

10 Pro Tax Planning Tips for Early Retirees

Retiring is an exciting milestone, but it comes with unique challenges, especially in tax planning. Use this checklist to help you navigate early retirement with confidence and clarity.

1 understand how your financial resources are taxed

- Identify all income sources, including Social Security, retirement accounts, dividends, and investments.
- Determine how each source is taxed (ordinary income, capital gains, or tax-free).

2 take advantage of lower tax brackets

- Convert pre-tax assets, like a traditional IRA, to a Roth IRA during lower-income years.
- Work with an advisor to determine how much to convert without pushing yourself into a higher tax bracket.

3 manage Social Security timing

- Use a calculator or consult an advisor to determine the best age to claim benefits.
- Evaluate the tax impact of Social Security benefits, as up to 85% may be taxable.

4 plan for Required Minimum Distributions (RMDs)

- Calculate your future RMDs to anticipate their tax impact.
- Use Roth conversions or Qualified Charitable Distributions (QCDs) to minimize taxes.

5 avoid early withdrawal penalties

- Use penalty-free withdrawal options, like SEPPs or the Age 55 Rule, if under 59½.
- Tap taxable accounts first to delay retirement account withdrawals.

6 use tax-loss harvesting

- Identify underperforming investments to sell and offset gains.
- Rebalance your portfolio strategically to reduce taxable income.

7 be strategic with capital gains

- Plan asset sales to stay within the 0% or 15% capital gains tax bracket.
- Limit ordinary income to avoid triggering higher capital gains taxes.

8 manage healthcare costs and taxes

- Keep taxable income low to qualify for Affordable Care Act (ACA) premium subsidies.
- Plan withdrawals strategically to reduce healthcare-related taxes before Medicare.

9 optimize your portfolio with tax-efficient investments

- Diversify your portfolio with taxable, tax-deferred, and tax-free accounts.
- Adjust your asset allocation to balance growth and tax efficiency.

10 work with a trusted advisor and CPA

- Schedule a meeting with your financial advisor to review tax strategies.
- Collaborate with your CPA to align tax preparation and long-term planning.

Simplify Your Tax Planning

Proactive planning can help you minimize taxes, optimize income, and preserve wealth. Partnering with a financial advisor and CPA ensures your plan is tailored to your goals and financial needs.

For personalized guidance, schedule your intro call today!