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Top of Mind More, Sneaky 401(k) Nuances

Last month I shared that many Roth 401(k) accounts are likely not *all* tax free due to the *default* employer pre-tax contributions.

A TRC reader and friend replied, “*Wasn’t part of the [SECURE Act](#) meant to correct the issue of pre-tax matching for Roth 401ks by requiring employers to offer Roth 401ks with after-tax matching?*”

He’s exactly right; however, most companies default to pre-tax contributions which means you (the employee) must manually elect after-tax matching.

I’ve yet to see somebody taking advantage of after-tax matching in their Roth 401(k).

Now, don’t blindly choose all after-tax matching without considering your marginal tax rate and existing tax diversification.

For oldies in high tax brackets who think the days of Roth contributions are over, wait...

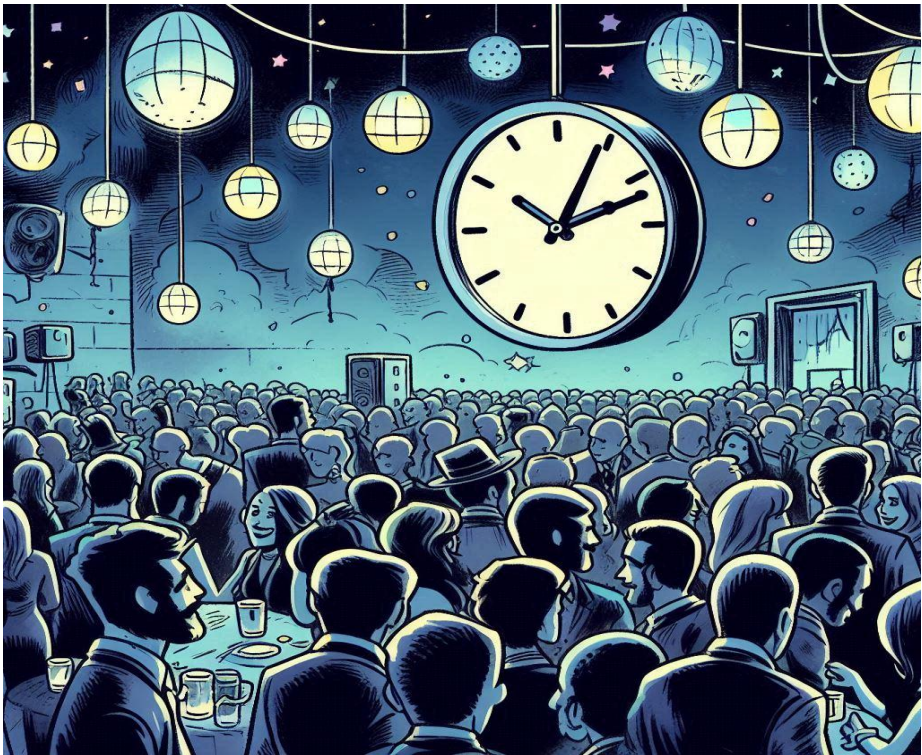
Starting in 2026, high earners *must* make catch-up 401(k) contributions Roth, **NOT** pre-tax which yields an extra deduction.

That’s a big gotcha. Pre-tax contributions mean, “I’ll pay taxes on that money later, hopefully when I’m in a lower tax bracket.”

This change was initially slated for 2024, but the IRS granted a two-year reprieve.

Who is considered a high earner? The current figure is \$145k per individual.

If all this reads like a foreign language, especially the catch-up stuff for those over 50, it’s probably worth talking to someone.



Should I Just Buy the S&P 500 Forever?

The party was magnificent - a celebration with endless laughter and bottomless drinks.

Guests marveled at the boundless joy, yet one oddity lingered: *the grand clock in the room had no hands*. The absence was curious but easy to ignore amid the revelry.

As the night wore on, someone asked, “When does it end?” The question rippled through the crowd, but no one could answer.

They reasoned, “The drinks flow; the music plays—it can’t end!” Yet, behind their forced assurance, an unease stirred.

The S&P 500 (SPX) has made a lot of people feel rich and smart over the past 10+ years - a cheap invitation to an amazing party.

But there are critiques/considerations for the SPX only die-hard crowd; the first is ethics.

SPX-only investing may seem morally neutral, but it can blindly reward scale over merit, distorting capital flows. It’s efficient for the investor, but arguably harmful for society if everyone *always* invested the same. It’s a [mob mentality](#), said AQR’s Clif Asness.

There are other, simpler considerations:

1. Do you hope to outperform? If so, you can’t just own SPX all the time.
2. Can you stomach the drawdowns? Suffering a 20%+ loss is WAY easier said than done, especially with bigger accounts.
3. Tangentially, can you stick with SPX when it lags? From 2000-2009 SPX went [nowhere](#), which most people have seemingly forgotten thanks to recency bias. This Bridgewater [stat](#) is eye opening too.
4. SPX is not always the right benchmark. Many professionals target [return sequences](#), which can be critical to meet financial goals.
5. Concentration *builds* wealth, yet diversification *maintains* wealth. The S&P 500 has become a concentrated strategy by [multiple definitions](#).

To be clear, I’m not predicting the downfall of SPX, but I am concerned many have gotten too comfortable at a crowded party. I also find the morality point existentially interesting, albeit a moot critique for most.

Best Listens This Month

 [Top Airline & Hotel Point Transfers](#)

 [64% Never Escape Level 4 Wealth](#)

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Personal Finance Bit The Robinhood Roth IRA

I was recently forced to do some digging on Robinhood Roth IRAs, and what I found was astonishing. They must have a really good team of lawyers and some creative marketing directors.

Travel Tip Travel Portal Upgrades

My close friend works at a luxury hotel and was talking about upgrade requests. I asked how often the complimentary “room upgrade if available” offers via travel portals happen. He surprised me.

Collective Wisdom Articles, Tweets, & More

Will private equity kill small caps? Can money in fact buy happiness? Is the 30% housing rule dead? Sheetz wants your crypto, everyone cares about stocks, and the poor own a lot of cars.

Personal Finance Bit



A lot of people seem to think Robinhood is home to the meme stock, crypto kids with minimal investment knowledge.

Maybe that’s partially true, but before you judge them further you should know that Robinhood Gold members can get an extra \$210 into their Roth IRA each year.

Roth IRA contribution limits are currently set at \$7k for those under 50, \$8k if older.

Robinhood Gold members get a 3% match on their IRA contributions, and that money is NOT considered a contribution!

That means a young person maxing their Roth IRA at Robinhood could effectively get \$7,210 in each year because the match counts as “[interest income](#).” Cheeky.

Well, \$210 isn’t that material, right?

Assuming the \$7k limit is never raised (unlikely), you earn a 7% annual return, and Robinhood maintains the match, it could result in a difference of \$20k+ compared to a conventional Roth maxer 30 years from now. That’s meaningful.

And it could be even more meaningful if the limit is raised or returns improve.

Is there a catch? Sort of. You must be a Robinhood Gold member (\$60 a year) and keep funds that earned the match in your Robinhood IRA for over five years.

This isn’t an endorsement for Robinhood, they’ve had plenty of [other issues](#). I was just wowed by the mechanics of legally getting an extra \$210 in a tax-free growth vehicle.

Good marketing and legal work, I guess.

Travel Tip

When booking a hotel, have you ever seen the words “room upgrade if available” in small print?

On certain travel portals (Chase, AmEx, CapOne, etc.) it’s a hallmark of their curated luxury hotel collections.

I asked my friend who works at a luxury hotel, “For people who book through these curated travel portals, how often are the complimentary upgrades honored?”

He said they always try to honor the upgrades, which was shocking to me. I assumed it was a marketing gimmick.

He also said people have become so entitled that they throw a fit over not getting their complimentary upgrade, even though it’s never guaranteed at booking.

Complimentary upgrades can be massive, resulting in thousands of dollars saved at certain properties - so this is good to know if you’re debating whether to book direct or through your travel portal for a grand hotel stay.

Article Arcade

Money Can Buy Happiness

[Of Dollars and Data](#)

There is a point where money can buy happiness, according to extensive behavioral and psychological research. However, this level is far lower than most people think. The linked article cites a very interesting Vanguard study, check it out.

30% on Housing is Broken

[Redfin](#)

Many financial pundits say people should spend no more than 30% of their income on housing payments. However, now a household on the median income would need to spend about 40% of their earnings on housing to buy the median priced home!

Sheetz 50% Off w/ Crypto

[Yahoo Finance](#)

Sheetz is trying to enter the Crypto world, offering patrons 50% off their purchase if they paid in Bitcoin between certain hours. Pretty interesting strategy.

The Poor Own Cars

[Maggiulli on LinkedIn](#)

Nick posted an asset breakdown by wealth level on LinkedIn. In short: the poor own cars, the middle-class own homes, and the rich own businesses.

Has PE Killed Small Caps?

[Marquette Associates](#)

As Private Equity (PE) continues to expand, more people think it’s hampering the publicly traded small cap market. Instead of young companies on the rise, it now seems like a basket of fallen angels. The linked article corroborates this idea.

Net Worth & Stock Returns

[Chart Kid Matt](#)

Matt highlights that the stock market and household net worth are currently correlating at the highest level (ever) since the 1970s. In fact, about 82% of the one-year change in household net worth can be explained by the S&P 500’s return.

Talk of the Month

Friend: Hey, remember the talk posted in your newsletter a few months ago about your friends getting their PMI removed?

Me: Absolutely. How could I forget?

Friend: Well, I decided to give it a go.

(For those who missed that newsletter:

My friends put 5% down, called their lender after a year, and got PMI dropped—no refi needed. They spread the word, and it worked for their friends too.)

Me: No way...

Friend: Yep. So, I called our lender, and they told us that a surveyor just needs to come visit our house.

Me: Haha wow

Friend: And get this, they said a surveyor doesn’t even need to come inside...

Me: That’s weird. What if you guys did tons of interior improvements?

Friend: Idk. But I’m gonna do some serious yard work before they arrive.

(If you aren’t lucky, note that PMI will become [tax-deductible](#) for those who itemize their returns starting in 2026.)