

10 tips to help build tax-efficient retirement income plans

Whether saving for retirement or drawing income from a nest egg, it's important to consider strategies that can help minimize what's lost to taxes. 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 optimizing tax-efficient retirement income.

1

Diversify where you save for retirement

Review how much you've saved in tax-deferred accounts compared to tax-free accounts. If your marginal income tax rate today is lower than what it might be in retirement, consider saving more in Roth accounts now to provide tax-free income later.

2

Roth conversion

Retirees could have a higher tax liability in the future for reasons such as delayed Social Security benefits and large required minimum distributions (RMDs). In this case, doing a conversion now could lead to a lower tax rate later.

3

Consider NUA for employer stock holdings

Net unrealized appreciation (NUA) rules allow those holding employer stock inside their 401(k) or an IRA to potentially receive a more favorable tax treatment on the sale of those shares that have grown in value. Consult a tax advisor for details.

4

Social Security

If you have the financial flexibility, delaying Social Security benefits until later in retirement may generate a greater lifetime benefit. It may also reduce the likelihood of those benefits being taxed, especially if you continue working in retirement.

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

Optimize your health savings account (HSA)

If you have a high-deductible health plan, you have access to an HSA. Contributions are tax deductible and withdrawals for qualified medical expenses are tax free. But many overlook the opportunity to invest HSA dollars for the long term. Consider shoeboxing medical expenses incurred now to allow savings to grow.

7

Avoid Medicare surcharges

Medicare premiums may increase as retirement income increases. Those seeking higher levels of income in retirement should consider utilizing income sources that aren't included in modified adjusted gross income (MAGI), such as life insurance, Roth IRAs or a health savings account (HSA).

8

Income from long-term capital gains may be tax-free

Selling capital assets to generate retirement income may result in less tax owed versus an investment product with ordinary income taxation. In 2024, married couples filing jointly with a taxable income amount of \$94,050 or less will have a capital gains tax rate of 0%.

9

Qualified charitable deduction (QCD)

For retirees who don't have a financial need to take their RMDs, donating to a favorite charity directly from an IRA account could help reduce income taxes. In 2024, individuals who are 70½ years old or older may use a QCD to donate up to \$105,000 to qualified charities directly from an IRA.

10

Tax Cuts and Jobs Act

At the end of 2025, several time-limited provisions of the Tax Cuts and Jobs Act of 2017 will sunset, including the higher standard deduction and lower marginal tax brackets in place today. Consider any benefits of making tax-efficient changes prior to this expiration.



Nationwide®

• 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 or sell a financial product or to adopt an investment strategy. Investors should discuss their specific situation with their financial professional.

Investing involves market risk, including possible loss of principal, and there is no guarantee that investment objectives will be achieved.

Diversification, asset allocation and asset rebalancing are not guaranteed to make a profit or protect against loss in a down market.

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. Nationwide and its representatives do not give legal or tax advice. An attorney or tax advisor should be consulted for answers to specific questions.

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

Nationwide, the Nationwide N and Eagle and Nationwide Retirement Institute are service marks of Nationwide Mutual Insurance Company. © 2024 Nationwide NFM-17383AO.8 (06/24)