

# Golden Bullets

Abiel Acosta, CFP®, CBEC®

Acosta Wealth Management

300 E. Esplanade Drive  
Suite 1950  
Oxnard, CA  
93036

**Telephone**  
805-973-5909

**Fax**  
805-973-5918

**Email**  
Abiel.Acosta@LFG.com

**Website**  
[www.AcostaWealth.com](http://www.AcostaWealth.com)

## TAX PLANNING FOR RETIREMENT: THINGS TO CONSIDER

Most people who are **planning for retirement** worry about whether they will have **enough income** to comfortably live on. One factor in the retirement income mix that sometimes gets overlooked is the **effect of federal income taxes**.

The good news about federal income taxes is that for many of those nearing or at retirement age, the rates are lower today than they have been in the recent past. The outlook isn't all rosy though.

1. The current low federal income tax brackets for individuals may be increased in the near future due to sunset rules and a possible change in Washington's political control.
2. Not every person has benefited from the changes made by the Tax Cut and Jobs Act (TCJA).
3. Though high income folks may pay less in direct federal income taxes than they would have paid in 2017, some retirees have potential indirect costs--which are tied to their income--that offset any federal tax savings.

What kinds of hidden costs do retirees need to be worried about?

- **Medicare Premiums.** Most of those who are 65 or older qualify for the federal government's Medicare health insurance program. People who are eligible get Medicare Part A coverage—which is generally provided at no extra cost—and Part B coverage. Part B has a premium associated with it based on the individual's taxable income from the second prior calendar year. High income people's monthly premium for Part B can be more than triple the premium for lower income folks.

- **FICA Taxes.** Those who are entitled to deferred compensation benefits from the plan of a former employer may have to pay unexpected payroll taxes on the full value of the benefit.
- **Income Taxation of Social Security (SS) Benefits.** A person who has significant taxable investment income while collecting Social Security benefits may find that up to 85 percent of SS benefits are taxable.

I help my clients avoid the **direct and indirect effects of federal income taxes** during retirement by employing a number of strategies:

- Consider **qualified charitable distributions (QCDs)** from IRAs to reduce taxable income and meet the client's philanthropic goals.
- Position assets in tax-advantaged investment vehicles so that post-retirement taxable income can be managed.
- Think about whether doing a **Roth conversion**—changing possible future taxable income into tax-free income—might make sense.

Are you worried about the effect of income taxes in retirement? Are you potentially leaving money on the table? Does your current investment portfolio give you choices later on about whether or not to pay taxes? Feel welcome to give me a call so we can consider things.

***AS ALWAYS, PLEASE FEEL FREE TO CALL TO DISCUSS THESE OR OTHER FINANCIAL SECURITY ISSUES OF CONCERN.***

**This information is designed for informational or educational purposes only. It is not intended as investment advice and is not a recommendation for retirement savings. Lincoln Financial Advisors Corp. and its representatives do not provide legal or tax advice. You may want to consult a legal or tax advisor regarding any legal or tax information.**

- > Abiel Acosta, CFP®, CBEC® is a registered representative of Lincoln Financial Advisors Corp.
- > “Securities offered through Lincoln Financial Advisors Corp., a broker/dealer. Member SIPC.
- > “Investment advisory services offered through Lincoln Financial Advisors or Sagemark Consulting, a division of Lincoln Financial Advisors Corp., a registered investment advisor.”
- > Insurance offered through Lincoln affiliates and other fine companies.”
- > Michigan. Securities offered through Lincoln Financial Advisors Corp., a broker/dealer (member SIPC) and an insurance agency.
- > California. Insurance offered through Lincoln Marketing and Insurance Agency, LLC and Lincoln Associates Insurance Agency, Inc. and other fine companies.
- > Utah. LFA Insurance Agency. Insurance offered through Lincoln affiliates and other fine companies.
- > Washington. Insurance offered through Lincoln Financial Advisors Corp. and LFA Limited Liability Company.
- > “The content of this material was provided to you by Lincoln Financial Advisors for its representatives and their clients and is for informational purposes only. Lincoln Financial Advisors Corp. and its representatives do not provide legal or tax advice. You may want to consult a legal or tax advisor regarding any legal or tax information as it relates to your personal circumstances.”
- > CA License # OE60415
- > CRN-2626034-070219