REDUCING TAXES IN RETIREMENT

A STRATEGIC GUIDE

This guide explores how taxes may impact your retirement income and why proactive planning can make a meaningful difference. You'll learn key concepts and strategies that may help create greater flexibility and efficiency over time.

About The Wealth Guardians & Ray Financial Group

Our mission is to execute financial strategies that safeguard retirement savings and give our clients the peace of mind to enjoy the life they've created.

The Wealth Guardians & Ray Financial Group are a independent, holistic financial planning firm focused on retirement planning. In both our Clemmons and Greensboro offices, our team is committed to providing financial services and retirement advice that is comprehensive, individualized and based on strategies that focus on downside protection. We have 25+ years of experience in the retirement planning sector and we have the privilege of serving over 450+ clients and their families.

The Wealth Guardians & Ray Financial Group are fiduciaries and we will always act in our clients' best interests. We are motivated by building relationships, not by selling products.

Our Core Values

The Wealth Guardians team is guided by our core company values:

- We emphasize financial education in all our interactions.
- We plan holistically versus act transactionally.
- We strive to demonstrate a high level of competence and excellence every day.

Who We Work With

The Wealth Guardians works primarily with individuals and families who are approaching retirement or already retired and looking for greater clarity around their financial plan. Many clients are seeking a more thoughtful approach to how their assets and income are structured to support their long-term goals.

Inside This Guide

This guide provides an overview of key concepts and considerations designed to help you better understand how taxes may impact your retirement income and the role thoughtful planning can play over time.


It’s not just what you save for retirement – it’s what you keep after taxes that matters most.

Why Taxes Matter in Retirement

Many individuals spend years focused on saving for retirement but give less attention to how those savings may be taxed over time. While building assets is important, the way those assets are structured-and how income is generated from them-can have a meaningful impact on long-term outcomes.

In retirement, income often comes from multiple sources, including retirement accounts, Social Security, and personal investments. Each of these sources may be taxed differently, which means **the timing and coordination of withdrawals can influence how much income is ultimately retained.**

Understanding how taxes may affect retirement income is an important step in the planning process and can help create greater flexibility when making decisions over time.

Key Consideration

Different sources of retirement income may be taxed differently, which can influence how much income is ultimately retained.

The Three Tax Buckets

A simple framework for how different types of assets may be taxed in retirement.

In retirement, income can come from a variety of sources, each of which may be taxed differently. A helpful way to understand this is by grouping assets into three general categories, often referred to as “tax buckets”.

TAX-DEFERRED - Assets in this category typically allow for tax-deferred growth, meaning taxes are not paid until funds are withdrawn.

Examples may include:

- Traditional 401(k) accounts
- Traditional IRAs
- Other pre-tax retirement accounts

TAXABLE - These assets are generally funded with after-tax dollars, and earnings may be subject to taxes in the year they are realized.

Examples may include:

- Brokerage accounts
- Bank savings or CDs
- Certain investment income

TAX-FREE - Assets in this category may allow for tax-free income in retirement, provided certain conditions are met.

Examples may include:

- Roth IRAs
- Roth 401(k)s
- Other qualified strategies

Creating Tax Flexibility

Why having multiple sources of income can provide greater control in retirement.

Once assets are spread across different tax categories, the next step is understanding how they may be used together. Rather than relying on a single source of income, having multiple options can create more flexibility when making decisions over time.

In retirement, income needs can change from year to year. When individuals have access to different types of accounts, they may be able to adjust where income is drawn from based on their situation, helping to manage tax exposure and maintain greater control over their overall plan.

This type of flexibility can be especially valuable in periods of uncertainty, whether related to market conditions, changes in tax policy, or evolving personal needs. A more balanced approach may help create additional options when they are needed most.

Key Consideration

Having access to multiple types of accounts may allow for more flexibility in how retirement income is generated and taxed.

Retirement planning isn’t just about how much you’ve saved – it’s about how your income is structured over time.

Roth Conversion Strategies

How shifting assets between tax categories may support long-term planning.

One strategy that may be considered when managing tax exposure in retirement is a Roth conversion. This involves moving assets from a tax-deferred account into a Roth account, where future qualified withdrawals may be tax-free.

Rather than converting all assets at once, this process is often evaluated over time. By carefully considering factors such as current income, tax brackets, and long-term goals, some individuals may choose to convert portions of their assets gradually as part of a broader planning approach.

Roth conversions are not appropriate for every situation, and the potential benefits must be weighed against the taxes owed at the time of conversion. A thoughtful evaluation can help determine whether and how this strategy may fit within an overall plan.

Important to Consider

Roth conversions may result in taxes owed in the year the conversion takes place, which should be carefully evaluated as part of the decision-making process.

A Hypothetical Example

A simplified illustration of how different approaches may compare over time.

To better understand how different strategies may impact retirement outcomes, it can be helpful to look at a simplified example. The following illustration compares two hypothetical approaches to managing retirement assets over time.

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Scenario 1: Limited Tax Coordination

In this example, an individual relies primarily on tax-deferred accounts for retirement income. Withdrawals are taken as needed, and income is taxed at ordinary income rates.

- Majority of assets remain tax-deferred
- Limited flexibility in how income is structured
- Taxes are paid as withdrawals are made

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Scenario 2: Tax-Aware Approach

In this scenario, the individual takes a more proactive approach by gradually repositioning assets across different tax categories over time.

- Assets are distributed across multiple tax buckets
- Income sources can be coordinated more intentionally
- Greater flexibility in managing tax exposure

Important to Note

This example is hypothetical and for illustrative purposes only. Actual outcomes will vary based on individual circumstances.

Our Approach

Applying these concepts through a structured and personalized process.

At The Wealth Guardians & Ray Financial Group, these concepts are not viewed in isolation. They are part of a broader planning process designed to help clients make more informed decisions over time. By taking a comprehensive approach, the goal is to align income strategies, tax considerations, and long-term objectives in a thoughtful and coordinated way.

Each client's situation is unique, which is why planning begins with understanding individual goals, current financial positioning, and future income needs. From there, strategies are evaluated and adjusted over time as circumstances evolve.

What This Process May Include

- Reviewing current assets and how they are positioned across tax categories
- Evaluating potential strategies to improve long-term tax efficiency
- Coordinating income sources to support flexibility in retirement
- Adjusting the plan over time based on changes in goals or external factors

Our Focus

Helping clients make informed decisions with greater clarity and confidence over time.

Next Steps

If you'd like to learn more about how these concepts may apply to your situation, the next step is a conversation. The Wealth Guardians & Ray Financial Group work with individuals and families to evaluate their current strategy and explore options aligned with their goals.

If you are approaching retirement and want to understand how your retirement nest egg may be affected by taxes, we encourage you to schedule a conversation with one of our advisers to review your options.

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Scan to schedule a conversation.

Sources and References

The following sources were referenced in the development of this guide and may provide additional context on the topics discussed.

- Internal Revenue Service (IRS.gov) — Information on retirement accounts, distributions, and tax treatment
- Social Security Administration (SSA.gov) — Overview of Social Security benefits and taxation
- U.S. Department of the Treasury — General tax policy and guidance
- FINRA (FINRA.org) — Investor education resources
- Securities and Exchange Commission (SEC.gov) — Investor.gov educational materials
- Vanguard Group — Research on retirement income and tax diversification
- Fidelity Investments — Retirement planning and tax-related educational insights
- Morningstar — Research on retirement strategies and portfolio structure

This guide is for informational purposes only and is not intended as tax, legal, or investment advice.