As you transition into retirement, your financial focus will likely shift from building your savings to managing your spending. A tax-efficient withdrawal strategy can help you maximize your assets and enjoy a fulfilling retirement.

Understanding Common Retirement Income Sources

Your retirement income will likely come from various accounts and investment vehicles. Some common retirement income sources include:

- **Required withdrawals:** At age 73, you'll need to start taking Required Minimum Distributions (RMDs) from certain accounts like traditional IRAs and 401(k)s. These withdrawals are mandatory and taxed as ordinary income.
- **Automatic income:** Sources like Social Security, pensions, and annuities provide regular, predictable payments. Be aware that healthcare costs can affect these streams.
- **Optional income:** Sources like traditional and Roth 401(k)s and IRAs, along with taxable investment accounts, generally offer more flexibility in when and how much you withdraw (outside of any applicable RMDs).

Navigating Your New Tax Situation

Many people find that their tax landscape changes in retirement. Here are a few key considerations to keep in mind:

- **Account-specific tax implications:** Different accounts are taxed in different ways. Some accounts may be taxed as ordinary income, while others may offer tax-free withdrawals.
- **Shifting tax brackets:** While your income may be lower in retirement, large withdrawals or RMDs could push you into a higher tax bracket.
- **State and local taxes:** Some states provide more favorable tax treatment for retirees by exempting certain retirement income or applying reduced tax rates.

Work With a Financial Professional

Managing your finances and optimizing your withdrawal strategy can be complex, but a financial professional can help. Let's work together to create a personalized, tax-efficient plan that aligns with your goals and helps you enjoy the retirement you've envisioned. Contact the office today to start the conversation.

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