

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)

Normal Withdrawal (Over 59½)

Taxable as ordinary income

Early Withdrawal (Under 59½)

Taxable + 10% penalty (red box)

Rollover / Transfer

Tax-free if direct rollover

RMD (Over 73)

Taxable as ordinary income

Divorce (QDRO/IRA transfer)

Taxable or tax-free depending on method

Roth IRA / Roth 401 (k)

Qualified Withdrawal (Over 59½ and 5 yrs)

Tax-free

Non-Qualified Withdrawal

Contributions tax-free; earnings taxable + 10%

Rollover / Transfer:

Tax-free if rolled to another Roth

RMD

Roth IRA → none; Roth 401(k) → required but tax-free if qualified

Divorce

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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