



Investment Solutions, Inc.

The Long Run Newsletter

Volume 19 Issue 1 | January 2026

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For Your Information



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New Retirement Contribution Limits for 2026

The Internal Revenue Service (IRS) has released new limits for certain retirement accounts for the coming year.

Keep in mind that this update is for informational purposes only, so please consult with an accounting or tax professional before making any changes to your 2026 tax strategy. You can also contact your financial professional, who may be able to provide you with information about the pending changes.

Individual Retirement Accounts (IRAs)

Traditional IRA contribution limits are up \$500 in 2026 to \$7,500. Catch-up contributions for those over age 50 are up \$100 to \$1,100, bringing the total limit to \$8,600.

Remember, once you reach age 73, you must begin taking required minimum distributions from a Traditional IRA in most circumstances. Withdrawals are taxed as ordinary income and, if taken before age 59½, may be subject to a 10 percent federal income tax penalty.

Roth IRAs

The income phase-out range for Roth IRA contributions increases to \$153,000-\$168,000 for single filers and heads of household, a \$3,000 increase. For married couples filing jointly, the phase-out will be \$242,000-\$252,000, a \$6,000 increase. Married individuals filing separately see their phase-out range remain at \$0-10,000.

To qualify for the tax-free and penalty-free withdrawal of earnings, Roth 401(k) distributions must meet a five-year holding requirement and occur after age 59½. Tax-free and penalty-free withdrawals can also be taken under certain other circumstances, such as the owner's death.

Workplace Retirement Accounts

Those with 401(k), 403(b), 457 plans, and similar accounts will see a \$1,000 increase for 2026, the limit rising to \$24,500. Those aged 50 and older will continue to have the ability to contribute an extra \$8,000, bringing their

total Limit to \$32,500. Those aged 60, 61, 62, and 63 may enjoy a higher catch-up contribution of \$11,250, raising their total contribution limit to \$35,750.

Once you reach age 73 you must begin taking required minimum distributions from your 401(k) or other defined-contribution plans in most circumstances. Withdrawals are taxed as ordinary income and, if taken before age 59½, may be subject to a 10 percent federal income tax penalty.

SIMPLE Accounts

A \$500 increase in limits for 2026 gives individuals contributing to this incentive match plan a \$17,000 spotlight. Pursuant to the SECURE Act 2.0, certain applicable plans have an increased limit of \$18,100.

Much like a traditional IRA, once you reach age 73, you must begin taking required minimum distributions from a SIMPLE account in most circumstances. Withdrawals are taxed as ordinary income and, if taken before age 59½, may be subject to a 10 percent federal income tax penalty.

As a reminder, this article is for informational purposes only. Consult with an accounting or tax professional before making any changes to your 2025 tax strategy.

Making Sense of HSAs and FSAs

With family health insurance premiums rising 297 percent since 2000, averaging over \$25,000 annually, some employees feel the squeeze. Deductibles, too, have jumped nearly 50 percent over the last decade, farther increasing out-of-pocket expenses. In this environment, understanding and using Health Savings Accounts (HSAs) and Flexible Spending Accounts (FSAs) can help families take more control of their healthcare finances.¹

What are HSAs and FSAs?

HSAs and FSAs are special accounts designed to help manage medical expenses.

If you have an HSA, you must also be enrolled in a high-deductible health plan (HDHP). You contribute to the account, and your employer can also choose to contribute. Funds roll over from year to year.

FSAs are usually employer-sponsored accounts. You contribute pretax dollars through payroll deductions. However, the funds must typically be used within the plan year unless your employer offers a grace period or limited rollover.

Both accounts allow you to use pretax dollars to pay for qualified medical expenses, such as copays, prescriptions, or over-the-counter medications. The one that may be best for you can depend on many factors.

Key Differences Between HSAs and FSAs

Feature	HSA	FSA
Who owns the account?	You	Your employer
Contributions	You and your employer	You (via paycheck deductions)

Feature	HSA	FSA
Funds roll over?	Yes	Sometimes (depends on employer rules)
Investment options	Yes	No
Portability (can you take it with you?)	Yes	No

Contribution Limits

For 2025, the IRS allows individuals to contribute up to \$4,300 and families up to \$8,550 to an HSA. People over 55 can contribute an extra \$1,000 annually. The FSA has a contribution limit of \$3,300 (\$6,600 for households).^{2,3}

Why These Accounts Matter More Than Ever

Rising premiums and deductibles mean Americans are shouldering more health care costs than ever. Since 2000, workers' out-of-pocket costs for health insurance have nearly quadrupled. Today, it takes over five weeks of full-time work to pay the employee share of premiums, and this is before a single doctor's visit. Moreover, deductibles for families can exceed \$3,700.¹

Employers are also increasingly shifting healthcare costs to workers through narrower provider networks, more prior authorizations, and tiered drug pricing systems. That's where HSAs and FSAs come in. By allowing workers to set aside pretax money, these accounts help manage healthcare costs and create a strategy for expected and unexpected expenses.

Remember that if you spend your HSA funds for non-qualified expenses before age 65, you may be required to pay ordinary income tax and a 20 percent penalty. After age 65, non-qualified expenses are taxed as ordinary income taxes on HSA funds, and no penalty applies. HSA contributions are exempt from federal income tax but not from state taxes in certain states.

Real-Life Scenarios Where HSAs and FSAs Help

- **Having a Baby:** New parents can face an increase in health-related costs, ranging from prenatal care and delivery to postnatal checkups and baby essentials. An FSA can help cover many of these expenses with pretax funds, whereas an HSA can carry over unused funds for future pediatric visits.
- **Job Change:** Moving to a high-deductible plan may make you eligible for and your HSA funds remain yours even if you switch employers or retire, making it a flexible long-term tool.
- **Chronic Illness Diagnosis:** Copays, prescriptions, and specialist visits add up quickly. An HSA or FSA can manage the blow, and an HSA with investment options that are available with some plans.
- **Caring for Aging Parents:** From prescriptions to home health aides, care-giving costs can be significant. FSAs can help cover some expenses, and for those with HDHPs, an HSA provides a long-term strategy for health-related care-giving costs.

Other HSA/FSA Tips

- Use online calculators to see what might work for you.
- Prepare for known medical expenses to use funds strategically.
- Monitor your balances online and review your list of eligible expenses.
- If you have an HSA, see if there is an investment option associated with the account.

Remember: during any qualifying life event, like marriage, a new child, or a job change, review your options because these events may allow you to enroll in or adjust your benefits outside Open Enrollment.

Final Thoughts

Understanding how HSAs and FSAs work and using them effectively can make a meaningful difference during life's most important transitions. If you haven't explored these options, now may be the time to start.

Citations:

1. MoneyGeek, April 29, 2025.
2. Kaiser Permanente, June 2, 2025.
3. IRS, May 29, 2025.

For Your Information

- We are open from 9:00 a.m. – 5:00 p.m. Monday through Thursday, and 9:00 a.m. – noon on Fridays.
- We are open during the lunch hour.
- We have a mail drop on the far north door of the building. If you have any information you would like to deliver after normal business hours please drop it off there.
- We will be closed Wednesday, December 31st-Friday January 2nd for New Year's.

"The magic in new beginnings is truly the most powerful of them all."

**"The new year stands before us, like a chapter in a book, waiting to be written."
— Melody Beattie**



HAPPY NEW YEAR

2026

Long & Associates, P.C.

Assisting you with accounting, tax preparation, and tax planning

Investment Solutions, Inc.

Advising you and creating strategies for investment and retirement planning

Benefit Resource Group, Inc.

Handling employee benefits and other business services

Whether you need one of these services, or all three, you'll work with the same professional, knowledgeable staff with our Comprehensive Solutions Program

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