AMERICANA

Financial Group

FIELD GUIDE Nº 4

Retirement Income

Turning a lifetime of saving into a paycheck that lasts.

WARRENVILLE, ILLINOIS · LAS VEGAS, NEVADA

What’s inside

> *Saving for retirement and paying yourself in retirement are two different disciplines. This guide is about the second one — which accounts to draw first, in what order, and what the tax code does about it.*

I

Three buckets

Every dollar you own sits in one of three tax treatments.

Retirement planning gets much clearer once accounts are sorted by **how they are taxed** rather than by who holds them.

- **Taxable** — brokerage and savings. Taxed as it grows; capital gains treatment on sale
- **Tax-deferred** — traditional 401(k) and IRA. No tax now, ordinary income tax later
- **Tax-free** — Roth accounts. Taxed going in, qualified withdrawals come out clean

Holding all three gives you something valuable: a choice about which tax bill to trigger in any given year.

> *Two people with identical balances can face very different retirements depending on which bucket the money sits in.*

II
The employer plan

401(k), 403(b), and the match you should not leave behind.

Workplace plans are the backbone of most retirements. Contributions come straight from payroll, limits are set annually by the IRS, and savers past a certain age may add **catch-up** contributions on top.

If your employer matches, that match is part of your compensation. Contributing less than the match threshold is declining pay.

Check the **vesting schedule** — your own contributions are always yours, but employer money may take years to fully belong to you.

> *Contribution and catch-up limits change most years. Confirm the current figures before you set your deferral rate.*

III

IRAs

Traditional and Roth, and who can use which.

An **IRA** is an account you open yourself. A **traditional** IRA may give a deduction now, with withdrawals taxed later. A **Roth** IRA gives no deduction, but qualified withdrawals come out tax-free — and it carries no lifetime required distributions for the original owner.

Deductibility and Roth eligibility both phase out with income, and the phase-outs move with the tax year.

> *Roth withdrawals are tax-free only when qualified — generally after age 59½ and five years. The five-year clock has its own rules worth understanding before you rely on it.*

IV
Rollovers

Four choices when you leave a job.

An old plan does not have to stay where it is. You generally have four options: leave it, move it to the new employer's plan, roll it to an IRA, or cash out.

Compare them on **investment choice, total cost, creditor protection, loan access, and distribution rules** — not on convenience alone. Cashing out is the one to think hardest about: it can trigger income tax and, before age 59½, an additional penalty.

> *Use a direct trustee-to-trustee transfer. If the plan cuts a check to you instead, mandatory withholding applies and the clock starts on a 60-day deadline.*

V

Sequence risk

Why the order of returns matters more than the average.

While you are saving, a bad year is an opportunity. Once you are withdrawing, it is damage. Selling assets to fund living expenses in a down market locks in losses and permanently shrinks the base that has to recover.

Two retirees can earn the same **average** return over thirty years and end in entirely different places based purely on **when** the bad years arrived.

The usual defense is a cash or short-term reserve covering near-term withdrawals, so you are never forced to sell into weakness.

> *This is the single most under-appreciated risk in the first five years of retirement — the window where it does the most harm.*

VI
The withdrawal order

Which account to spend first.

A common default is taxable first, then tax-deferred, then Roth — letting the sheltered accounts compound longest. It is a reasonable starting point, not a rule.

The better question each year is which bracket you are filling. Low-income years early in retirement — after work stops, before Social Security and required distributions begin — are often the best opportunity to draw from tax-deferred accounts or convert to Roth at a favorable rate.

> *Withdrawal order is an annual decision, not a one-time setting. Income, brackets, and tax law all move.*

VII
Required distributions

The point at which the IRS stops waiting.

Tax-deferred accounts do not defer forever. Beginning at an age set by law, **required minimum distributions** must come out each year and are taxed as ordinary income. The starting age has been changed more than once by recent legislation.

Missing one carries a penalty on the shortfall. Large deferred balances can also push taxable income high enough to affect Medicare premiums and the taxation of Social Security.

> *Because the starting age has shifted with recent law, confirm your own RMD age rather than relying on a number you remember.*

VIII

Social Security's role

The inflation-adjusted floor under everything else.

Social Security is the one piece of most retirement plans that is guaranteed for life and adjusted for inflation. Claiming early permanently reduces the monthly benefit; delaying past full retirement age increases it until 70.

Because it is a lifetime, inflation-indexed benefit, the timing decision is really about longevity, household coordination, and how much other income can bridge the gap.

> *Married couples should decide together. The higher earner's claiming age sets the survivor benefit that may support whoever lives longer.*

IX
The annual review

The habit that keeps the plan honest.

Once a year, check five things: the **withdrawal rate** against the balance, the **allocation** against your remaining time horizon, the **tax bracket** you are filling, the **beneficiaries** on every account, and any **change in law** that moved a limit or an age.

Retirement income is not a document you write once. It is a decision you revisit while the facts are still changeable.

> *Bring last year's tax return to the review. It answers more planning questions faster than any statement.*

Now build the paycheck.

Balances are only half the picture — the order you draw them in decides how long they last. Bring your statements and last year's return and we will map the sequence with you, at no cost.

BOOK A CONSULTATION — AMERICANAFG.COM

Warrenville, IL · 630-389-3014
Las Vegas, NV · 702-867-3177
info@americanafg.com