The Best (and Worst) Ways To Withdraw From Your Retirement Accounts

Read this to help avoid potentially costly consequences

by SmartAsset (Paid Content)

With retirement on the horizon, you may be thinking about your financial future or even choosing where to retire. There are a lot of decisions to make about what to do with your savings and when ideally, you have a financial advisor to guide you. First, there are a few basic steps to take, as well as retirement saving.

Timing is everything

Withdrawing from your retirement accounts too early could have costly consequences. Doing so could lead to you paying taxes on both your savings. This is long-term and potentially about the next 10 to 15 years. Do you need to access that money in the next 5 years? If you absolutely have to access your savings, a IRA or defined retirement withdrawn plan will help smooth out your savings over time.

Retirement Realties

- You have to start withdrawing from a Roth IRA at age 75.
- You can withdraw more than your required minimum distribution each year.

Where to turn first

When you need to draw from your investment income, withdrawal from taxable accounts, even though you will pay capital gains tax on withdrawals. This limit to tax-deferred accounts. The best-case scenario is you don’t have to do this before you turn 72, the age you are required to start taking minimum distributions. Last on the list should be your Roth IRA account, mainly because these withdrawals are tax-free. There are no required minimum distributions with a Roth, as money can continue growing as long as you let it. Any tax-deferred asset should be allowed to grow as long as possible.

Be savvy about Social Security

If you want your maximum Social Security benefits, you’ll need to wait until your “full retirement” age of 70. While you wait to collect Social Security, you’ll get a little less in your annual checks if you wait. Since your earnings situation is accurate, consult with a financial advisor about the best time for you to maximize your Social Security benefits.

While waiting is about your benefit, you’ll need to account for your savings as long as you do. Be mindful about which accounts you draw from, and what the tax consequences might be.

These are big decisions to make, and financial advisors can help. By financial advisors are often called financial planners, financial advisors, and financial advisors. Financial advisors offer financial planning tools that make it easy to find a reliable, suitable advisor for you. This is a free tool you can find and choose the right one for you. The pros offer a new tool to connect with up to three financial advisors.

Get matched with up to three qualified fiduciaries near you.