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Future Focus

Monthly Insight Into Your Insurance, Health & Finances

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MAKING SENSE OF TAXES IN RETIREMENT

During your working years, everyone told you retirement was the easy life. As you near retirement, however, perhaps it's seeming like a bit more work than you had imagined. After all, correctly positioning your various retirement accounts, honing in on your risk tolerance, determining your income sources, creating a budget, and deciding the age to start accepting your Social Security benefit are all important issues that should be at the forefront of your retirement planning checklist.

But have you given much thought to the role taxes will play in your retirement lifestyle?

Sadly, most retirees have not, and risk detonating the potential ticking tax time bomb in their portfolio that could have been avoided with a little bit of education and a touch of guidance.

Facts About Ireland

1. The Irish consume on average 131.1 liters of beer per year - the 2nd highest per capita consumption after the Czech Republic.
2. The ancestral language of Irish people is Irish Gaelic. Nowadays, 1.6 million people claim a self-reported competence in Irish, but only 380,000 fluent speakers remain.
3. Many Irish family names start with "Mac" or "O'...", which means respectively "son of ..." and "grandson of ..." in Gaelic.
4. The Tara Mine near Navan, County Meath, is the largest zinc mine in Europe, and the fifth largest in the world.
5. The world's first suburban commuter railway opened between Dublin and Dún Laoghaire in 1834 (two years before the London and Greenwich Railway).

Source : https://www.eupedia.com/ireland/trivia.shtml

Although taxes are imminent to some extent, once you retire you have the distinct advantage of being able to choose what to pay yourself for income each year by withdrawing from your various accounts or accepting a Social Security benefit. Estimate your taxes for the year and see how much additional room you have in your current tax bracket before you reach the upper threshold. “Maximizing your tax bracket” refers to taking additional withdrawals to “fill up” the entire bracket without going into the next one.

Tax planning for retirement seems simple at first glance, however, retirees face a completely different set of challenges than do younger taxpayers. Oftentimes, clients come to a financial services professional (FSP) with a tax situation they weren’t ever expecting to face, and many of them have forgotten to account for taxes altogether when making important calculations. Each year you should carefully plan out you and your spouse’s income to ensure you know which tax bracket you’re going to land in. By developing and utilizing tax-efficient withdrawal sequences for your income, you can delay having to tap into your tax-deferred accounts until later in life. Many people seem to think that taxable income decreases or goes away in retirement, but that is not the case.

In order to pay Uncle Sam as little as possible over the course of your retirement, you must understand how your different modes of income will be taxed. Planning carefully – on both a long-range and an annual basis – in regards to your tax brackets, will help you increase your post-tax income for retirement. Remember that in retirement, you control (to some degree) how much you pay yourself in income each tax year from actualizing the funds from your retirement accounts.

Long-range tax bracket planning entails putting together a snapshot of the amounts you’ll withdraw from your retirement accounts and other financial vehicles through the years, and carefully coordinating it with when you start accepting your Social Security benefit. In doing so, many retirees are able to rearrange their income sources in such a way that delivers them more after-tax income. While long-range planning assists in designing an overall tax and income strategy over the course of retirement, annual planning, or being able to “control your tax bracket” each year provides an opportunity to revisit ways to reduce tax burden by taking full advantage of standard or itemized deductions and personal exemptions.

As our lives evolve and change, so does our tax situation. Just as it is important to revisit your risk tolerance as your financial landscape continues to undergo major life events and changes, it’s also necessary to do so from a tax perspective. As many retirees leave the working world, they drop into a lower tax bracket initially from the time they retire and stop receiving normal paychecks on through their 60s. At age 70½, however, you’ll be required to take required minimum distributions (RMDs) from your 401(k) or your traditional IRA.

These distributions, along with any other income you’ve still got coming in, has the potential to push you into a higher tax bracket. Some retirees have found success in taking distributions to steadily and carefully draw from their IRA while still in their 60s, and remain in the same tax bracket – many times this helps them avoid getting bumped into a higher bracket.

As most of us know, you’re not able to dismiss taxes altogether. If you are proactively taking measures to be as tax-efficient as possible, however, you will have a leg up on many retirees. It’s always recommended that you work with a tax or financial services professional to help you prepare. With proper tax bracket management, allocation and diversification of your assets, you can be better prepared and help keep as much of your retirement funds as possible.

If you have any questions, please contact me at (949) 216-8459.

The price you pay for life insurance depends on your age, your health, and your lifestyle. However, there are ways to lower your insurance premiums. The following are some simple suggestions:

Often, you'll actually pay less for a little more insurance as you approach multiples of $250,000 in coverage. For example, $240,000 of coverage might cost $275 per year, while $250,000 in coverage might cost only $260 per year. Find out the rate per $1,000 of coverage, which often drops when you pass a certain level of coverage.

Some life insurance companies offer competitive rates for conditions such as diabetes, heart disease, and cancer. These companies employ underwriters who are trained in analyzing people on a case-by-case basis, rather than combining everyone with a particular condition into one group. If you have a health condition, ask your insurance agent to shop for an insurance company that specializes in covering your condition.

You might be surprised to find out how much you can save on your insurance premiums if you quit smoking, start exercising, and lose weight. Many insurance companies charge smokers double the nonsmoker rate for insurance. Similar discounts can apply if you lose enough weight to fall into a preferred category. If you quit smoking or lose weight, contact your current insurance company to see if it will reduce the premiums accordingly.

Riders can add value to your life insurance policy by covering situations that a standard life insurance policy does not insure. However, when purchasing a rider, you should be careful not to duplicate your existing coverage, resulting in wasted premiums.

Your insurance could end up costing you more if you choose to make convenient monthly payments rather than pay the entire premium annually. Before you choose a payment plan, compare the single payment price to the total cost of the monthly payments.

Slow Cooker Irish Beef Stew

INGREDIENTS

1 pound beef stew meat
1/4 teaspoon salt
3 cloves garlic, minced
1 medium onion, chopped
2 medium carrots, chopped
2 medium Russet potatoes, peeled & chopped
2 tablespoons tomato paste
1 tablespoon lower-sodium soy sauce
2 1/2 cups low sodium beef broth
1/4 cup beer
1/4 cup red wine
2 bay leaves
1/4 teaspoon black pepper
1 cup peas
2 tablespoons flour
1 tablespoon cooking oil

DIRECTIONS

Sprinkle stew meat with salt and toss till well combined. Using a fork, prick the meat in multiple places to tenderize. Cover and refrigerate for at least an hour, but ideally refrigerate overnight.

Toss the meat with flour. Heat a skillet over medium-high heat. Add oil and then sear meat until browned on the outside.

While meat is browning, mix together tomato paste, soy sauce, beef stock (use more if you like it more soupy than stewy) and Guinness & red wine (if using) in slow cooker.
Transfer meat (browned or not) to slow cooker. Add garlic, onions, carrots, potatoes, bay leaves, and black pepper. Cook on low for 6 to 7 hours or high for 3 to 4 until meat is falling apart and tender. If using peas, microwave for 1 minute and then fold them into stew.

Remove bay leaves. Season to taste with salt and pepper and enjoy!

NUTRITION INFORMATION

Serves: 4 | Serving Size: 2 Cups
Per serving: Calories: 363; Total Fat: 11g; Saturated Fat: 3g; Monounsaturated Fat: 2g; Cholesterol: 9mg; Sodium: 582mg; Carbohydrate: 35g; Dietary Fiber: 6g; Sugar: 7g; Protein: 27g
Nutrition Bonus: Potassium: 1208mg; Iron: 19%; Vitamin A: 83%; Vitamin C: 31%; Calcium: 4%

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New Website & Resource Center

By visiting our new website you will find information regarding social security benefits, Medicare health plans, long term care, risk assessments and how to leverage technology in retirement. Be sure to check out the Free Guides, reports, videos and risk assessment tools available to help you navigate through the unpredictable waters of retirement. To stay updated subscribe to my blogs and posts on social media.