MARINER

OPTIMIZE RETIREMENT ASSETS THROUGH

Tax-efficient Withdrawals

How long will your retirement savings last? The answer may depend on the order in which you withdraw them from your taxable and tax-advantaged investment accounts.

Taxes play a major role in how long retirement assets can last, so having a tax-efficient withdrawal strategy can help stretch your savings. This can result in a more comfortable retirement and, after your lifetime, a larger transfer of wealth to heirs and/or the charitable causes you care about.

One study showed that strategically drawing down investment accounts in a tax-efficient order extended a hypothetical portfolio's longevity by more than two and a half years.[1]

Every case is different, of course, and you should expect results to vary based on your situation and market conditions. But there's no doubt that by practicing tax-efficient withdrawal planning, retirees should be able to keep more of their assets invested for longer, allowing them to maximize potential growth. The years of additional portfolio longevity increase with the retiree's level of wealth and rate of return on assets.

There are rules of thumb when it comes to tax-efficient drawdown strategies, but it's important to acknowledge that there are plenty of exceptions. Generally speaking, it can be wise to tap funds from taxable accounts before tax-advantaged retirement accounts such as 401(k)s and individual retirement accounts. That's because funds in tax-advantaged accounts grow on a tax-deferred basis, while taxable accounts are subject to ongoing taxation.* And leaving tax-advantaged accounts alone gives them more time to grow without being depleted by withdrawals.

Now for those exceptions. Retirees might want to consider departing from the usual approach if they haven't yet reached the age of minimum required distributions (RMDs), which is currently 73 (or age 75, if you were born in 1960 or later). If retirees have low taxable income, and thus are in a lower tax bracket, it might make sense to draw from a 401(k) or traditional IRA. By the same token, that early-retirement, pre-RMD window can be a good time to convert a traditional IRA to a Roth IRA, since the converted amount is subject to income tax. Growth of Roth IRA assets is free of tax, nor are distributions taxable.**

Another key consideration is for retirees who own taxable investments with significant unrealized gains. If they don't need to sell those assets during their lifetime, their heirs will receive a step-up in basis upon inheritance. This means the cost basis of the asset is adjusted to its market value at the time of the owner's death, effectively eliminating capital gains taxes on past appreciation. This can be a powerful way to pass down wealth more efficiently.

Keep in mind that retirement-account withdrawal strategies should be carefully coordinated with your income needs and estate planning goals. Balancing multiple priorities can be complex. A Mariner advisor can use advanced tools to determine the best withdrawal strategy for your unique situation, helping to ensure a financially secure and comfortable retirement while seeking to maximize the transfer of wealth to your heirs or charitable causes.

For more information visit: **mariner.com**

[1]"Tax-Efficient Sequencing Of Accounts to Tap in Retirement"

*Tax-deferred withdrawals are subject to ordinary income tax and may be subject to a 10% federal tax penalty if taken prior to age 59½.

**Generally, to be eligible for tax-free distributions from a Roth conversion, it must be a qualified distribution. The rules for Roth conversions are different from those for direct Roth IRA contributions. With direct Roth IRA contributions, you can generally withdraw penalty-free and tax-free contributions at any time, while only earnings are subject to qualified distribution rules. For Roth conversions, the entire converted amount is subject to the qualified distribution rules and is independently calculated for each conversion. Any withdrawals that include the converted amount, taken within the 5 years, are subject to a 10% penalty, unless there is an existing exception to the penalty that applies. To be considered a qualified distribution, the 5-year aging requirement must be satisfied, and you must be age 59½ or older or meet one of several exemptions (disability, qualified first-time home purchase, or death among them).

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