NATIONWIDE RETIREMENT INSTITUTE®

10 tips to help build tax-efficient retirement income plans

As you help clients plan for retirement, considering tax and distribution flexibility may help them avoid higher tax brackets and reduce unintended taxes on income sources like Social Security. Tax efficiency can be complicated, and it may be necessary to work with a tax expert. In the meantime, here are a few helpful tips for potentially generating tax-efficient retirement income.

1 Asset location

Dividing assets between taxable and tax-advantaged accounts could help maximize after-tax returns.

2 Net unrealized appreciation (NUA)

Special rules may allow plan participants to avoid paying ordinary income on gains from employer stock that's held in their qualified plan.

3 Diversification of account types

Using a mixture of tax-deferred, taxable and tax-free accounts could offer more tax flexibility in retirement. One example is splitting qualified plan contributions between Roth and traditional 401(k) accounts.

4 Health savings account (HSA)

Take advantage of tax-free distributions from HSAs to pay for qualified medical expenses.

5 Life insurance

While the primary purpose of life insurance is death benefit protection, it can also create supplemental tax-free income, which may reduce the death benefit amount; withdrawals to basis and loans are tax-free if the policy isn't a modified endowment contract (MEC).

6 Social Security

If your client has the financial flexibility, delaying Social Security benefits until later in retirement may generate a greater lifetime benefit.

7 Medicare

The higher their retirement income, the more your clients may pay for Medicare premiums. Look for income sources that aren't included in their modified adjusted gross income (MAGI), such as life insurance or an HSA.

8 Capital gains

Selling capital assets to generate retirement income may result in less taxes owed versus an investment product with ordinary income taxation. In 2019, married couples filing jointly with a taxable income amount of $78,750 or less will have a capital gains tax rate of 0%.

9 Qualified charitable deduction

For clients who don't have a financial need to take their required minimum distributions (RMD), donating to a favorite charity directly from an IRA account could help reduce income taxes.

10 Roth conversion

Clients could have higher tax liability in the future for reasons like delayed Social Security benefits and large RMDs. In this case, doing a conversion now could lead to a lower tax rate.

For help with leveraging your existing analytical tools to better plan for tax efficiency, call the Nationwide Retirement Institute Planning Team at 1-877-245-0763.

Nationwide® is on your side

• Not a deposit • Not FDIC or NCUSIF insured • Not guaranteed by the institution • Not insured by any federal government agency • May lose value

This material is not a recommendation to buy, sell, hold or rollover any asset, adopt an investment strategy, retain a specific investment manager or use a particular account type. It does not take into account the specific investment objectives, tax and financial condition, or particular needs of any specific person. Investors should work with their financial professional to discuss their specific situation.

The content of this piece is provided for informational purposes only and should not be construed as investment, tax, or legal advice or a solicitation to buy or sell any specific securities product. The information provided is based on current laws, which are subject to change at any time, and has not been endorsed by any government agency.

Federal income tax laws are complex and subject to change. The information in this brochure is based on current interpretations of the law and is not guaranteed. Neither the company nor its agents representatives gives legal or tax advice. You should consult your attorney or tax adviser for answers to your specific tax questions.

Nationwide Investment Services Corporation (NISC), member FINRA, Columbus, OH. The Nationwide Retirement Institute is a division of NISC.

NFM-17383AO.3 (04/19)