PARTICIPANT CORNER

Tax Tips to Maximize Retirement Savings

Retirement marks a significant milestone in life, yet taxes remain a constant concern. If you've followed the advice of retirement planners, you're likely saving in tax-advantaged retirement accounts, deferring taxes until retirement withdrawals. However, taxes on other income sources, such as Social Security, pensions, and part-time work earnings, can still pose challenges. Given these factors, crafting a tailored retirement income plan is prudent.

Determining when to begin taking Social Security benefits is a crucial decision. Delaying withdrawals until age 70 increases benefits, but keep in mind that if your annual income exceeds $34,000, you may owe taxes on a substantial portion of your Social Security income—up to 85%.

Understanding your retirement tax bracket is essential. While your bracket may decrease, monitor income from sources like Social Security, pensions, and annuities, along with withdrawal amounts, to prevent unintentionally entering a higher bracket.

Establishing a withdrawal sequence is vital. Typically, follow this order:

1. Start with the required minimum distributions (RMDs) from retirement accounts, as they're obligatory.
2. Progress to taxable accounts, managing them carefully due to tax implications.
3. Then access tax-deferred retirement accounts (e.g., IRAs, 401(k)s, 403(b)s), acknowledging the associated income tax implications before touching Roth accounts.
4. Finally, withdraw from tax-exempt retirement accounts like Roth IRAs or 401(k)s. Prioritizing these accounts permits penalty-free withdrawals and facilitates estate planning.

Navigating these complexities can be daunting; consulting a tax professional can provide personalized guidance. This allows for the evaluation of various strategies to minimize taxes on savings and benefits, tailored to your unique financial circumstances.

For more information on retirement planning, please contact Fiduciary Pension Partners at (833) FPP- 401k or email us at info@fiduciarypp.com.