United Wealth Management
Client Service Team
Clientservice@unitedwealthmanagement.com

2026 PRAP Contribution Limits and Considerations

PRAP Contribution Limits

- Your contribution limit: $24,500
- Combined contribution limit (you and UAL): $72,000
- Earnings limit (above which no PRAP contributions can be made other than over 50 catch up contributions): $360,000

Catch-up Contributions

Due to the Secure Act 2.0, beginning in 2026, **catch-up contributions will automatically be Roth contributions.**

Those catch-up amounts* are:

- Age 50 – 59, 64: $8,000
- Age 60 – 63: $11,250
- Age 65: $8,000

*By law, ALL catch-up contributions will be Roth. You **do not need** to make this change in the PRAP website. Pre-tax contributions will automatically switch to Roth Contributions once the $24,500 limit has been reached.

How much do I need in my RHA?

According to a Fidelity study, a 65-year-old retiring this year can expect to spend an average of $172,500 in health care and medical expenses throughout retirement. For those on TRICARE, we believe it will be half that. Therefore, we recommend a civilian couple retire with up to $350,000 in their RHA and TRICARE couples up to $175,000.

Active HRA / RHA Spillover Triggers

- **Combined Contributions ($72,000) between you and UAL**: Spillover ***triggered*** by the contribution limit occurs for the remainder of the year with no limit.
- **Earnings Limit ($360,000)**: Spillover ***triggered*** by the earnings limit is capped at $10,000. Company contributions on income above $415,556 are paid out as PRAP Cash and included in taxable income.

How do I maximize spillover?

1. **Start Early**: Begin the year with a high pre-tax and/or Roth contribution rate, complemented by voluntary post-tax contributions (check auto in-plan conversions turned on).
2. **Trigger Spillover Quickly**: Reaching the contribution limit early enables spillover for the remainder of the year.
3. **Profit Sharing Contributions**: Allocating some or all profit-sharing funds will accelerate spillover.

How do I minimize spillover?

Guidelines for $360,000+ Income pilots who wish to **limit AHRA/RHA spillover to $10,000** need to use a **dollar amount for pre-tax and/or Roth contributions**:

Recommended Contribution Rates by Age to Limit Spillover (Per Pay Period)

- **Under 50 years**: $300.00 ($7,200 annually)
- **50–59 years**: $633.00 ($7,200 + $8,000 catch-up)
- **60–63 years**: $768.00 ($7,200 + $11,250 catch-up)
- **64–65 years**: $633.00 ($7,200 + $8,000 catch-up)
- If contributing the above monthly dollar amounts, do not contribute profit sharing.

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Should you make pre-tax or Roth 401k contributions?

Let's define income as household W2 income, bank interest, dividends, capital gains, inherited IRA required distributions, business net income (revenue minus expenses), rental net income (revenue minus expenses) and any types of royalties.

Tax Brackets and Standard Deduction (2025):

- **32% Bracket:** Starts at $403,552 taxable income for married couples filing jointly and ~$201,776 for singles.
- **Standard Deduction:** $32,200 for married couples; $16,100 for singles.

Considerations:

- **For Couples Filing Jointly**: If gross income is **$435,000 or less** (~$403,000 taxable), Roth 401(k) contributions should be considered.
- **For Singles**: If gross income is **$218,000 or less** (~$202,00 taxable), Roth contributions should be considered.

Situation Favoring Roth Contributions for Higher Incomes

Even with incomes above those listed, Roth 401(k) contributions may be beneficial if:

- **Significant Future Retirement Income**: Income, including your required minimum distributions, could trigger Medicare premium surcharges.
- **Anticipated Divorce**: Transitioning from lower married tax rates to single tax rates.
- **Future State Taxes**: Moving from a no-income-tax state to one taxing retirement income (IRA distributions, pensions, Social Security).

The One Big Beautiful Bill and High Tax States

If you live in a high-tax state and earn more than $500,000, you may begin to phase out of the new $40,000 state and local tax (SALT) deduction, reducing your allowable deduction back toward the previous $10,000 limit. The IRS phases out the SALT deduction based on modified adjusted gross income (all sources of income with no deductions).

For W-2 employees, two ways to reduce MAGI (short of earning less) include:

1. **Realizing capital losses**
2. **Making pre-tax payroll deductions** such as health insurance premiums, flexible-spending-account contributions, and 401(k) contributions

To help offset the combined impact of entering the 35% federal tax bracket **and** losing part of the expanded SALT deduction (effectively creating up to a 45% tax bracket), we recommend that higher-income earners (above $500,000) **in high-tax states** consider **pre-tax 401(k) contributions**.

Deadline for changing PRAP contributions: December 10th at 2359, to affect 1/1/26 pay advice

Please reach out for clarity on any of these issues.

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