

# Approaching Your “Retirement Cliff”?

## It’s Time for a Tax-Smart Retirement Income Plan.



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If you are in your late 50s or early 60s, then you are fast approaching what is known as the “retirement cliff,” the end of the earned income period of your life. That income the money you live on, the money that supports you, your family, your lifestyle. So how will you replace those wages with retirement income? And how can you do it in a tax-smart way?

If you have multiple retirement assets – IRAs, after-tax investments, Social Security, a pension, a Health Savings Account – income planning is an effective way to maximize your assets in retirement. Income planning has become more important in recent decades as people are living longer; no one wants to outlive their money.

The key to an effective long-term retirement income plan is flexibility. You need to review your plan on an ongoing basis with a qualified financial professional who can help you tweak your strategies to maximize current income. Tax laws and rates, standard deductions, exemptions – the rules and rates change from year to year, and your plan should be adjusted to accommodate the changes. Your retirement income plan will likely look very different from the original five or ten years after its implementation date.

For example, here are a few retirement income plan tax considerations:

- **Proper liquidation of IRA and non-qualified assets.** Conventional wisdom tells you to defer IRA payments as long as possible. A proper liquidation plan in retirement generally means withdrawing from both IRA and non-qualified accounts simultaneously. Figuring out the right formula is key to maximizing your after-tax benefit. Establish and prioritize financial goals and time frames for achieving these goals.
- **Bunching medical deductions into a single year in order to exceed the deduction threshold.** Medical expenses increase with age. It is important to maximize the deduction for out-of-pocket costs.
- **Proper use of tax-exempt bonds and taxable bonds.** Tax-exempt bonds might not be an advantageous investment in retirement given that you are replacing earned income with portfolio income and IRA withdrawals.

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- **Timing of charitable deductions and the use of IRA-required minimum distributions to fund charitable donations.** Retirees often want to designate a portion of their income to charitable contributions. A tax deduction is an appropriate reward for your generosity.

- **Using the 0% tax bracket for long-term capital gains and qualified dividends.** Tax changes are looming. Plan to use this tax-break while you can.

HBKS Wealth Advisors and HBK CPAs & Consultants develop, tailor and edit tax-efficient retirement income strategies for people approaching the “retirement cliff.” You’ve worked hard to accumulate assets; it makes sense to collaborate with professionals who will help you maximize your return on those assets throughout your retirement years.

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