Maintaining Your Savings in Retirement

It may be hard to believe you've finally reached retirement – a day you thought would never come! Retirement represents a big change in lifestyle for most Americans. It's a time where people are transitioning from working full time and receiving a regular paycheck to getting to enjoy new opportunities and living off their retirement nest egg.

You may have wondered throughout your working years whether or not you were making the right savings decisions and sticking to the proper strategy. The question now is a bit different – what is the best way to manage your accumulated savings so that they last for the years ahead?

Let's take a look at Carol. She is 71 years old, recently retired and has money saved up across her personal savings accounts, brokerage account, company's 401(k) plan, traditional IRA and Roth IRA. She knows how much she has, how much she typically spends monthly and what her income will likely be for the foreseeable future. Let's see how she's doing and if there are any adjustments she could make.

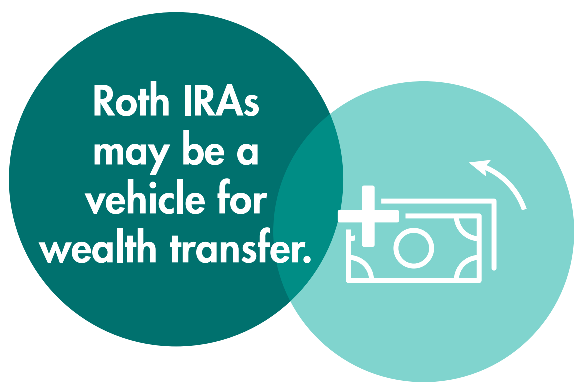
How can you make your money last?

CAROL
71 years old

Managing Your Retirement Accounts

Having several different accounts can be beneficial since it provides the opportunity to remain diversified in your investments. But now that Carol needs to live off that money, the amount that she takes out from each account – and when – matters.

For example, Carol is fast approaching her 72nd birthday. With traditional IRAs, required minimum distributions (RMDs) become mandatory beginning at age 72*, so she will soon have to start withdrawing money from this account or pay a penalty. The money she withdraws from this account will be taxed as income when she takes distributions.



Her Roth IRA, on the other hand, was funded with post-tax dollars, so whatever money she has in this account is generally not taxed when withdrawn. There is also no mandatory RMD age during Carol's lifetime with a Roth IRA, meaning that money in this account may be a vehicle for wealth transfer.

These are often important considerations for Carol. She also needs to be mindful of the money she has in her other accounts, such as her brokerage account. As she withdraws money from this account, she will likely need to pay capital gains tax on any investment returns this money has generated.

Since capital gains are currently taxed at a lower rate than ordinary income, if she uses funds from this account along with her Roth IRA, she may be able to keep her taxable income – and thus her taxes – down significantly.

It's important to always check with your financial and tax advisors before making these decisions, as different strategies will have different tax and earnings implications.

Stretching Those Retirement Dollars

Another consideration for Carol is how long she will need her retirement savings to last. It's obviously impossible to know for sure, but many advisors suggest that retirees plan for at least 10 to 20 years to meet and slightly surpass the average life expectancy (which is currently about 79 years).

Ultimately, it's important for Carol to maintain enough money in her accounts to limit the taxes she has to pay, while also earning enough returns to live comfortably. As Americans' average life span increases along with the cost of living, it is important for Carol to consult a financial professional to determine the strategy that fits her needs.

> *"Whatever stage of life's journey you are in, Millennium Trust is here to offer the resources and tools to help you stay on track with your financial security."*

To learn more about what's right for you and your retirement goals, visit our Financial Calculators at: **https://www.mtrustcompany.com/learning-center/financial-calculators**

* With the SECURE Act signed into law in December 2019, the RMD age increased from 70½ to 72, effective January 1, 2020. If you turned 70 ½ on or before December 31, 2019, you are required to begin or continue taking RMDs since you turned 70½ before the SECURE Act went into effect.

MTC 308
02/20

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