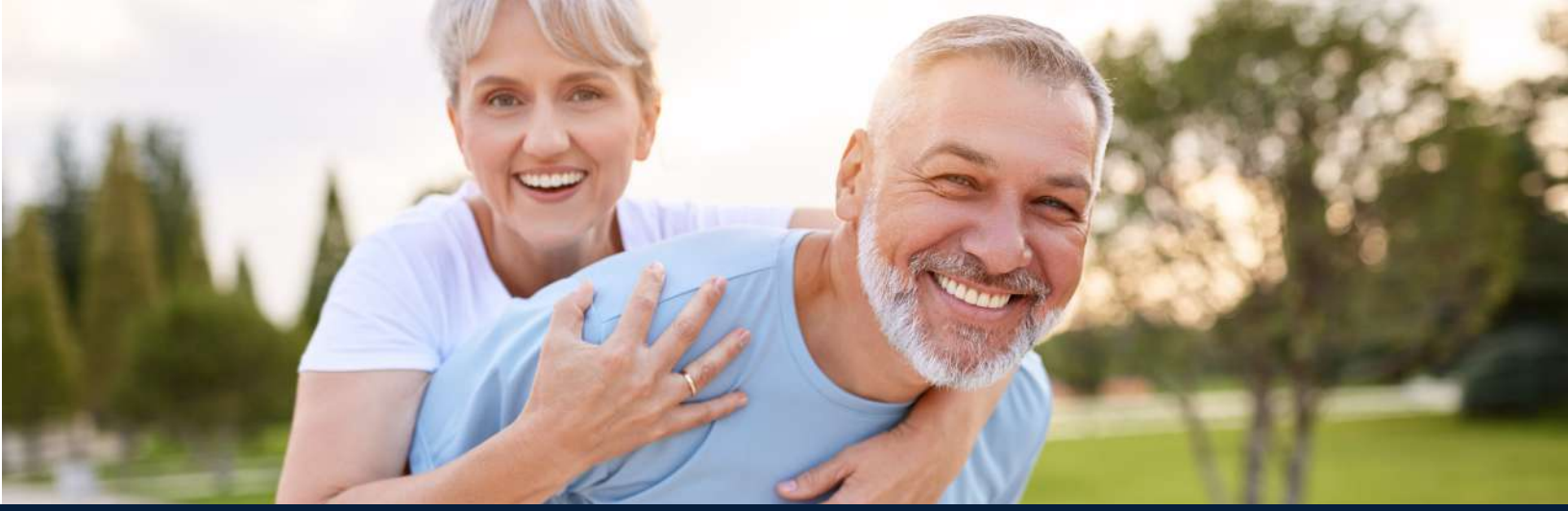
TRUE LIFE
WEALTH MANAGEMENT

9 WAYS FOR UPCOMING RETIREES TO SAVE ON TAXES





Dear Future Retiree,

Most people don't realize just how much of their hard-earned wealth gets lost to taxes in retirement. And the financial industry? It's not designed to help you keep more of your money—it's built to sell you products, keep you in the dark, and profit off your uncertainty.

That's why tax planning isn't just a good idea—it's essential. The right tax strategies could save you and your family hundreds of thousands of dollars over the course of your retirement.

Inside this guide, you'll find nine proven strategies the wealthy use to minimize taxes, maximize retirement income, and ensure more of your money stays where it belongs—with you and your family.

Retirement should be about confidence, not fear. When you understand how taxes really work, you can take control of your financial future instead of leaving it up to chance.

Let's get started.



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1 The Sequential Withdrawal Strategy: Which Accounts to Tap First

The order in which you withdraw funds can significantly impact how much tax you pay. Strategic withdrawals from taxable, tax-deferred, and tax-free accounts can help reduce your lifetime tax bill and keep more money working for you. Without a proper withdrawal plan, you may unknowingly trigger higher taxes, increase Medicare premiums, or push yourself into a higher tax bracket.

A tax-efficient withdrawal strategy generally follows this sequence:

- **Early Retirement (Before Required Minimum Distributions - RMDs)**

  Prioritize taxable accounts (brokerage accounts, dividends, capital gains) to allow tax-deferred assets (IRAs, 401(k)s) to continue compounding while minimizing early withdrawal penalties. This also allows you to control your taxable income before RMDs kick in.

- **Mid-Retirement (Before Social Security and RMDs)**

  Blend withdrawals from tax-deferred accounts (traditional IRAs, 401(k)s) and tax-free accounts (Roth IRAs) to optimize tax brackets. Strategic Roth conversions during these years can help shift assets into tax-free growth while keeping taxable income manageable.

- **Later Retirement (After RMDs Begin at Age 73+)**

  At this stage, Required Minimum Distributions from tax-deferred accounts become mandatory, potentially increasing your taxable income significantly. By carefully managing these distributions, you can avoid unnecessary penalties and mitigate tax inefficiencies.

2 Roth Conversions: A Powerful Tax-Saving Tool

A Roth conversion involves transferring funds from a traditional IRA or 401(k) into a Roth IRA, paying taxes on the amount converted upfront in exchange for tax-free growth and withdrawals in the future. This strategy can be especially effective for retirees looking to reduce Required Minimum Distributions (RMDs) and control their taxable income in later years.

Key Benefits of Roth Conversions:

- **Tax-Free Growth & Withdrawals**

  Once funds are in a Roth IRA, all future growth and withdrawals are tax-free, providing a hedge against rising tax rates.

- **Lower Lifetime Tax Bill**

  By converting in lower-income years, you can pay taxes at a lower rate now rather than at potentially higher rates later.

- **Reduce RMDs**

  Traditional IRAs and 401(k)s require you to take taxable withdrawals starting at age 73, potentially pushing you into a higher tax bracket. Roth IRAs have no RMDs, allowing assets to grow untouched.

- **Estate & Legacy Benefits**

  Roth IRAs pass to heirs tax-free, providing a more efficient wealth transfer strategy than tax-deferred accounts.

When & How to Execute Roth Conversions:

- **Before Social Security & RMDs**

  The best time for Roth conversions is often early retirement (before age 73) when taxable income is lower.

- **Use Tax Bracket Thresholds**

  Convert just enough each year to avoid pushing yourself into a higher tax bracket.

- **Consider Partial Conversions**

  Rather than converting all at once (which may trigger a large tax bill), spreading conversions over several years can be more tax-efficient.

EXAMPLE:

A retiree with a $1M traditional IRA and an expected RMD of $40K per year at age 73 could convert $50K per year from ages 62-70, paying a lower tax rate now while significantly reducing future taxable RMDs.

3 Asset Diversification & Location: The Smart Way to Invest

Where you hold different types of assets impacts your tax efficiency. Proper allocation can reduce your tax burden and maximize after-tax returns.

Tax-Efficient Asset Location:

- **Taxable Accounts**
  Hold stocks with long-term appreciation to benefit from lower capital gains tax rates.
- **Tax-Deferred Accounts (IRAs, 401(k)s)**
  Place high-dividend bonds, REITs, and income-generating assets here to defer taxes until withdrawal.
- **Tax-Free Accounts (Roth IRAs)**
  Use Roth IRAs for high-growth investments to enjoy tax-free withdrawals later in retirement.

WHY THIS MATTERS:

Many investors focus solely on diversification across asset classes but overlook the impact of where those assets are held. A tax-smart allocation ensures that returns are not eroded by unnecessary taxes, helping you maximize retirement income and preserve wealth.

4 Direct Indexing: A Tax-Savvy Investment Strategy Managed by Your Advisor

Direct indexing allows investors to own individual stocks that mirror an index, rather than investing in an index fund or ETF. This provides opportunities for strategic tax-loss harvesting, which can significantly improve after-tax returns.

How Your Advisor Optimizes Direct Indexing for You:

- **Tax-Loss Harvesting**

  Your advisor monitors market fluctuations, strategically selling underperforming stocks to realize losses, which can offset capital gains and reduce taxable income.

- **Customization**

  Unlike standard index funds, direct indexing allows for customized portfolios, excluding specific stocks or sectors based on your preferences and tax needs.

- **Ongoing Portfolio Management**

  Your advisor actively manages trades to ensure the portfolio remains aligned with the index while optimizing tax savings.

- **Long-Term Tax Efficiency**

  By systematically managing gains and losses, direct indexing can enhance after-tax returns, potentially outperforming traditional ETFs and mutual funds.

Key Benefits:

- ☑ Maximizes tax savings through active tax-loss harvesting.
- ☑ Provides greater control over your portfolio compared to ETFs.
- ☑ Helps manage taxable income and reduce long-term capital gains taxes.

5 Qualified Charitable Distributions (QCDs): A Smart Giving Strategy

For retirees who are 70½ or older, a Qualified Charitable Distribution (QCD) is a tax-efficient way to support charitable causes while optimizing your financial strategy. By donating directly from your IRA to a qualified charity, you can reduce your taxable income and satisfy Required Minimum Distributions (RMDs) without increasing your adjusted gross income (AGI).

Key Benefits of QCDs:

- **Reduce Taxable Income**

  Unlike regular IRA withdrawals, QCDs are excluded from your taxable income. This can help keep you in a lower tax bracket, potentially reducing your overall tax liability and even your Medicare premiums.

- **Satisfy RMDs**

  If you're required to take minimum distributions from your IRA, a QCD can count toward your RMD without adding to your taxable income. This is particularly beneficial if you don't need the extra income and want to avoid unnecessary tax burdens.

- **Maximize Your Giving**

  You can donate up to $100,000 per year per individual ($200,000 per couple if both spouses have IRAs) directly to charity. This allows you to support the causes you care about while reducing your taxable estate.

- **Avoid Itemized Deduction Limits**

  Many retirees no longer itemize deductions due to the higher standard deduction. Since QCDs reduce taxable income directly, they provide a tax benefit even if you don't itemize.

How to Make a QCD

1. **Ensure Eligibility:** You must be at least 70½ years old at the time of the distribution.
2. **Choose a Qualified Charity:** The donation must go to a 501(c)(3) organization (excluding donor-advised funds and private foundations).
3. **Direct Transfer Required:** The funds must be transferred directly from your IRA custodian to the charity—withdrawals taken personally first won't qualify.
4. **Report Correctly:** Work with your financial advisor or tax professional to ensure the QCD is properly recorded on your tax return.

6 Estate Tax Planning: Protect Your Legacy

Estate tax laws are changing, and without proper planning, your heirs could face a significant tax burden. The current federal estate tax exemption is $14 million per spouse (or $28 million total for married couples). However, beginning in 2026, this exemption is set to drop by half, exposing more estates to taxation at rates as high as 40% or more.

For many individuals, proactive estate planning is essential to preserve generational wealth and minimize unnecessary tax liabilities.

Key Strategies to Reduce Estate Taxes

Trusts: Shield Assets & Control Distribution

- Transferring assets into **irrevocable trusts** can help remove them from your taxable estate while allowing you to maintain control over their distribution.
- Common strategies include **grantor-retained annuity trusts (GRATs)**, **intentionally defective grantor trusts (IDGTs)**, and **charitable remainder trusts (CRTs)** to strategically pass wealth to heirs and charities with minimized tax exposure.

Gifting Strategies: Reduce Your Estate Over Time

- Take advantage of the **annual gift tax exclusion ($19,000 per recipient in 2025)**.
- Consider **lifetime exemption gifts** before the 2026 reduction to lock in today's higher limits.

Life Insurance Planning: Providing Liquidity for Taxes

- **Irrevocable Life Insurance Trusts (ILITs)** can hold life insurance outside of your taxable estate, ensuring your heirs have liquid assets to pay estate taxes without selling off family businesses, real estate, or investments.

Family Limited Partnerships (FLPs) & LLCs: Protect & Control Wealth

- FLPs and LLCs allow for structured wealth transfers with valuation discounts, helping reduce the taxable value of gifted assets while maintaining family control.

7 Use a Health Savings Account (HSA) for Tax-Free Medical Expenses

A Health Savings Account (HSA) is one of the most powerful tax-advantaged tools available for managing healthcare costs—both now and in retirement. If you're enrolled in a high-deductible health plan (HDHP), you can contribute to an HSA and take advantage of its unique triple tax benefits while saving for future medical expenses.

The Triple Tax Advantage of HSAs

- **Tax-Deductible Contributions** – Money you contribute to your HSA reduces your taxable income, lowering your overall tax bill.
- **Tax-Free Growth** – Funds in your HSA grow tax-free through interest, dividends, and investment gains. Unlike regular savings accounts, you won't owe taxes on earnings.
- **Tax-Free Withdrawals** – When used for qualified medical expenses, withdrawals are completely tax-free, making an HSA a powerful way to cover healthcare costs.

Maximizing Your HSA Strategy

- **Contribute the Maximum Each Year** – In 2025, HSA contribution limits are $4,300 for individuals and $8,550 for families, with an additional $1,000 catch-up contribution if you're 55 or older.
- **Invest for Growth** – Many HSAs allow you to invest your balance in stocks, bonds, or mutual funds, turning your HSA into a long-term wealth-building tool for future medical costs.
- **Save Receipts for Reimbursements** – There's no time limit on reimbursing yourself for past medical expenses. You can let your HSA grow, then withdraw tax-free later by keeping records of previous healthcare spending.

8 Delay Social Security Benefits: Maximize Your Lifetime Income

One of the most effective ways to increase your Social Security income and reduce taxes in early retirement is to delay claiming your benefits until age 70. While you can begin collecting as early as age 62, waiting can significantly boost your monthly payments and improve your overall retirement strategy.

Why Wait? The 8% Annual Increase

For every year you delay past your Full Retirement Age (FRA) (which is 66 to 67, depending on birth year), your benefits increase by 8% per year until you reach age 70. That means:

- **Claiming at FRA:** You receive 100% of your calculated benefit.
- **Claiming at 70:** You receive up to 132% of your benefit—locking in permanently higher payments for life.

For example, if your FRA benefit is $2,500 per month, waiting until age 70 increases it to $3,300 per month—a $9,600 annual increase for the rest of your life.

Tax Efficiency: Reduce Taxes in Early Retirement

- Delaying Social Security allows you to strategically withdraw from tax-deferred accounts (like IRAs and 401(k)s) while staying in lower tax brackets. Some key benefits include:
- **Roth Conversions:** Converting pre-tax retirement funds to a Roth IRA before Social Security starts can reduce Required Minimum Distributions (RMDs) and future taxable income.
- **Tax-Efficient Withdrawals:** You can withdraw from taxable accounts first, minimizing overall tax liability before Social Security kicks in.
- **Lower Medicare Premiums:** Social Security income can push your Medicare Part B & D premiums higher due to Income-Related Monthly Adjustment Amounts (IRMAA)—delaying can help control costs.

Spousal & Survivor Benefits: Protect Your Loved Ones

If you're married, delaying Social Security can also increase survivor benefits for your spouse. When one spouse passes, the survivor receives the higher of the two Social Security benefits—meaning delaying maximizes the income your spouse will inherit. This is especially valuable if one spouse had significantly higher earnings than the other.

9 Gift Money to Family Tax-Free: A Smart Wealth Transfer Strategy

Gifting money during your lifetime is a powerful estate planning tool that allows you to reduce your taxable estate while supporting loved ones tax-free. The IRS allows you to give away a set amount each year without incurring gift taxes or affecting your lifetime estate tax exemption.

2025 Gift Tax Exclusion: $19,000 Per Person

In 2025, you can gift up to $19,000 per recipient ($36,000 per couple) without triggering federal gift taxes. This means you can give:

- $19,000 to each child, grandchild, or other beneficiaries annually.
- A married couple can gift $38,000 per person ($19,000 from each spouse).
- No need to file a gift tax return if you stay within the limits.

Advanced Planning: Maximizing Wealth Transfer

For those with significant assets, additional estate tax planning strategies can help maximize tax efficiency while preserving family wealth:

1 Utilize 529 Plan Contributions

- You can front-load five years' worth of annual gifts into a 529 education savings plan—allowing up to $90,000 per child ($180,000 per couple) tax-free.
- This strategy helps fund a grandchild's college expenses while removing assets from your taxable estate.

2 Create an Irrevocable Trust

- Gifting into a trust (such as a Crummey Trust or Irrevocable Life Insurance Trust (ILIT)) can provide structured asset protection and estate tax benefits.
- Trusts ensure funds are distributed according to your wishes and shielded from mismanagement or external claims.

3 Pay Medical & Educational Expenses Directly

- You can pay for medical bills or tuition directly to providers without it counting against your gift tax exclusion.
- This strategy helps support family members while preserving your annual gifting limit for other wealth transfers.

Ready to take control of your retirement taxes?

Scan the QR code or visit our website to schedule your **complimentary strategy call**. Ask about our **Lifetime Tax Analysis** to see how much you could save with proactive tax strategies!

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