



## TAXES IN RETIREMENT

Retirement is something almost all of us look forward to. But have you considered how your retirement income will be taxed? Not all retirement income is taxed the same, so it is important that you understand the details.

### SOCIAL SECURITY

If your total income is more than \$25,000 for an individual or \$32,000 for a married couple filing jointly, you must pay federal income taxes on your Social Security benefits. The tax rate is based on your total income from all sources, maxing out at the rate of 85%. Some states also tax social security income.

### 401(K) AND IRA WITHDRAWALS

Withdrawals from tax-deferred retirement accounts, such as a 401(k), are taxed as ordinary income. The taxability of a traditional IRA depends on how you treated your contributions before you retired. If you took a tax deduction in the years you contributed, your withdrawals are likely taxable. Qualified withdrawals from a Roth IRA are non-taxable. Since your investment was made with after-tax dollars, you won't be taxed again when you withdraw it. Although these accounts are long-term assets, they don't enjoy capital gains treatment.



### INVESTMENT INCOME

You'll pay taxes on dividends, interest and capital gains just as you did before you retired. The length of time you held an asset before selling it will determine your capital gains tax rate. It can be as low as zero if your total income for the year isn't high.

### SELLING YOUR HOME

If you've downsized and sold your home, you may be able to avoid paying tax on the gain. If you lived in your home for two of the five years prior to the sale, you may be able to exclude up to \$250,000 in gain per taxpayer. The rules are a little more complex if you rented your home out, so consult with your tax professional to determine if you have taxable gains.

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