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How to Plan Your Retirement Withdrawals

You've worked hard to save up for your retirement. Understanding the rules and tax obligations for withdrawals can help you decide which retirement accounts to withdraw from and when.

Traditional IRA

When should you withdraw funds from your traditional IRA? It depends on your age and your unique situation. If you withdraw funds before you are 59 ½, you will likely be subject to a [10% additional tax](#).

Generally, when you turn 72 or 73, you need to start taking the required minimum distributions (RMDs). If you don't take the RMD, that amount is hit with a [50% excise tax](#).

Roth IRA

If you are 59 ½ or younger, there are some considerations for Roth IRA withdrawals. For example, you may need to pay taxes and/or penalties on earnings if you withdraw from a Roth IRA that is under five years old.

If you are older than 59 ½ and your Roth IRA is more than five years old, you can withdraw money without any taxes or penalties. Plus, you do not need to worry about taking RMDs.

401(k)

You may be subject to early withdrawal taxes and penalties if you take money from your 401(k) before you turn 59 ½. After that age, you can begin taking distributions, which will be subject to income tax. You only need to start taking RMDs once you are in your 70s; the exact age depends on your birth date.

Withdrawing from taxable retirement accounts first could allow more time for the funds in a tax-free account, such as a Roth IRA, to accumulate before you tap it for withdrawals. When the time comes to start thinking about withdrawals, the right strategy can help you reduce your tax liability and make the most of your hard work.

If you want to discuss the best approach for you, get in touch.

Helping clients get back to the basics of building and maintaining wealth in a tax efficient way.



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