

Do You Understand Taxes in Retirement?

Benjamin Franklin once famously said, *"In this world nothing can be said to be certain, except death and taxes."* Many people, though, feel that the tax part of this quote doesn't apply during the retirement years. The fact is, taxes are everywhere in retirement and can take a big bite out of your retirement savings if you are not careful.

Fortunately though, there are ways to limit or eliminate some of these taxes, if you know what you are doing. This starts by properly understanding the tax treatment of each type of retirement asset.

Retirement & Estate Planning



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Pensions – Pension income is generally taxed as ordinary income at your regular rate.

Social Security – Up to 85% of your Social Security income may be federally taxed. However, different planning tools and strategies may reduce or eliminate this tax.

Retirement Savings Plans – Most retirement savings plans, such as 401(k)s, 403(b)s, and IRAs, are funded with pre-taxed dollars, meaning they are fully taxable as ordinary income upon withdrawal in retirement.

Annuities – Annuities can be either qualified or non-qualified. A qualified annuity is fully taxable in retirement. A non-qualified annuity is taxed on the gains only, but the gains come out first.

Savings Bonds – Taxes on US Savings Bonds can be tricky. This depends on the type of bond, and when and how interest is accrued and claimed.

Inheritances – Some types of inherited assets are fully taxable, while others are tax-free.

There are many other retirement assets and income sources, some of which are tax-free. The key to a successful retirement is properly understanding how each type is taxed, and then setting up a strategic plan to minimize your taxes owed. To learn more on this topic and the different strategies available, join me next week on the ***It's Your Money Show***. The show airs on WMEQ (880 AM) on Thursday at 7:30am and Saturday at 9:00am, as well as on WWIB (103.7 FM) on Wednesday at 7:30pm and Saturday at 5:30pm. You can also obtain this information and independent advice for your specific situation by contacting me at **(715) 835-6022** or **info@KeyStoneCV.com**, or through our website, **www.KeyStoneCV.com**.

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