



Trust Company Oklahoma

July 2018

The Certainty of Taxes in Retirement



“Nothing is certain except for death and taxes.” What does this old saying have to do with retirement planning? Placing death aside, the simple answer is: taxes will still be present in retirement.

So how can we plan for this certainty? A logical first step is to identify and understand the different “tax buckets” most commonly used for retirement savings. “Tax buckets” refers to the account type (categorized by the Internal Revenue Code) where retirement dollars are invested and its respective tax characteristics.

In retirement planning, these “tax buckets” generally fall into one of three account types: tax-deferred (i.e. a 401K account), taxable (i.e. a brokerage account) and tax-free (i.e. a Roth IRA). The tax characteristics of each require us to review the potential for taxes (paid or saved) on retirement dollars going into the respective bucket, staying in the bucket, and leaving the bucket.

Plan Carefully

This is where terms such as “pre-tax savings,” “tax-deferred growth” and “capital gains tax rates” come into the picture. Not surprisingly, all three buckets have unique aspects that can be leveraged throughout all phases of retirement.

Is there a single best choice among this list of “tax buckets” for retirement planning – a silver bullet to avoid taxes in retirement? No. However, effective retirement planning recognizes the significance of taxes, and identifies planning opportunities to achieve the most tax-effective outcome. And, tax professionals generally agree that if your retirement savings is spread across all three buckets, leave dollars in the tax-free bucket the longest.

At Trust Company of Oklahoma, clients rely on professionals with extensive experience and expertise. This helps ensure their financial well-being and successful retirement without depleting lifetime savings. We analyze your financial health as well as your targeted retirement quality of life. Let our professionals help you plan for a worry-free financial future.