

Optimal Tax Strategy For Retirement Income

Planning for retirement income may require a careful strategy for withdrawing funds from your various investment accounts. It is important to consider the type of account as well as your current and expected future income tax brackets. Consider the following withdrawal order when designing the optimal strategy for your situation.

Tax Status

Assumption A:

If you believe that you are in a lower income tax bracket today than the income bracket that you anticipate for the future.

OR

Assumption B:

If you believe that you are in a higher income tax bracket today than the income bracket that you anticipate for the future.

Withdrawal Choices

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Next, you will start to make decisions about which sources, or what combination of sources, to draw from to fund your retirement income. The amounts to draw from each account will depend on your specific personal situation.

2a

Tax-deferred accounts via distributions or Roth conversions

2a

Taxable accounts

2b

Taxable accounts

2b

Roth IRA accounts

2c

Roth IRA accounts

2c

Tax-deferred accounts via distributions

A combination of these sources in the appropriate withdrawal order may result in the optimal tax scenario. Discuss these options with your financial and tax advisors to develop the best strategy for you.

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