate funding vehicles for your IRA.

Call us today

At RBC Wealth Management, we can help you with your retirement planning questions and strive to provide the guidance you need to effectively plan for your retirement.

Traditional and Roth 401(k) deferrals

Key differences

Wealth Management

	Traditional 401(k) deferrals	Roth 401(k) deferrals
Contributions	Funded with pre-tax dollars	Funded with after-tax dollars
Matching contributions	Allowed	Allowed; however, employer matching of Roth 401(k) is treated as pre-tax contributions.
2026 contribution limits	$24,500 ($32,500 if age 50 or older)	$24,500 ($32,500 if age 50 or older). If participant makes a combination of Roth 401(k) and traditional pre-tax deferrals, the total amount contributed cannot exceed the contribution limit.
Income restrictions	No	No
ADP testing required	Yes, unless plan is a Safe Harbor 401(k)	Yes, unless plan is a Safe Harbor 401(k)
Investment earnings	Tax-deferred earnings	Tax-free earnings
Taxes	Pay taxes on contributions and earnings later. Reduces current income taxes.	Pay taxes on contributions now. Qualified withdrawals are tax-free.
Tax-free distributions	Not available	A 'qualified distribution' (tax-free) is one that occurs at least five years after the year of the employee's first designated Roth contribution (counting the first year as part of the five) and is made: • On or after attainment of age 59½, • On account of the employee's disability, or • On or after the employee's death.
Required minimum distribution	At age 73	Roth 401(k) balances are not subject to RMDs (2026)
Rollovers	Can be rolled over into a traditional IRA and other qualified plans, plan permitting	Can be rolled over into a Roth IRA or a Roth 401(k), plan permitting. The entire amount of a qualified Roth 401(k) account distribution that is rolled over to a Roth IRA is treated as basis in the Roth IRA. If this rollover results in the establishment of a firstever Roth IRA, then the five-year period starts in the year of the rollover. The Roth 401(k) account's five-year period does not carry over. In the case of a direct rollover to another Roth 401(k) account, the five-year period is the earlier of the two plans' five-year periods

Additional regulatory guidance about designated Roth contributions is expected from the IRS. We recommend that you consult your legal counsel when considering changes to your plan.

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Health savings accounts: strategic information

RBC Wealth Management

Health savings accounts (HSAs) offer a unique, tax-free method to save and grow assets to fund the cost of care in the future. Getting the most out of this benefit requires an early start and disciplined investing over time.

HSA basics

A powerful tool

Many employers offer HSAs for employees who select a high-deductible health care plan. These accounts offer a powerful method to invest continually and strategically grow assets to fund health care expenses in the future. Note: anyone with an HSA-qualified health plan can contribute.

Triple tax benefit

HSAs offer a tax-efficient method to build reserves by delivering a rare triple tax benefit.

- Contributions are made on a pretax basis, potentially reducing current taxable income
- Investments grow tax-free for qualifying withdrawals for health care
- Withdrawals for qualified health care expenses are made tax-free

A long-term approach

While many individuals use these accounts to fund their current-year expenses, real value comes as an investment vehicle for the future.

Unlike flexible spending accounts, HSAs permit owners to carry balances across calendar years and invest the assets. By paying for current health care expenses out-of-pocket instead of paying from the HSA, investors are able to invest and grow balances, building effective resources for the future.

By consistently contributing the maximum annual amount, and investing the balance for future health care costs, one can accumulate a nice tax-free reserve to fund future health care costs. For example, an investment of just $100 per month over 20 years can turn $24,000 into over $56,000 (assuming a 5.5% rate of return).

Limits and restrictions

HSAs have contribution limits that are periodically adjusted by the IRS. For 2026, you are able to contribute up to $4,400 for individual health coverage or $8,750 for family health coverage. Like most retirement accounts, there is also a catch-up contribution. Individuals age 55 and older can contribute an additional $1,000, putting the total family contribution at $9,750 for families with one member age 55 or older.[1]

HSA qualifying expenses

The range of qualifying medical expenses is quite broad and includes most common health care costs. Additionally, funds may be used for insurance deductibles, dental and vision care. When taking distributions from your HSA account to fund care, qualifying withdrawals are 100% tax-free. This includes both the initial contribution and any growth.

Funding your HSA

Salary deferral

Contributions to your account may be made by pretax salary deferral. This can be set up during your annual enrollment period as a simple way to begin to invest pretax dollars.

Direct contributions

Additional and ongoing contributions may be made at any time outside of salary deferral and in most cases may be deducted from taxable income.

Employee incentives

Many employers offer incentives in the form of direct payments to an HSA to encourage participation in health and wellness programming.

IRA rollover

Your account may also be funded via a one-time tax-free rollover from an IRA. The amount of the rollover is limited by annual HSA contribution limits, but this can serve as an effective way to jump-start investing.

The list of qualifying expenses is expansive and includes:	
Medical insurance premiums while unemployed	Doctor's visits
Hospital services	Preventive care
Some long-term care insurance	Eye exams, glasses or contact lenses
Dental care	Hearing aids
Medical devices	Home care
Mental health services	Smoking cessation

Dependents

HSA account balances may be used to fund care for a spouse and/or dependent children. Expenses are allowed for anyone who is eligible to be listed as a dependent on the primary account holder's tax return. Qualified medical expenses for your spouse and dependents you claim on your tax return (assuming they are also covered by your health plan) are eligible for tax-free distribution treatment. It is important to note that even though a dependent is eligible to be covered under your high-deductible health plan, they may not be eligible for tax-free distributions from your HSA if they claim themselves as a dependent on their own tax return.

Timing of payments

All qualifying expenses are eligible so long as the expenses occur after establishing the account. The balance in your account does not have to be large enough to cover the expense at the time it was incurred. In this manner a hospitalization or other large expense can be reimbursed after the fact if an account balance is run to zero but is still being funded.

Age 65 and beyond

Following Medicare enrollment, you are no longer eligible to contribute to an HSA but may continue to fund your care with HSA dollars, including paying for long-term care and Medicare premiums. For added flexibility, seniors are allowed withdrawals from their account for nonqualifying expenses after age 65. These are available without a penalty but will trigger normal income tax.

Unused balance

If an account holder passes away prior to exhausting the balance in their HSA, the surviving spouse is eligible to inherit the account. They may continue to use the balance of the account with the same benefits and restrictions as the account holder. However, if passed on to a nonspousal beneficiary, the benefits will be subject to tax.

Catching up after a late start

Even with a late start, a 50-year-old can build a meaningful reserve within an HSA prior to Medicare enrollment. When the maximum amount is invested each year, balances can grow to over $242,000 in the 15 years prior to Medicare eligibility.

This projection is helped by investment growth of 5.5%.

$0

HSA balance at age 50

+

Maximum contributions ($8,750 annually)

+

Catch-up contributions beginning at age 55 ($1,000 annually)

+

Investment growth

=

$242,000

Balance at age 65

Take action:

- Review your benefit elections annually, using online tools to project costs
- Consider saving in an HSA and systematically saving the maximum contribution over time to build flexibility for the future
- Leverage the power of time to bolster your resources across all your employee benefits
- Invest unused balances for tax-free growth and to fund qualified health care expenses tax-free in retirement

1. As Medicare is not considered a high deductible plan, qualified contributions end with Medicare enrollment. If one spouse is not enrolled in Medicare, yet is still eligible for an HSA, they can contribute to an HSA. Rev. Proc. 2020-32, IRS.gov, 2020

Employee stock options

Frequently asked questions

Wealth Management

What are employee stock options?

An employee stock option gives you the right to purchase your company's common stock at a specified price for a specified period of time. Employee stock options are a widely used form of incentive and compensation for valued employees of publicly traded companies.

Who receives employee stock options?

Your company values you as an employee who contributes to the short- and long-term profitability of the company. By granting you employee stock options, your company gives you the opportunity to share in the financial success, which is achieved through your efforts.

Why are employee stock options a valuable benefit?

The company has granted you the right to purchase company stock at a set grant price. At any time the company's current stock price is greater than your grant price, your vested employee stock options have ascertainable monetary value. If you exercise—or purchase—at such a time, you realize gains either "on paper" or monetarily, depending upon the type of exercise you choose.

What is the difference between an incentive stock option and a non-qualified stock option?

Incentive stock option (ISO) — This is an employee stock option granted only to employees of the company. Tax withholding on the gain is not required at the time of exercise.

Non-qualified stock option (NQSO) — This is an employee stock option granted to employees and non-employees of the company. Tax withholding on the gain is required at the time of exercise.

Where can I get information about my employee stock options?

Every year you should receive a package from your company including an optionee activity status report. This report shows the current status of your employee stock options, including how many shares are vested, and how many employee stock option shares can be purchased (are exercisable). This report is also available on an as requested basis.

When can I exercise my employee stock options?

The shares granted to you become exercisable over a certain period of time as described in your grant agreement. As the employee stock options vest, they become exercisable, which means you may purchase the shares of common stock the option(s) represent.

How can I exercise my employee stock options?

Your stocks will have a vesting schedule, which is the set schedule at which granted employee stock option shares become available for exercise.

When you are ready to exercise your right to purchase your vested stock options, you may simultaneously purchase and sell the stock (same-day sale) through the cashless exercise program or purchase your stock with a check (cash exercise program). The difference is for the same day sale, the sale proceeds are used to pay the cost of the employee stock option plus any required tax withholding and for the check sale, the cost of the employee stock option shares plus any required tax withholding is paid by your personal check. We recommend you consult with your personal tax advisor prior to exercising any employee stock options.

What are some key terms to know?

The grant date is when the grant is made, and the grant price—or price per share at which the employee stock option shares can be exercised—is determined. The settlement date happens three business days following the day shares are sold on the open market and taxable compensation is the amount reported by your company on the W-2/1099 form as ordinary income.

Investment and insurance products offered through RBC Wealth Management are not insured by the FDIC or any other federal government agency, are not deposits or other obligations of, or guaranteed by, a bank or any bank affiliate, and are subject to investment risks, including possible loss of the principal amount invested.

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