

# Retirement Account Tax Flow:

Quickly see how Traditional and Roth retirement accounts are taxed for withdrawals, rollovers, and divorce settlements – and when penalties apply.

Withdrawal Rules	
Traditional IRA / 401 (k)	Roth IRA / Roth 401 (k)
<b>Normal Withdrawal (Over 59½)</b>	<b>Qualified Withdrawal (Over 59½ and 5 yrs)</b>
Taxable as ordinary income	Tax-free
<b>Early Withdrawal (Under 59½)</b>	<b>Non-Qualified Withdrawal</b>
Taxable + 10% penalty (red box)	Contributions tax-free; earnings taxable + 10%
<b>Rollover / Transfer</b>	<b>Rollover / Transfer:</b>
Tax-free if direct rollover	Tax-free if rolled to another Roth
<b>RMD (Over 73)</b>	<b>RMD</b>
Taxable as ordinary income	Roth IRA → none; Roth 401(k) → required but tax-free if qualified
<b>Divorce (QDRO/IRA transfer)</b>	<b>Divorce</b>
Taxable or tax-free depending on method	Tax-free if rules followed

## Penalty Exceptions: Ways to Avoid the 10% Early Withdrawal Penalty

- ⚖️ QDRO (divorce order)
- ♿ Disability
- 🏠 First-time home purchase (\$10k from IRA)
- ❤️ Medical expenses >7.5% AGI
- 🏥 Health insurance after job loss
- 🎓 Higher education costs (IRA only)
- 📅 SEPP rule (equal periodic payments)

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