

STRATEGIC GUIDE

Tax-Smart Withdrawal Strategies

How the order you spend your savings can save you thousands in taxes every year.

Retirement Readiness

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You have spent decades saving for retirement. Now the question is not just how much you have, but how you take it out. The sequence in which you draw from different accounts can dramatically affect how long your money lasts and how much you keep after taxes.

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Why Withdrawal Order Matters

Most retirees default to a simple approach: spend Social Security first, then draw down retirement accounts as needed. That intuition is often wrong. A more strategic sequence can reduce your lifetime tax bill by tens or even hundreds of thousands of dollars.

Different account types are taxed differently, and your tax rate in any given year depends on how much taxable income you generate. By controlling which accounts you draw from each year, you control your tax bracket.

Account Type	Taxed When?	Examples
Tax-deferred	Withdrawals taxed as ordinary income	Traditional 401(k), Traditional IRA, 403(b), SEP IRA
Tax-free	Qualified withdrawals are not taxed	Roth 401(k), Roth IRA
Taxable	Gains taxed at capital gains rates	Brokerage accounts, individual stocks, mutual funds

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The Strategic Withdrawal Framework

While every situation is different, a general framework applies to most retirees with assets in multiple account types.

Phase 1: Early Retirement (Age 60 to 64)

If you retire before Social Security begins, you may have several years of relatively low taxable income. This is a valuable window.

- Draw living expenses from taxable brokerage accounts (capital gains rates are favorable)
- Convert portions of traditional IRAs or 401(k)s to Roth accounts while in a lower bracket

- Harvest capital gains at the zero-percent rate if your income is low enough

Phase 2: Social Security Years (Age 65 to 72)

Once Social Security begins, it creates a new income floor. Your withdrawal strategy needs to account for the additional taxable income.

- Layer Social Security with controlled traditional account withdrawals
- Continue Roth conversions if bracket space remains
- Use Roth accounts for larger one-time expenses to avoid bracket spikes

Phase 3: RMDs Begin (Age 73)

Required minimum distributions create a mandatory income floor from tax-deferred accounts. Planning in earlier phases can reduce the size of these forced withdrawals.

- RMDs are based on account balance. Roth conversions done earlier reduce future RMDs
- Use Roth accounts strategically for large expenses or bracket management
- Coordinate with Medicare premium thresholds (IRMAA) to avoid surcharges

KEY INSIGHT

Roth conversions in the years between retirement and age 73 can be one of the most powerful tax-saving strategies available. This window is often underutilized.

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Social Security and Tax Coordination

Depending on your total income, up to 85 percent of your Social Security benefit may be subject to federal income tax. The amount taxed depends on your "combined income," which includes adjusted gross income, nontaxable interest, and half of your Social Security benefit.

Drawing from Roth accounts does not count toward combined income, which makes them an effective tool for keeping Social Security taxation low.

Strategies to manage Social Security taxation:

- Use Roth withdrawals for large one-time expenses (home repairs, vehicles, travel)
- Keep annual traditional account withdrawals within bracket-friendly limits
- Delaying Social Security to age 70 provides a higher benefit and better coordination flexibility

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Medicare Premium Surcharges (IRMAA)

High-income retirees pay surcharges on Medicare Part B and Part D premiums. These surcharges, called IRMAA (Income-Related Monthly Adjustment Amount), are based on your modified adjusted gross income from two years prior. A large Roth conversion or asset sale in one year can trigger higher Medicare premiums two years later.

How to manage IRMAA exposure:

- Spread Roth conversions across multiple years rather than doing one large conversion
- Time asset sales and capital gains to avoid crossing IRMAA thresholds
- If you experience a life-changing event (retirement, death of a spouse), you can appeal surcharges

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Putting It Together: A Coordinated Approach

Tax-smart withdrawal planning is not about any single tactic. It is about coordinating Social Security timing, account withdrawals, Roth conversions, Medicare costs, and estate considerations into a unified strategy that adapts over time.

Annual review checklist:

- Project your taxable income for the year before making withdrawals
- Evaluate whether Roth conversion space exists within your current bracket
- Check upcoming IRMAA thresholds two years out
- Reassess Social Security timing if you have not yet claimed
- Review beneficiary designations and estate tax implications

KEY INSIGHT

Small adjustments in withdrawal sequencing compound over decades. A well-coordinated plan can mean the difference between running short at 85 and leaving a legacy.

What a Fiduciary Review Covers

A fiduciary advisor is legally required to act in your best interest. A comprehensive review typically examines:

- Year-by-year withdrawal sequencing across all account types
- Roth conversion modeling within current and projected tax brackets
- IRMAA threshold analysis and Medicare premium impact
- Social Security taxation coordination
- After-tax income projections, not just pre-tax portfolio value

Ready to Optimize Your Withdrawals?

Schedule a complimentary tax-smart withdrawal review. No obligation. No product pitch. Just clarity.

Reach out to Tyler directly to schedule your review:



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A fiduciary review covers: Withdrawal sequencing | Roth conversion modeling | IRMAA analysis | Social Security coordination | After-tax projections

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