



MAXIMIZING YOUR RETIREMENT SAVINGS: THE IMPORTANCE OF TAX PLANNING

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Where to begin with tax planning for retirement? Perhaps by acknowledging we all bear responsibility for the resources we share. Roads, bridges, schools . . . It is the patriotic duty of every American to pay their fair share of taxes. Many would agree with us, though, while they don't mind paying their fair share, they're not interested in paying one cent more than that!

Now, just talking taxes probably takes your mind to April—tax season. You are probably thinking about all the forms you collect and how you file. Perhaps you are thinking about your certified public accountant or another qualified tax professional and saying to yourself, "I've already got taxes taken care of, thanks!"

However, what we see when people come into our office is that their relationship with their tax professional is purely a January through April relationship. That means they may have a tax professional, but not a tax planner.

What we mean is tax planning extends beyond filing taxes. In April, we are required to settle our accounts with the IRS to make sure we have paid up on our bill or to even the score if we have overpaid. But real tax planning is about making each financial move in a way that allows you to keep the most money in your pocket and out of Uncle Sam's.

Now, as a caveat, we want to emphasize we are neither CPAs nor tax planners, but we see the way taxes affect our clients, and we have plenty of experience helping clients implement tax-efficient strategies in their retirement plans in conjunction with their tax professionals.

It is especially important to us to help our clients develop tax-efficient strategies in their retirement plans because each dollar they can keep in their pockets is a dollar we can put to work.

We find that a lot of people have no idea what their projected tax liability is in retirement until they come and meet with us. Even people who are great at saving sometimes just don't realize the consequences

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taxes can have on their retirement.

For example, individuals who have significant retirement income from sources like Social Security and pensions might already have sufficient funds to retire comfortably. While this is indeed a positive situation to be in, it is important to consider the potential impact on taxes in retirement. This is because the additional income generated from these sources, in combination with RMDs and other factors, may push retirees into higher tax brackets.

Through tax planning before their retirement, we could look at converting IRAs to other vehicles to help minimize the overall tax burden. Roth IRAs can be great for this kind of situation. A life insurance policy that has a tax-free death benefit can be as well, allowing more of their money to be passed on to the policyholder's children.

Now, in the United States, taxes can be a rather uncertain proposition. Depending on who is in the White House and which party controls Congress, we might be tempted to assume tax rates could either decline or increase in the next four to eight years accordingly. However, there is one (large!) factor we, as a nation, must confront: the national debt.

Currently, according to USDebtClock.org, we are over \$34,000,000,000,000 in debt and climbing. That's \$34 trillion with a "T." With just \$1 trillion, you could park it in the bank at a zero percent interest rate and spend more than \$54 million every day for fifty years without hitting a zero balance.

Even if Congress got a handle and stopped that debt from its daily compound, divided by each taxpayer, we each would owe about \$265,000. So, will that be check or cash?

Our point here isn't to give you anxiety. We're just cautioning you that even with the rosier of outlooks on our personal income tax rates, none of us should count on low tax rates for the long term. Instead, you and your network of professionals (tax, legal, and financial) should constantly be looking for ways to take advantage of tax-saving opportunities as they come. After all, the best "luck" is when proper planning meets opportunity.

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