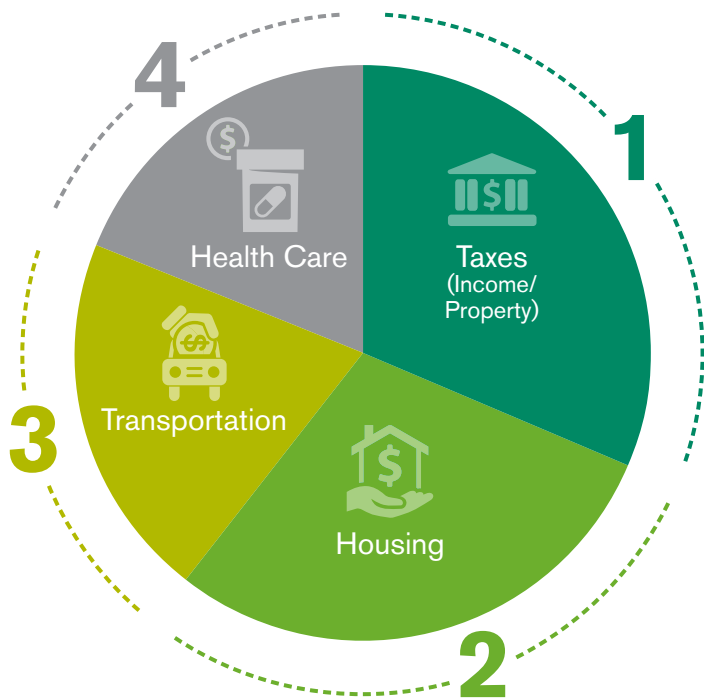


After Your Last Paycheck, Taxes Don't Retire

What's the Largest Expense in Retirement?

Most would say housing or health care, but taxes are the top expense, on average.



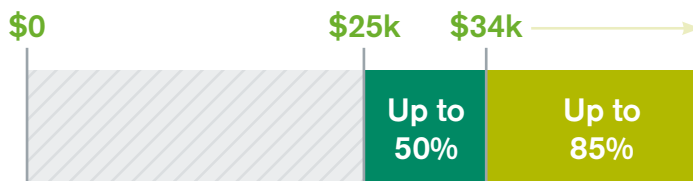
Source: Consumer Expenditure Survey, U.S. Bureau of Labor Statistics, August 2017.

Social Security ≠ Tax Free

You could owe taxes on your Social Security benefits, depending on your combined income:

$$\begin{aligned} & \text{Wages} \\ & \text{Nontaxable Interest} \\ & + \frac{1}{2} \text{ of Your Annual Social Security Income}^* \\ \hline & = \text{COMBINED INCOME} \end{aligned}$$

Below is the percentage of taxable Social Security benefit based on your calculated combined income.**



*You can find your Social Security benefits on Form SSA-1099.
**Based on federal tax return for an individual. Amounts for joint returns are higher.
Source: www.ssa.gov, 2018.

Ease Your Tax Burden with a Balanced Withdrawal Strategy

Taking retirement money from different types of accounts, in the order below, may help you manage your tax bill.

TAXABLE
e.g. individual or joint account

- Your tax-deferred investments can continue to grow.
- Your tax burden depends on your tax bracket and length of ownership.

TAX-DEFERRED
e.g. Traditional IRA or 401(k)

- Regular withdrawals may help keep the rest of your money invested.
- At 70½, you're required to take annual withdrawals from a Traditional IRA.

TAX-FREE*
e.g. Roth IRA or Roth 401(k)

- Your money can grow tax-free.
- At 70½, you are not required to take annual withdrawals from a Roth IRA.

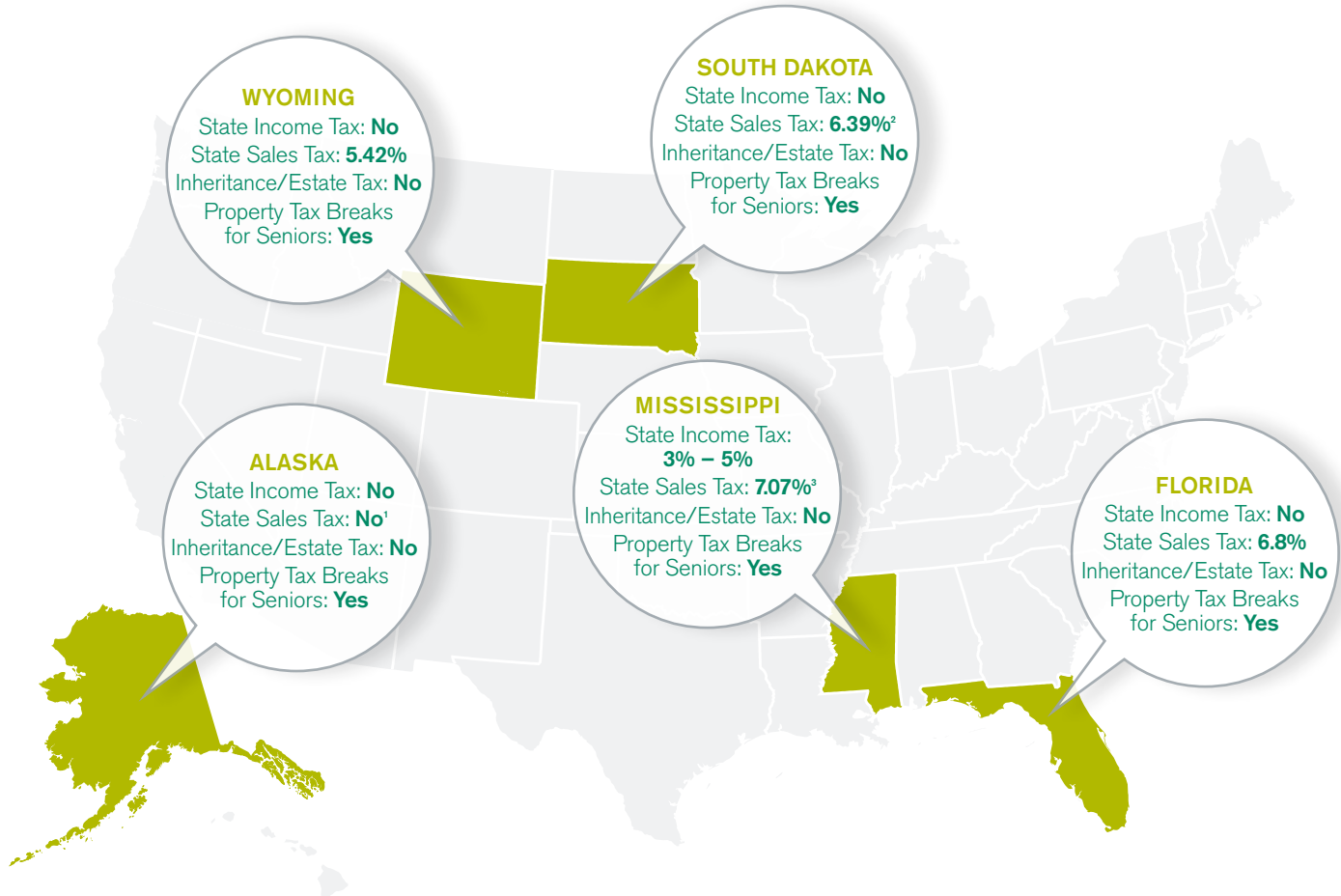
*Federal taxes only.

Of course, your situation may require a different strategy. It's always good to check with your tax advisor.

Source: www.myretirementpaycheck.org, 2014.

Location, Location, Location: 5 Most Tax-Friendly States for Retirees

Thinking about relocating when you retire? Some states have lower taxes in general, in addition to tax breaks specifically for retirees. Other states may tax income from pensions and Social Security benefits.



State-by-State Guide to Taxes on Retirees, Kiplinger, November 2017.

¹Locality sales tax averages 1.76%.

²Includes food and other services.

³Includes food.

The Bottom Line

Before you retire, consider the impact taxes may have on your income and determine a smart tax withdrawal strategy from your savings.

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