

Retirement Planning Informational Overview

Planning Areas and Considerations

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The Journey of Retirement!

The goal is to build your money, and the systems behind it, around your life and values. This document provides information about portfolio structure, withdrawal systems, and other financial considerations relevant up to and through retirement. Working with a qualified professional to account for your unique circumstances is strongly encouraged.

Before diving into the mechanics, a few grounding questions worth sitting with:

- How much of your monthly income do you want to be guaranteed? This shapes most of what comes after it.
- How do your assets fill your desired income level while accounting for your desired level of risk? Social Security, a pension, an annuity?
- Are you comfortable selling assets when markets are down? Consider how this impacts your withdrawal strategy of choice.
- What role do bonds play in your portfolio, and what job are you giving them?
- What does your ideal retirement day look like? What are you doing, who are you with, where are you?
- What are you doing now that you do not want to carry into retirement? What have you been putting off that you want to start?
- How do you define enough?
- What are your thoughts on spending guardrails?

This general framework, while not absolute or comprehensive, provides a baseline for how to think about income layers in retirement:

Income Layer	Role
Floor	Social Security, pension, annuity. Covers essential, non-negotiable expenses.
Buffer and Diversification	Bond ladder, bond funds, short-term reserves. Provides stability and a mechanism for timing income.
Growth	Equities. Protects long-term purchasing power and supports discretionary spending.

1. Mindset and Behavioral Considerations

Money is intended to serve as an enabler for you to live your fullest life through retirement. The goal is to structure a portfolio, withdrawal systems, and other financial considerations around your life and values. Building a clear system that you understand and trust can help you follow through and enjoy retirement regardless of market conditions.

Reframing Decumulation as a Transition of Wealth

Many people are uncomfortable with the decumulation phase of retirement. At its core, this chapter of life asks us to confront the fact that there is an end, which can surface behavioral factors that are genuinely challenging to face.

Reframing this phase may be one of the most important things a good advisor can help you do. Rather than thinking of retirement as the end of accumulation or wealth depletion, consider thinking of it as a wealth transition. We are trading money for experiences, time, and the life we spent decades building toward.

Transition implies purpose and agency in a way that decumulation does not. The former keeps you anchored to what you are losing, whereas the latter focuses on what you are gaining.

The Value of an Advisor

Procrastination is common and human. We tend to avoid decisions, even when avoiding them ironically exposes us to more risk or reduces future opportunities. This is precisely where a financial coach or advisor can add significant value. An effective advisor will help you identify what you want from this chapter, build a plan aligned with those goals, add guardrails, and give you the confidence required to stick with it. Clarity precedes confidence. This goes far beyond managing investments.

A preference for self-service is valid and increasingly well-supported. Custodians like Fidelity have made do-it-yourself investing more accessible through index fund investing and user-friendly platforms. That said, investment management is only a small piece of financial planning. Tax planning, estate planning, and behavioral coaching are areas where advisors often add the most meaningful value.

2. Working with a Financial Planner or Advisor

If you choose to work with a financial planner, consider someone who offers hourly, project-based, or one-time planning engagements. This lets you revisit as needed, particularly for withdrawal decisions and tax considerations, without an ongoing commitment. Placing your assets under management is also an option, but if you go this route, make sure the value proposition checks out for you.

Items to Consider

- Fee-only fiduciary advisors: fee-only means they do not earn commissions and are therefore less incentivized to recommend products you may not need.
- CFP® professionals are an excellent starting point. CFA, CPA, EA, and ChFC designations are, too, but credentials are not sufficient on their own.
- Personality and values fit often matters more than credentials alone. You need someone you genuinely trust and will talk to.
- Flat-fee advisors (not AUM-based) are preferable if you want to avoid ongoing charges tied to the size of your portfolio.
- Many reputable fee-only advisors will get on a call and walk you through rebalancing, selling assets, and tax questions when needed. They do not just drop you after they deliver the plan. Confirm the scope of any engagement before signing.
- Some advisors may prefer ongoing engagements because it helps them fulfill their fiduciary duty with a more complete picture of your situation. Consider that tradeoff when evaluating project-based arrangements.
- Tax planning is a major piece of financial planning, often described as the hub of the wheel. Look for a planner who is curious enough to dig into your tax returns and understand your full financial picture.
- The right advisor asks more questions than they talk. It is not possible to recommend where you should go before understanding who you are and where you want to be.
- Look for those held to the fiduciary standard, which requires them to act in your best interest, not simply make suitable recommendations.

Healthy Skepticism

Not all advisors are required to recommend products in your best interest. Some are held only to a suitability standard, meaning they must recommend something acceptable rather than something optimal. Consider how the advisor you are talking to is compensated. Would they benefit if you made one decision over another? How might that affect their advice?

At a higher level, it helps to ask: Is the service the purpose of the business, or does the planning exist to sell the product?

Products like Annuities

Annuities should be scrutinized like any other financial product. There are use cases where they are an excellent option to provide a funding baseline, or floor, often in addition to Social Security and other pension income. They may provide a hedge against sequence of return risk and be appropriate for clients with unique income needs or significant volatility concerns.

The key is to first ask yourself what you hope to achieve and how an annuity fits your financial landscape. Think about how much room you want for creative tax planning. Is that worth the tradeoff for guaranteed income? What percentage of your annual expenses do you want guaranteed?

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Not all annuities are created equally. It is critical to understand your options when it comes to annuitizing assets and to consider how the person recommending income solutions may or may not be compensated based on your decision. No one works for free.

Guaranteed income and financial stability may be achievable in other ways. Consider the type of annuity (single life with pension max strategy, joint life), whether your spouse would be comfortable with an alternative approach, and how much you value convenience versus flexibility. If you decide to manage your own funds, consider how that process will be handled if you pass away before your spouse. Planning ahead will ensure that your loved ones can cope when the time comes.

3. Portfolio Allocation and Risk

Best Practices for Allocation over Time

The general principle is gradual de-risking as you approach and move through retirement. A classic starting point subtracts your age from 110 or 120 to arrive at a rough equity percentage. These are starting points and should not be applied rigidly. A 65-year-old with a strong guaranteed income floor might reasonably carry more equity than one without any guaranteed income.

A glide path is a structured, time-based plan for reducing equity exposure as you age. Target date funds automate this, though the underlying glide paths vary by provider. Some, like Vanguard, continue de-risking past the target date (a "through" approach). Others stop at the target date (a "to" approach). If you are invested in a target date fund, make sure to take some time to understand how yours operates.

In practice, the right allocation at any stage depends on several factors:

- Your income floor: if Social Security and other guaranteed income cover most of your expenses, you may be able to carry more equity in the portfolio without worrying about paying the bills.
- Your risk tolerance: the risk you feel comfortable taking
- Your risk capacity: the risk you must take to achieve your goals, as outlined
- Your time horizon: a 60-year-old with a 35-year expected retirement may need more growth exposure than conventional rules suggest.
- Sequence of returns risk: early in retirement, market downturns may have a more significant impact on your safe withdrawal rate than those that happen later in retirement. This is the period where a portfolio is most vulnerable. Reducing equity in the first several years, then gradually increasing it as the portfolio stabilizes is a counterintuitive approach, but has some meaningful empirical support.

Some researchers, including Michael Kitces and Wade Pfau, have proposed starting retirement with a lower equity allocation and increasing it over time. The idea is that the portfolio's sensitivity to sequence of return risk is highest early on. Then, since inflation risk grows over time, it may warrant more equity exposure later. This runs against conventional wisdom but is worth understanding.

Target Date Funds

Target date funds (such as a 2030 fund) are a blended allocation of stocks and bonds in a single wrapper. They may carry higher expense ratios than their individual components. Consider whether you value automatic rebalancing enough to justify the additional cost, and whether the fund's glide path matches your needs at and beyond the target date. One of their greatest benefits is the hands-off approach, which plays well with the behavioral side of investing.

Depending on where they are held, capital gain distributions in moderate-to-high turnover funds may be undesirable in a taxable brokerage account (these show up on Form 1099-DIV). This is worth checking, particularly if held outside of tax-advantaged accounts.

A Quick Reference: What Goes Where

Asset location refers to placing investments in accounts that have the potential to optimize tax outcomes. One goal may be to minimize the tax drag on the total portfolio. These are general principles and should not be interpreted as absolute rules. It depends on your specific goals. Section 5 outlines this in greater detail.

Asset Type	Preferred Account	Rationale
US Equities and Index Funds	Taxable or Roth	Low yield, preferential capital gains treatment. Taxable accounts may allow 0% long-term capital gains rate in lower-income years.
International Equities	Taxable or Roth	Foreign tax credit is only claimable in taxable accounts. Growth compounds well in Roth.
REITs	Tax-Deferred (IRA / 401k)	High ordinary income distributions. Sheltering in tax-deferred reduces annual drag.
Bonds and Bond Funds	Tax-Deferred	Interest income is taxed at ordinary rates. Shelter it where possible.
TIPS	Tax-Deferred	Phantom income on inflation adjustments creates taxable events in a brokerage account.
High-Yield and Corporate Bonds	Tax-Deferred	Higher yield means more taxable income to shelter.
Target Date Funds	Tax-Deferred	Internal rebalancing creates taxable events. Generally avoid in taxable accounts.

Rebalancing Considerations

- It is often preferable to rebalance inside tax-advantaged accounts (IRA, Roth) to avoid triggering taxable events unless desired.
- New contributions can be directed strategically to rebalance without selling, though this is more difficult post-retirement.
- Tax-loss harvesting can be leveraged to rebalance in taxable accounts.
- Dividends in a brokerage account are already taxable; consider using them to rebalance or as income during the withdrawal phase. This is an election you make within your brokerage account settings.
- Timing matters. Rebalancing near year-end makes it easier to estimate total income, expenses, and taxes, and to identify any Roth conversion opportunities before the calendar year closes.

4. Managing Risk with Bonds: Individual vs. Funds

Many investors assume bonds are simply safe based on their assumed role in the portfolio. But bonds carry multiple types of risk depending on their structure:

- Default risk (for non-treasury bonds)
- Reinvestment risk
- Interest rate risk
- Purchasing power risk

Interest rates directly impact bond prices inversely based on duration. When rates rise, existing bond prices fall, and the longer the duration (time until repayment), the larger the price movement.

A more useful starting question is: what job do you want bonds to do in your portfolio? Consider whether other vehicles in your system, like an annuity or other guaranteed income, are already performing that role, partially or in full.

Individual bonds can provide funds on a particular timeline, assuming you hold to maturity. This is why bond ladders are a useful tool. Some bonds mature now, while others mature later, providing a rolling stream of liquidity while partially hedging against interest rate risk across different maturities. Bond and TIPS ladders can serve both a floor-building role and a bucket-refilling role depending on how your system is structured.

Bonds are intended to provide diversification of asset type and to support income timing or portfolio stability. The goal is not to maximize returns within the bond allocation. Some practitioners note that if you are chasing returns within bonds, you may be better served holding a higher equity allocation and allowing the smaller bond position to do its assigned job: provide stability or income for a particular target date.

When Individual Bonds May Be Preferred

- You have a known time horizon (for example, "I need \$50,000 in five years").
- You want predictable, scheduled cash flows.
- You want to reduce market noise; price fluctuations do not matter if you hold to maturity.
- You are building a bond ladder across staggered maturities for rolling liquidity.

Tradeoffs: more hands-on management, less diversification per issue, and harder to rebalance relative to a fund.

When Bond Funds May Be Preferred

- You prefer a set-it-and-forget-it allocation.
- You do not have a specific spending timeline but want to enhance portfolio stability.
- You are comfortable with price fluctuation tied to interest rate movements.

Tradeoffs: no defined maturity date, returns depend on market conditions, and they can feel volatile despite the "safe" label. A bond fund can and will decline in price when rates rise.

Note on TIPS

Treasury Inflation-Protected Securities (TIPS) are government bonds that adjust their principal in line with the Consumer Price Index. They are particularly useful for floor-building, since the inflation adjustment helps preserve purchasing power over time. The tradeoff is that inflation adjustments are taxable in the year they occur (often called phantom income), even though you do not receive them until maturity. For this reason, TIPS are generally more efficient when held in tax-deferred accounts.

5. Asset Location and Tax Efficiency

Asset location refers to which types of accounts hold which types of investments. The general principle is to place higher-yield or less tax-efficient assets in tax-deferred accounts to minimize current-year tax drag.

How the Three Account Types Work

Account Type	How to Think About It
Taxable (Brokerage)	"I already paid tax on these dollars, but I agree to keep paying on income generated and capital gains when I sell."
Tax-Deferred (Traditional IRA, 401k)	"Thanks for not making me pay tax today or while it grows. I will pay you when I take it out of the account."
Tax-Free (Roth IRA, HSA)	"I paid my tax up front. Do not come back asking for anything on its earnings or when I eventually withdraw."

General Principles

- Bonds are generally more tax-efficient in tax-deferred accounts (Traditional IRA, 401k) than in a taxable brokerage account, because bond interest is taxed at ordinary income rates.
- Placing bonds in a Roth account limits the tax-free growth benefit of that account. Roth is generally better used for growth-oriented assets that will compound significantly over time.
- Stocks and growth-oriented assets are generally better placed in Roth accounts because gains compound tax-free.
- In a brokerage account, consider the cost basis in existing lots. If you manage MAGI carefully, there may be opportunities to realize gains at the 0% long-term capital gains rate in lower-income years.
- These are general principles. Real portfolios involve existing positions, embedded gains, and legacy holdings that require careful sequencing before any repositioning. Consult a qualified professional before making changes.

6. Withdrawal Strategy and Cash Flow Management

Structuring income in retirement involves multiple moving parts. A successful plan requires three things working together:

- Withdrawal Structure: What system is in place to access money?
- Spending Policy: How much do I withdraw?
- Sequencing: What accounts do I withdraw from, and in what order?

None of these can be answered in isolation. They interact with each other, with taxes, with Social Security timing, and with RMDs. The sections below address each in turn.

Income Sources and the Income Stack

Be mindful of how fixed income sources (Social Security, pensions, annuities) stack together. Capital gains also stack. Long-term capital gains are subject to a preferential rate, but they still stack on top of ordinary income before that rate applies.

Too much guaranteed or fixed income can reduce flexibility, limit tax planning options, and expose you to surtaxes like IRMAA (the Income-Related Monthly Adjustment Amount for Medicare). IRMAA is not the end of the world, but a well-structured plan can minimize or avoid it. Flexibility is an asset of its own in retirement.

Withdrawal Structure

What system is in place to access money?

Bucket Strategy (Time Segmentation)

Assets are divided into time-based buckets, each aligned with a spending horizon:

- Bucket 1: Short-term needs, roughly Year 1 (cash and cash equivalents)
- Bucket 2: Short-term reserve for Years 2 and 3 (short-term fixed income)
- Bucket 3: Medium-term for Years 4 through 10 (a mix of equities and fixed income)
- Bucket 4: Long-term for Years 10 and beyond (primarily equities)

Bucket 2 refills Bucket 1; Bucket 3 refills Bucket 2; Bucket 4 refills Bucket 3, each on a defined schedule. Near-term expenses are met regardless of market conditions, which reduces the temptation to sell growth assets during downturns. Bond and TIPS ladders can be used to handle the mechanical refilling between buckets.

The primary benefit of this approach is behavioral. Knowing that Buckets 1 and 2 cover several years of expenses may make it easier to hold equities in Bucket 4 through a downturn. It is slightly more complex than other approaches, like total return. The bucket approach requires active management and discipline around refilling, and there is ongoing debate in the academic literature about whether the structure produces better outcomes than a simpler total return approach. Most evidence suggests the advantage is primarily behavioral, not mathematical. Don't underestimate the value of that!

Income Floor Strategy

Assets are separated into two layers: a floor of guaranteed, non-market income covering essential expenses (Social Security, pension, annuity, or a TIPS or bond ladder), and an upside portfolio of

equities for discretionary spending and growth. Because essentials are covered regardless of market performance, you may be able to afford to take more risk with the upside portion.

The income floor approach is sometimes called the "safety-first" framework. How much guaranteed income do you need to cover essential expenses independent of what the market does? The answer to that question helps determine the size of the floor.

The floor does not have to be built with annuities. A well-structured TIPS or bond ladder that matures in sync with spending needs can serve the same function with more flexibility, though it requires more active management and has a finite horizon.

Total Return Strategy

The entire portfolio is managed as a single pool. Assets are sold as needed to fund spending and are not segmented by time horizon or purpose. This approach requires genuine discipline to sell equities during downturns rather than holding, panic-selling, or otherwise deviating from the plan.

Academic research generally supports the total return approach as the most mathematically efficient withdrawal strategy. The challenge is behavioral. During a strong downturn, selling equities to fund living expenses can be a challenge even if you trust the math checks out. For investors with strong behavioral discipline and a clear spending policy, total return is a clean and effective framework.

The approach pairs naturally with a dynamic spending rule, since the portfolio is treated as a unified whole and spending can flex based on portfolio performance.

Income-Only Strategy (Dividend and Interest)

Withdrawals are limited to income produced by the portfolio, primarily dividends and interest, without drawing down principal. While it can be emotionally appealing, constructing a portfolio distorted toward yield-heavy assets may introduce concentration risk and may underperform a total return approach over time.

By seeking capital preservation through assets that produce income, often called dividend investing, you are exchanging growth for stability. For some investors, the behavioral benefit of not selling principal is worth that cost. For others, it may result in a lower standard of living than a total return approach would support.

If the yield from the portfolio does not cover spending needs, the retiree may be forced to chase yield by concentrating in higher-dividend sectors (utilities, REITs, MLPs), which can create sector concentration, tax inefficiency, and volatility that undermines the stability the approach was designed to provide.

Spending Policy

How much do I withdraw, and does that amount adjust over time?

The 4% rule was originally designed for 30-year retirements using a diversified stock and bond portfolio. It remains a useful starting point, but it is not universally applied the way it once was. A few important nuances:

- The original research by William Bengen used historical U.S. market data. Whether those historical return patterns will persist is a topic of genuine debate among researchers. Some argue that starting from current market valuations warrants a lower initial rate, closer to 3 to

3.5%, while others point to structural changes in how companies return value to shareholders as a reason for more optimism. There is no settled answer.

- Sequence of returns risk is the dominant variable that determines whether any given withdrawal rate holds up. Two retirees with identical average returns over 30 years can have dramatically different outcomes depending on when the less desirable years occurred.
- Inflation can impact lived experience. Plan in terms of real (inflation-adjusted) dollars.
- Longer retirements, especially 35 to 40 years for those retiring in their early 60s, may warrant a lower initial rate or intentional guardrails to reduce the probability of running short.

Dynamic or guardrail-based approaches build on a fixed starting rate, but introduce rules that allow spending to rise or fall based on portfolio performance. The concept is that if the portfolio grows beyond a defined threshold, you may increase spending. If it falls below a lower boundary, you reduce it.

Jonathan Guyton and William Klinger formalized a widely cited set of guardrail rules in a 2006 paper in the *Journal of Financial Planning*. Michael Kitces and others have since built on this work by framing guardrails around risk levels rather than withdrawal rate percentages alone.

Sequencing

What accounts do I withdraw from, and in what order?

Sequencing is its own layer, distinct from withdrawal structure and spending policy. It concerns where the money comes from and the order in which accounts are accessed. Managing this thoughtfully can compound tax efficiency over years or decades.

The Default Order and When to Deviate

Financial planning software generally assumes a straightforward drawdown sequence: spend cash and taxable brokerage first, then pre-tax accounts, then tax-free. The logic is to let Roth and HSA dollars compound as long as possible. In practice, this is a reasonable starting point, but there are other drivers not captured by that default logic.

Early in retirement, income may be lower than it will be once Social Security, RMDs, and other sources kick in. That window is often the best opportunity to draw strategically from pre-tax or Roth accounts to manage your tax bracket before your income floor rises.

Bracket Management and Roth Conversions

One of the most powerful sequencing tools available is tax bracket management. Simply put, this is the act of intentionally recognizing income up to the top of a given bracket in years where you have lower income. This is particularly valuable in the years between retirement and when Social Security and RMDs begin.

Roth conversions provide a mechanism to increase taxable income in a controlled way. The concept is to convert money from a Traditional IRA to a Roth IRA, pay tax at your current marginal rate, and allow it to grow and be withdrawn tax-free in the future. The math depends on your current bracket, your expected future bracket, and how long the converted funds have to compound. Even modest conversions done over several years can meaningfully reduce lifetime tax liability and RMD pressure. That said, Roth conversions are not necessary for a successful retirement. They are simply another tool in the retirement toolkit worth exploring.

- Questions worth asking: What is my current marginal rate? What will my income look like once Social Security and RMDs begin? How much room do I have in this bracket before crossing into the next?

For higher-income earners above the Roth IRA contribution income limits, the backdoor Roth conversion is worth knowing about. This involves making a nondeductible contribution to a Traditional IRA and then converting it to a Roth. The strategy has been in use for years and, as of this writing, remains available. Consult a tax professional to evaluate whether it makes sense given your situation, particularly if you hold existing pre-tax IRA balances (the pro-rata rule can affect the tax outcome).

One additional item worth knowing for 2025 and beyond: the One Big Beautiful Bill, signed into law in July 2025, created a new \$6,000 deduction for taxpayers age 65 and older, effective for tax years 2025 through 2028. The deduction stacks on top of the existing standard deduction and is available whether you itemize or not. For a married couple where both spouses are 65 or older, the combined deduction is up to \$12,000. It phases out starting at \$75,000 MAGI for single filers and \$150,000 for joint filers and disappears entirely at \$175,000 and \$250,000, respectively. This interacts directly with Roth conversion planning because the deduction lowers taxable income in a way that affects how much room you have to convert before crossing a bracket threshold. Further, staying below/within the phase-out range becomes a meaningful planning lever. The deduction is temporary through 2028, so factor that into any multi-year projections.

IRMAA and MAGI Management

Medicare Part B and Part D premiums are income-tested through IRMAA. Premiums step up in tiers based on Modified Adjusted Gross Income (MAGI) from two years prior. A single large distribution, whether from a Roth conversion, an RMD, or a capital gain, can push you into a higher IRMAA tier and raise your Medicare premiums for the following year.

The timing and size of distributions affect tax efficiency. Spreading conversions across years, using Qualified Charitable Distributions (QCDs) to satisfy RMDs without adding to MAGI, and being aware of IRMAA thresholds before year-end are all practical tools.

Long-Term Capital Gains and the 0% Rate

Long-term capital gains are taxed at preferential rates: 0%, 15%, or 20% depending on taxable income. In years where ordinary income is low, you may have room to realize gains in a brokerage account at the 0% rate. It is possible to sell appreciated positions to lock in gains at 0%, then repurchase (there is no wash-sale rule for gains, only for losses), effectively resetting your cost basis and reducing future tax drag on that position.

Long-term capital gains stack on top of ordinary income. The interaction between all income sources should be considered together, not in isolation.

HSA: The Last Account to Touch?

A Health Savings Account, when used correctly, is one of the most tax-efficient accounts in the retirement toolkit. Contributions are pre-tax, growth is tax-free, and withdrawals for qualified medical expenses are also tax-free. If you save receipts from out-of-pocket medical expenses paid in prior years, you can reimburse yourself from the HSA at any point in the future with no time limit. This is sometimes called the "receipt shoebox" strategy.

Once you reach age 65, withdrawals for any purpose are allowed, but they are taxed as ordinary income (the same treatment as a Traditional IRA). The tax-free medical withdrawal benefit is worth preserving as long as possible for that reason.

Social Security Timing: An Upstream Decision

Social Security timing is an upstream planning decision that shapes the entire income stack. Delaying Social Security to age 70 (where benefits increase approximately 8% per year past full

retirement age) means that earlier retirement years must be funded from other sources. This gap period is often an excellent window for Roth conversions and low-income tax planning.

If you claim benefits early, you will receive a permanently lower monthly benefit, which may also limit the window for tax-efficient drawdown from pre-tax accounts. The right timing depends on health, longevity expectations, spousal considerations, and other income sources, and should be made with an understanding of how it interacts with your overall plan.

Putting It Together

Sequencing decisions cannot be made in a vacuum. Your plan depends on your current income, projected future income, accounts available to you, Medicare status, estate planning goals, and the tax law in effect. A common default drawdown sequence is listed below. How dependent this is on individual circumstances cannot be overstated:

- Step 1: Cash and taxable brokerage
- Step 2: Pre-tax accounts (Traditional IRA, 401k)
- Step 3: Tax-free accounts (Roth IRA, HSA)

Additional considerations:

- Roth accounts are generally excellent to leave to heirs, particularly if they are in a higher tax bracket than you. That said, plan for yourself first. Under the SECURE Act, most non-spouse beneficiaries are required to fully distribute inherited IRAs within 10 years. Importantly, the IRS finalized regulations in 2024 (effective 2025) clarifying that when the original owner had already begun RMDs, annual distributions are required during the 10-year window, not just a lump-sum withdrawal at year 10. The grace period that waived penalties from 2021 through 2024 is over, so missed annual RMDs are now subject to a 25% excise tax. Roth IRAs inherited under the 10-year rule still require full distribution, but those distributions remain tax-free.
- Traditional IRA and 401k withdrawals can create a taxable income spike. Plan distributions carefully. Timing is critical.
- Brokerage assets may receive a step-up in cost basis at death, meaning unrealized gains are effectively forgiven. Assets inside retirement accounts do not receive this treatment. Consider the timing of gifting versus inheriting certain assets, particularly those with a low cost basis, when planning.

Required Minimum Distributions

Required Minimum Distributions (RMDs) from tax-deferred accounts are taxable income and can interact with other sources in ways that affect Medicare premiums, Social Security taxation, and overall planning flexibility. Under the SECURE 2.0 Act (2022), the RMD starting age was raised to 73, with a further increase to 75 scheduled for those born after 1959. Plan for RMDs proactively.

QCDs (Qualified Charitable Distributions) allow you to transfer up to \$111,000 per year in 2026 (indexed to inflation annually) directly from a traditional IRA to a qualified charity. The transfer satisfies your RMD requirement and keeps it out of your taxable income, making it an efficient giving tool for charitably inclined retirees.

Also note that RMDs may not be converted to Roth. RMDs from workplace retirement accounts (401k, 403b) must be taken separately from each individual account. IRAs, on the other hand, are aggregated, meaning the total RMD can be taken from any one or combination of IRA accounts. Conversions do not count as earned income and cannot be used as the basis for a new IRA contribution. Other earned income is required for that.

Tax Withholding

When you make a distribution from a workplace retirement plan (401k, 403b), 20% federal income tax withholding is required. For retirees managing income carefully, this can result in over-withholding and may complicate cash flow planning. Rolling a workplace plan into an IRA removes this mandatory withholding requirement. Before doing so, note that rolling into an IRA eliminates certain options including the Rule of 55, which allows penalty-free withdrawals from a 401k at age 55 if you have separated from service.

With an IRA, you can elect voluntary withholding at any time. Because IRA withholding is treated as if it occurred evenly throughout the year, it can serve as a substitute for quarterly estimated tax payments.

7. TIAA-Specific Considerations

TIAA (Teachers Insurance and Annuity Association) is one of the largest retirement plan providers in the nonprofit sector, serving employees of universities, hospitals, research institutions, and similar organizations. If you have worked at one of these institutions, you likely hold assets at TIAA, sometimes alongside accounts at a custodian like Fidelity.

The two platforms do not communicate naturally with one another. Their product structures, liquidity rules, and compensation models differ significantly, which means advisors at each institution may have limited visibility into what you hold at the other. Understanding how TIAA works on its own terms, before any meeting, is worth the effort.

TIAA Traditional vs. a TIAA Income Annuity

The most important distinction to understand is this: TIAA Traditional and a TIAA income annuity are two entirely different products, and TIAA will likely pitch the latter when you sit down with them.

TIAA Traditional is an accumulation product. Your contributions have been growing over time at a guaranteed interest rate. Older contributions often carry what are called vintage rates, sometimes in the 4 to 5% range on older contracts, though newer contributions typically earn a lower current rate. The money is yours, it is growing, and you have not committed it to anything yet.

A TIAA income annuity is a payout product. You hand over your TIAA Traditional balance and TIAA converts it to a monthly check for life. That is a fundamentally different transaction, and it is a one-way door. The money is gone, there is no legacy value, and there is no reversing the decision. Before considering this path, benchmark the payout against quotes at [immediateannuities.com](https://www.immediateannuities.com) to understand whether TIAA's rate is competitive.

Knowing which conversation you are in matters.

Account Types and Liquidity

Not all TIAA accounts are equally flexible. The legal structure your employer used when setting up the plan determines what options are available to you.

Account Type	Liquidity
RA (Retirement Annuity)	Generally most restrictive: Transfer Payout Annuity (TPA) only, paid over 10 annual installments
GRA (Group Retirement Annuity)	Slightly more flexible depending on employer plan
SRA (Supplemental Retirement Annuity)	More flexible; sometimes a lump sum is available
GSRA	Generally most flexible

If your TIAA Traditional balance sits in an RA, for example, you likely cannot simply call and request a lump sum transfer. The exit is through the Transfer Payout Annuity, which is distributed over 10 years. Knowing your account type before any planning conversation is essential.

What You Can Do with TIAA Traditional

These options apply specifically to TIAA Traditional balances. Variable investments held at TIAA, such as CREF funds, are generally more portable and are a separate consideration.

Option 1: Do Nothing / Let It Accumulate. Continue earning the guaranteed rate. This may be a valid choice if the money is not needed yet and your vintage rates are strong.

Option 2: Convert to a Lifetime Income Annuity. Your balance becomes a guaranteed monthly payment for life, with or without spousal benefits. The income is reliable and the payout rates can be competitive. This is a permanent, irrevocable transaction. Benchmark it against outside quotes at before deciding.

Option 3: Transfer Payout Annuity (TPA). Move the money out of TIAA Traditional. TIAA distributes it in 10 equal annual installments, which you can then direct elsewhere. This is not a lump sum and it is not fast, but it preserves flexibility over time. Each installment is taxable income, so the interaction with Social Security, RMDs, and your overall bracket needs to be planned in advance.

Option 4: Interest Only / Minimum Distributions. Withdraw only the interest generated or the required minimum distribution, leaving the principal intact. A reasonable holding pattern if your vintage rates are strong and you do not need the principal yet.

What to Consider

- What are your vintage rates, and on how much of the balance?
- What type of TIAA account is this? RA, GRA, SRA, or GSRA?
- Does the lifetime income annuity payout rate compare favorably to outside benchmarks?
- What spousal benefit election applies, and does your spouse understand the implications of each option?
- Have Required Minimum Distributions started? If so, how are they currently being handled?
- Does the annuity include variable subaccounts where you control the investment, or is it a fixed guaranteed percentage?
- If considering a TPA, how do the 10 annual installments interact with Social Security income, RMDs, and your tax bracket each year?

8. Health and Long-Term Care Considerations

Long-term care is one of the most under-planned areas of retirement. Costs are rising significantly, Medicare coverage is limited, and the need is more common than most people expect.

What Medicare Does and Does Not Cover

Medicare covers hospital stays, physician services, and certain skilled nursing care under specific and time-limited conditions. It does not cover custodial care, which is defined as assistance with daily activities such as bathing, dressing, and eating. Custodial care represents the majority of long-term care needs. Medicare will cover a skilled nursing facility stay for up to 100 days following a qualifying hospital stay, but coverage drops after 20 days and ends at 100 days.

- Medicare gaps and deductibles are costs that need to be accounted for in retirement cash flow planning. A Medigap supplement or Medicare Advantage plan covers some of these gaps. Understanding which one you have and what it does and does not cover is important.
- Medicaid does cover long-term custodial care, but only after assets have been substantially spent down to program eligibility thresholds. Medicaid planning is a specialized area of elder law and estate planning.

Medicare Enrollment

Medicare enrollment has specific windows, Missing them can result in permanent late-enrollment penalties that follow you for the remainder of your coverage. Some items to track:

- Initial Enrollment Period (IEP): a 7-month window surrounding your 65th birthday (3 months before, the month of, and 3 months after). Missing this window without qualifying coverage elsewhere triggers late enrollment penalties.
- Part B late enrollment penalty: 10% added to your monthly premium for every 12-month period you were eligible but did not enroll. This is a permanent increase.
- Part D (prescription drug) late enrollment penalty: 1% of the national base beneficiary premium for every month without creditable drug coverage. Also permanent.
- If you are covered by employer health insurance through active employment (not retirement) at age 65, you may delay Medicare enrollment without penalty. Coverage through COBRA or retiree health plans does not count as qualifying coverage for this purpose.
- Special Enrollment Periods (SEPs) are available when you lose qualifying employer coverage. You generally have 8 months to enroll in Part B after that coverage ends.

The rules around Medicare enrollment interact with HSA contributions. Once you enroll in any part of Medicare, you are no longer eligible to contribute to an HSA. If you delay Medicare enrollment to continue contributing to an HSA, be aware of the retroactive enrollment rules that can apply to Part A in some circumstances. A benefits counselor or SHIP (State Health Insurance Assistance Program) can help navigate this process.

Long-Term Care Insurance

- Roughly 70% of adults who reach age 65 will develop a severe long-term care need at some point in their lifetime, according to the U.S. Department of Health and Human Services. Of those, approximately 48% will use paid care services.
- Care settings range from in-home care and community-based services to assisted living and nursing home facilities. Costs vary significantly by setting and geography.
- Nursing home costs have risen significantly in recent years. According to the CareScout 2025 Cost of Care Survey, the national median for a semi-private nursing home room is approximately \$315 per day, or roughly \$115,000 per year. Private rooms run higher, around \$376 per day or \$130,000 per year. Home care and assisted living carry lower but still significant costs, with assisted living averaging around \$6,200 per month nationally.
- LTC policies may be more expensive with preexisting conditions, but may still be worth exploring.
- Hybrid life insurance and LTC policies have become increasingly common as standalone LTC policies have grown expensive. They offer a death benefit if LTC is never needed, which addresses a common objection to traditional LTC insurance.
- Look for a CLTC (Certified in Long-Term Care) professional if you want to talk to someone who specializes in this area.

Useful resources:

- [Genworth Cost of Care Survey \(genworth.com\)](https://www.genworth.com/cost-of-care)
- [Find a CLTC Professional \(ltc-cltc.com\)](https://www.ltc-cltc.com)
- [Find a SHIP Counselor: shiphelp.org](https://www.shiphelp.org)

HSA and Medical Expenses in Retirement

- The HSA is generally considered most tax-efficient vehicle for healthcare costs in retirement. See Section 6 for more details.
- Unreimbursed out-of-pocket medical expenses from prior years can be reimbursed from an HSA at any point in the future with no time limit. Document your receipts!
- After age 65, Medicare premiums (including Part B, Part D, and Medigap supplements) are considered qualified medical expenses and can be reimbursed from an HSA tax-free.

9. Estate, Inheritance, and Insurance Planning

Core Documents

An estate plan should typically include:

- Last Will and Testament
- Durable Power of Attorney
- Medical Power of Attorney
- Advance Medical Directive (Living Will)
- HIPAA Authorization
- Trust Agreement (if applicable)

Important: Many estate planning outcomes are determined by account designations, titling, and beneficiary forms, not by the will. Retirement accounts, investment accounts, insurance policies, and jointly titled assets supersede the will. Review financial account and property titling periodically to ensure alignment with your wishes, particularly after major life events such as marriage, divorce, the birth of a child, or the death of a beneficiary.

Inheritance and Legacy Planning

- Roth accounts are generally excellent to leave to heirs, particularly if they are in a higher tax bracket than you. It is generally appropriate to plan for yourself first.
- Under the SECURE Act (2019), most non-spouse beneficiaries must fully distribute inherited IRAs within 10 years. The IRS finalized regulations in 2024 (effective 2025) confirmed that when the original owner had already begun RMDs, annual distributions are required throughout the 10-year window, not simply at year 10. The four-year penalty waiver period ended in 2024; missed annual RMDs now carry a 25% excise tax. Roth IRAs inherited under the 10-year rule still require full distribution, but those distributions remain tax-free.
- Traditional IRA and 401k inherited assets can trigger a taxable income spike for the beneficiary. Coordinate with heirs when possible to plan distributions thoughtfully.
- Brokerage assets typically receive a step-up in cost basis at death, meaning unrealized capital gains are “forgiven”. Assets inside retirement accounts do not receive this treatment.
- HSA funds lose their special tax treatment at the death of the account holder. A surviving spouse can inherit an HSA and maintain its tax-advantaged status. Non-spouse beneficiaries cannot.
- Trusts allow for control over how and when assets are distributed, including across generations. If you have particular desires for how assets are handled after death, consider whether a trust structure serves those goals. Work with a qualified estate attorney to ensure documents are drafted and executed properly.
- Consider whether inherited property might become community property depending on how the beneficiary holds it. Estate attorneys in relevant states can advise.

Insurance

- Review existing life insurance policies. Are they still needed in the context of your current retirement plan and family situation?
- Long-term care coverage: consider it now, before health changes make it more expensive or unavailable. Underwriting becomes more restrictive with age and changing health status.
- Recognize the significant limitations of Medicare when it comes to long-term care. See Section 8 for specifics.

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10. Social Security Timing and Income Planning

Social Security is one of the most consequential decisions in retirement planning. It is not complex, but it should be made with full consideration of how it interacts with the rest of the plan.

When to Claim: 62, Full Retirement Age, or 70

Claiming Age	What Happens
Age 62 (earliest)	Benefit is permanently reduced by roughly 25 to 30% compared to full retirement age (FRA). Generally warranted only if health or financial circumstances require it.
Full Retirement Age (66 to 67, depending on birth year)	Full benefit as calculated by the Social Security Administration. No reduction, no delayed credit.
Age 70 (maximum)	Benefit increases by approximately 8% per year past FRA. Claiming at 70 permanently maximizes the monthly amount. There is no additional increase past age 70.

Break-even analysis: the crossover point where delayed claiming produces more cumulative income than early claiming typically falls between ages 78 and 82. If you expect to live past that range, and your health and family history support that expectation, delaying is mathematically favorable for the higher earner. If significant health concerns exist or liquidity is constrained, the math may shift.

Spousal Benefits

- A spouse who did not work or had lower lifetime earnings can receive up to 50% of the higher earner's benefit at their own full retirement age.
- The spousal benefit does not increase past full retirement age the way a personal retirement benefit does. There is no advantage to waiting past FRA if claiming on a spouse's record rather than your own.
- If both spouses have meaningful earnings histories, the decision about which benefit each claims on becomes more nuanced. Modeling both scenarios is worth the effort.

Survivor Benefits

The survivor benefit is a strong argument for the higher earner to delay claiming to age 70. When one spouse passes away, the surviving spouse receives the larger of their own benefit or 100% of the deceased spouse's benefit. They do not receive both.

A household receiving a combined benefit may see income drop significantly when the higher earner passes. That reduction is permanent. Building the higher earner's benefit to its maximum is, in effect, a form of longevity insurance for the surviving spouse.

How Social Security Benefits Are Taxed

Either 0%, 50%, or 85% of your Social Security benefit will be included in taxable income, depending on your provisional income. Provisional income is calculated as adjusted gross income, plus non-taxable interest, plus 50% of Social Security benefits.

Provisional Income (Single / Married Filing Jointly)	Portion of SS Benefit Subject to Tax
Below \$25,000 / \$32,000	0% of benefit included in taxable income
\$25,000 to \$34,000 / \$32,000 to \$44,000	Up to 50% of benefit included in taxable income
Above \$34,000 / \$44,000	Up to 85% of benefit included in taxable income

These thresholds are not indexed to inflation and have not been adjusted since 1984. As nominal incomes rise over time, a larger share of retirees find a greater portion of their benefits subject to tax. Factor this into long-term cash flow projections.

Integration with Your Withdrawal Plan

- The gap years between retirement and age 70 are often the best window for Roth conversions. Income is relatively low, and there is time to convert before Social Security, RMDs, and other income sources stack on top of one another.
- Delaying Social Security reduces the need for portfolio withdrawals at the same time RMDs begin, which can produce a meaningful reduction in lifetime taxes.
- Consider the combined income picture at ages 73, when RMDs begin. Social Security income, RMDs from pre-tax accounts, potential annuity income, and investment income may all arrive simultaneously. Model this in advance to avoid surprises around taxes and IRMAA tiers.
- Coordinating the claiming date with your overall income stack is worth a dedicated planning session with an advisor or CPA who specializes in retirement income.

11. Educational Resources and Communities

The following resources have demonstrated sustained quality and intellectual honesty. This is not a comprehensive list, but it is a reliable starting point for independent learning.

Withdrawal Rate Research

- [Wade Pfau: retirementresearcher.com](https://www.retirementresearcher.com)
- [Michael Kitces: kitces.com](https://www.kitces.com)
- [Karsten Jeske \("Big ERN"\), Safe Withdrawal Rate Series: earlyretirementnow.com](https://www.earlyretirementnow.com)

Portfolio Strategy and Plain Language Voices

- [Frank Vasquez: Risk Parity Radio \(riskparityradio.com\)](https://www.riskparityradio.com)
- [Christine Benz: Bucket Strategy \(morningstar.com\)](https://www.morningstar.com)
- [Jonathan Clements: humbledollar.com](https://www.humbledollar.com)
- [Rob Berger: doughroller.net / YouTube](https://www.doughroller.net)
- [Fritz Gilbert: theretirementmanifesto.com](https://www.theretirementmanifesto.com)
- [Darrow Kirkpatrick: caniretireyet.com](https://www.caniretireyet.com)

Communities and Forums

- [Bogleheads: bogleheads.org \(especially the TIAA and Retirement subforums\)](https://www.bogleheads.org)
- [ChooseFI: choosefi.com](https://www.choosefi.com)
- [403bwise: 403bwise.org \(essential for TIAA and 403\(b\) account holders\)](https://www.403bwise.org)

Fee-Only Advisor Search

- [FeeOnlyNetwork.com](https://www.feeonlynetwork.com)
- [Garrett Planning Network](https://www.garrettplanning.com)
- [Advice-Only Network](https://www.adviceonlynetwork.com)

Tools

- [Portfolio Visualizer: backtest allocations, model withdrawals, sequence of returns](https://www.backtestallocations.com)
- [FICalc: safe withdrawal rate calculator with historical simulations](https://www.ficalc.com)
- [Testfol.io: Frank Vasquez's preferred backtesting tool](https://www.testfol.io)
- [immediateannuities.com: benchmark SPIA quotes](https://www.immediateannuities.com)
- [SSA.gov My Social Security: estimate your benefit and model claiming scenarios](https://www.ssa.gov)
- [SHIP \(State Health Insurance Assistance Program\): free Medicare counseling](https://www.ship.org)

Appendix: Key References by Withdrawal Strategy

The following references correspond to each withdrawal strategy described in Section 6 above. Each entry includes the source and a brief annotation to support independent research.

Key References: Bucket Strategy

Harold Evensky and Deena Katz, *The New Wealth Management* (Wiley, 2011)

The book that formalized the modern cash flow reserve and bucket concept. Evensky is widely credited with developing the two-bucket structure used by many practitioners today.

Christine Benz, Morningstar Bucket Portfolio Series (morningstar.com, 2013 to present)

Benz expanded the bucket framework to three segments and has published extensively on model bucket portfolios, asset selection within buckets, and practical refilling strategies. Her series remains one of the most accessible and regularly updated implementations available.

Fritz Gilbert, *The Retirement Manifesto* (theretirementmanifesto.com)

A detailed, practitioner-level walkthrough of building and maintaining a bucket strategy in practice, including model portfolios, refill mechanics, and behavioral guardrails for real-world application.

David Blanchett, "Dynamic Allocation Strategies for Distribution Portfolios" (Journal of Financial Planning, 2011)

Tests bucket strategies against total return alternatives across historical scenarios. Provides useful quantitative context for the behavioral tradeoffs involved and offers a more nuanced view of when segmentation adds value versus when it adds complexity without a return benefit.

Key References: Income Floor

Wade Pfau, *Safety-First Retirement Planning* (Retirement Researcher Media, 2019)

The definitive book-length treatment of the floor-plus-upside framework. Pfau models the income floor approach against probability-based (total return) alternatives across historical data and Monte Carlo simulations, making a rigorous case for why guaranteed income deserves a place in a retirement plan.

Wade Pfau and Michael Kitces, "Retirement Income Strategies: Integrating Floors with an Upside Portfolio" (Journal of Financial Planning, 2014)

Directly models the two-layer approach, examining how floor size, annuity selection, and equity allocation interact with lifetime income outcomes. Available through the Financial Planning Association at onefpa.org.

Moshe Milevsky, *Are You a Stock or a Bond?* (FT Press, 2012)

Provides a rigorous conceptual foundation for thinking about human capital, pension income, and guaranteed annuity as bond-like assets that affect how the rest of the portfolio should be allocated. Particularly useful for thinking about how much equity exposure is appropriate once a floor is in place.

Key References: Total Return

William Bengen, "Determining Withdrawal Rates Using Historical Data" (Journal of Financial Planning, 1994)

Established the original 4% safe withdrawal rule through historical simulation of a stock and bond portfolio over rolling 30-year periods. Foundational reading for any discussion of withdrawal rates. Bengen later revised his estimate upward to approximately 4.5% when smaller-cap equities were included in the portfolio.

Michael Kitces, *kitces.com* (ongoing)

Kitces has published the most extensive body of practitioner-level research on safe withdrawal rates, sequence of returns risk, and dynamic withdrawal strategies available anywhere. His analysis covers the mechanics behind why the 4% rule holds, when it does not, and how guardrail-based approaches improve outcomes. Search "safe withdrawal rate series" on kitces.com.

Vanguard Research, "From Assets to Income: A Goals-Based Approach to Retirement Spending" (2020)

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A practical framework for applying total return principles within a modern portfolio context, including how dynamic spending rules can reduce the risk of portfolio depletion without dramatically cutting lifestyle spending. Available on the Vanguard Institutional site.

Key References: Income-Only

Michael Kitces, "The Problem with Dividend Investing as a Retirement Income Strategy" (kitces.com, 2013)

A detailed examination of why dividend-focused strategies introduce concentration risk, yield-chasing behavior, and total return tradeoffs that are often poorly understood by retirees. Includes comparison against total return alternatives. Essential reading before committing to this approach.

Jeremy Siegel, Stocks for the Long Run (McGraw-Hill, 5th ed., 2014)

Provides the historical data underpinning dividend investing's long-run appeal, including evidence that dividend-paying equities have historically demonstrated resilience and real return consistency. Useful context for understanding why the approach is popular, alongside its known limitations.

Karsten Jeske ("Big ERN"), Safe Withdrawal Rate Series (earlyretirementnow.com, 2016 to present)

The most comprehensive quantitative treatment of withdrawal strategies available outside academic journals. Jeske applies a sequence of returns lens to income-only and total return approaches across historical and simulated data, with specific attention to failure rates by strategy and starting valuation.