



Tax and Retirement Planning

By Rick Barnett

Taxes play a starring role in the theater of retirement planning. Everyone is familiar with taxes (you have been paying them your entire life), but not how to make tax planning a part of their retirement strategy.

A comprehensive financial plan **MUST** include a tax plan. Many people who take a do-it-yourself approach to financial planning end up with a singular approach to managing their finances. They may give time and attention to their investment portfolio but miss out on strategic tax planning. Without a big picture approach to the entirety of your finances, including your taxes, you do not have an efficiently managed plan.

By far the most overlooked approach is tax planning vs. tax preparation. Preparing your taxes is recording history. Planning for your taxes over this year (and beyond) is true tax planning.

When you retire, you move from the earning and accumulation phase into the asset distribution phase of your life. Whatever your retirement income sources are, you will begin relying on them that once came as a paycheck. For most people, that means relying on Social Security, a 401(k), an IRA, or a pension. Most of these distributions will be considered income by the IRS and will be taxed as such. There are exceptions to that, but for the most part, your distributions will be subject to income taxes.

Regarding assets that you have in an IRA, 401(k), 403(b) or 457 (Deferred Compensation) plans, when you reach 72 years of age (70.5

prior to 12/31/19), you will be required to draw a certain amount of money from your IRA as income each year. That amount depends on your age and the balance in your account. This withdrawal is called a Required Minimum Distribution (RMD). If you have a large balance, there is a chance your RMD could increase your income significantly and put you into a higher tax bracket, subjecting you to a higher tax rate.

Here's where tax planning can really begin to work strongly in your favor. In the distribution phase of your life, you have a predictable income based on Pensions, RMDs, your Social Security benefit and any other income-generating assets you may have. What really impacts you at this stage is how much of that money you keep in your pocket after taxes. Essentially, **you will make more money saving on taxes than you will by making more money.** If you can reduce your tax burden by 30, 20 or even 10 percent, you earn yourself that much more money by not paying it in taxes.

How do you save money on taxes? By having a plan. Our firm, Barnett Financial & Tax has a team of CPAs to create a **distribution plan** that minimizes your taxes and maximizes your annual net income. Call us Today 800-425-7044. *If you desire, we can start by preparing your taxes now for the 2020 tax year.*

**NOTHING IS
CERTAIN EXCEPT
DEATH AND...**



We are an independent financial services firm helping individuals create retirement strategies using a variety of insurance and investment products to custom suit their needs and objectives.

Investing involves risk, including the potential loss of principal.

Investment advisory services are offered through Wealth For You Financial, LLC, a Registered Investment Adviser in the state of Michigan. Wealth For You Financial, LLC, and Barnett Financial & Tax, Inc. are affiliated companies.

**YEP, IT'S THAT TIME
AGAIN. TAX SEASON
IS NEARLY UPON US.**



ARE YOU READY? Contact Barnett Financial & Tax at 800.425.7044 for help with all your tax planning and preparation needs.

Taxes may be one of life's few certainties, but they shouldn't be certain to cause stress. Don't fret your filings.

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