

## Tax Efficiency in Retirement

**Will you pay higher taxes in retirement?** It's possible. But that will largely depend on how you generate income. Will it be from working? Will it be from retirement plans? And if it does come from retirement plans, it's important to understand which types of plans will be financing your retirement.

Another factor to consider is the role Social Security will play in your retirement. When do you plan to start to take Social Security benefits? If you have a spouse, when do they plan on taking benefits? It's critical to answer key Social Security benefits questions so you have a better understanding of how it will affect your taxable income.

**What's a pre-tax investment?** Traditional IRAs and 401(k)s are examples of pre-tax investments that are designed to help you save for retirement.

You won't pay any taxes on the contributions you make to these accounts until you start to take distributions. Pre-tax investments are also called tax-deferred investments, as the money you accumulate in these accounts can benefit from tax-deferred growth.

For individuals covered by a retirement plan at work, the tax deduction for a traditional IRA in 2025 is phased out for incomes between \$126,000 and \$146,000 for married couples filing jointly, and between \$79,000 and \$89,000 for single filers.<sup>1</sup> (continue on page 2)

## Who's Right on Inflation? Fed, Shoppers, or Investors

Tracking inflation is like herding cats these days.

Should you believe the monthly updates from the Bureau of Labor Statistics, what the Fed says about future prices, or your own experience at the grocery store?

The answer is maybe a little of all three.

The March Consumer Price Index (CPI) report, which looks at the past 12 months, showed core inflation rose at a 2.8 percent annual rate, the best number in four years—an encouraging update for investors.

However, a few days earlier, the New York Fed said its March inflation survey, which looks ahead 12 months, showed prices

trending higher in 2025 and reaching 3.6 percent in a year.

What about today's prices? Take eggs, for example. Wholesale egg prices have fallen, but you might not see much relief at the checkout line as a shopper. Confused? You're not alone.

The expression "herding cats" means a task that is exceptionally difficult or frustrating.

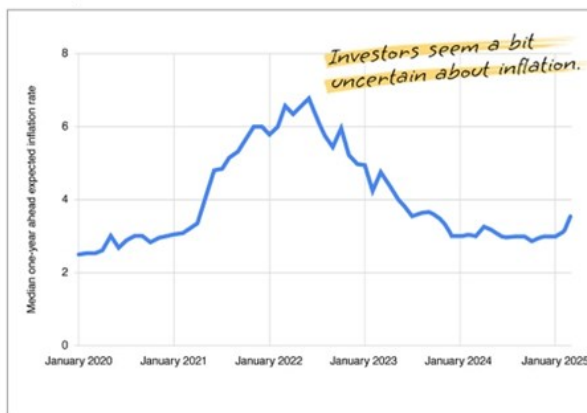
That certainly can describe getting a handle on inflation these days! At times like this, we encourage people to "tune out the noise" and remain disciplined with their overall investment strategy.

### Citations

1. CNBC.com, April 10, 2025
2. Reuters.com, April 14, 2025
3. TradingEconomics.com, April 16, 2025

### Blip Higher?

The expected inflation rate in March 2026



NewYorkFed.org, April 16, 2025

*Forecasts are based on assumptions and are subject to revisions over time. Financial, economic, political, and regulatory issues may cause the actual results to differ from the expectations expressed in the forecast.*

## Tax Efficiency in Retirement *(continued from page 1)*

Keep in mind that once you reach age 73, you must begin taking required minimum distributions from a traditional IRA, 401(k), and other defined contribution plans in most circumstances. Withdrawals are taxed as ordinary income and, if taken before age 59½, may be subject to a 10% federal income tax penalty.

**What's an after-tax investment?** A Roth IRA is the most well known. When you put money into a Roth IRA, the contribution is made with after-tax dollars. Like a traditional IRA, contributions to a Roth IRA are limited based on income. For 2025, contributions to a Roth IRA are phased out between \$236,000 and \$246,000 for married couples filing jointly and between \$150,000 and \$165,000 for single filers.<sup>1</sup>

To qualify for the tax-free and penalty-free withdrawal of earnings, Roth IRA distributions must meet a five-year holding requirement and occur after age 59½. Tax-free and pen-

alty-free withdrawals can also be taken under certain other circumstances, such as the owner's death. The original Roth IRA owner is not required to take minimum annual withdrawals.

Remember, this article is for informational purposes only and is not a replacement for real-life advice, so make sure to consult your tax, legal, or financial professionals before modifying your retirement strategy

**Are you striving for greater tax efficiency?** In retirement, it is especially important – and worth a discussion. A few financial adjustments may help you manage your tax liabilities.

Citations

1. IRS.gov, 2025

## Three Key Questions to Answer Before Taking Social Security

Social Security is a critical component of the retirement financial strategy for many Americans, so before you begin taking it, you should consider three important questions. The answers may affect whether you make the most of this retirement income source.

**1) When to Start?** You have the choice of starting benefits at age 62, 2) claiming them at your full retirement age, or 3) delaying payments until age 70. If you claim early, you can expect to receive a monthly benefit that will be lower than what you would have earned at full retirement. If you wait until age 70, you can expect to receive an even higher monthly benefit than you would have received if you had begun taking payments at your full retirement age. The decision of when to begin taking benefits may hinge on whether you need the income now or can wait, and whether you think your

lifespan will be shorter or longer than the average American.

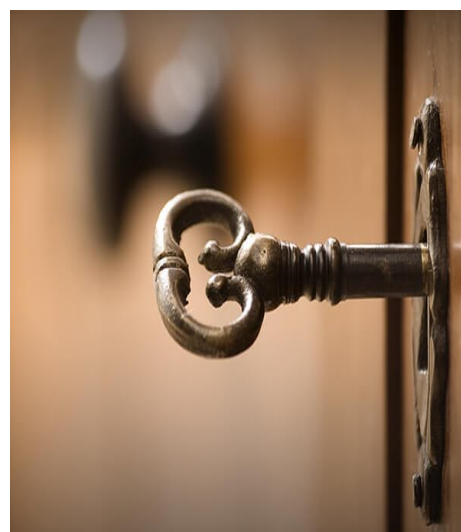
**2) Should I Continue to Work?** Work provides income, personal satisfaction, and may increase your Social Security benefits. However, if you begin taking benefits prior to your full retirement age and continue to work, your benefits will be reduced by \$1 for every \$2 in earnings above the prevailing annual limit (\$23,400 in 2025). If you work during the year in which you attain full retirement age, your benefits will be reduced by \$1 for every \$3 in earnings over a different annual limit (\$62,160 in 2025) until the month you reach full retirement age. After you attain your full retirement age, earned income no longer reduces benefit payments.<sup>1</sup>

**3) How Can I Maximize My Benefit?** The easiest way to maximize your

monthly Social Security benefit is to simply wait until you turn age 70 before receiving payments.

Citations

1. SSA.gov, 2025



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