



Consider Taxes When Planning For Retirement

When planning for retirement, one crucial element that people often overlook is taxes, which can be an expensive mistake.

INCOME TAXES

Contrary to what you might think, your tax bracket may not be lower when you retire. Here are a few taxable events to consider:

- You may not have some tax deductions in the future that you have now.
- Retirement income from investments, retirement plans, or a job could cause your Social Security benefits to be taxed.
- Withdrawals from 401(k) plans and traditional IRAs are taxable as ordinary income.

SOME TAX-SAVING INVESTMENTS

Treasury Inflation-Protected Securities, or TIPS, provide protection against inflation and offer tax benefits. Interest income and principal growth are exempt from state and local income taxes.

Opening a Roth IRA can provide tax-free income when you retire. Although contributions to a Roth IRA are made with after-tax dollars, withdrawals of earnings generally are tax-free after age 59½ if the account has been open for five years. Work with your financial and tax professionals to plan for taxes.



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