

RETIREMENT & TAXES



Keep your tax bill as low as possible during your retirement

Preparation is key in the years leading up to retirement. Rather than reacting to changes in your tax situation, proactive planning can ensure lifelong financial security. One approach is to utilize a mix of accounts with different tax treatments to better manage taxable income in retirement. You have four main account types at your disposal, each with its own unique tax advantages.

Account types	Tax-deferred accounts	Roth accounts	Taxable accounts	Health savings accounts
Account names	401(k)s, 403(b)s and traditional IRAs	Roth 401(k)s and Roth IRAs	Traditional bank and brokerage accounts	HSA's
Tax details	<p>Contributions made to these accounts typically result in a direct reduction of your taxable income for the year in which the contribution is made</p> <p>Additionally, any pretax contributions and gains in these accounts are typically tax-deferred until retirement, at which point withdrawals are subject to ordinary income tax rates</p>	<p>These accounts are funded with after-tax dollars, meaning they do not lower your current taxable income</p> <p>However, upon retirement, withdrawals from these accounts, including appreciation, income or distributions, are tax-free</p>	<p>These accounts are funded with after-tax dollars</p> <p>In brokerage accounts, you have the flexibility to trade securities and deposit or withdraw funds at your discretion without facing penalties</p> <p>Taxable investment income is subject to taxation in the year it's earned, and profits from the sale of investments are subject to capital gains taxes</p>	<p>These accounts can serve as a valuable savings tool if provided by your employer and you're enrolled in an eligible high-deductible health plan</p> <p>Contributions decrease your taxable income within annual limits, and investments within the account grow tax-free</p> <p>Withdrawals for qualified medical expenses are tax-free as well</p>
Required minimum distributions (RMDs)	The IRS mandates that you begin taking withdrawals each year once you reach the age of 73	Exempt	Exempt	Exempt

Seek professional advice

Consulting a tax professional can provide valuable guidance in navigating these decisions effectively.

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