CIO's "Savings waterfall worksheet" provides a good tool for evaluating the tax-growth potential of your savings on a year-by-year basis, including a summary of the limits for 2024 contributions. (UBS)

Managing taxes on your retirement assets

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To help you prepare for potentially higher income tax rates if Congress does not extend the 2017 Tax Cuts and Jobs Act tax breaks when they expire in 2026, the UBS Chief Investment Office (CIO) reviews key strategies to help you improve the after-tax growth potential of your retirement assets.

The Tax Cuts and Jobs Act (TCJA) is scheduled to sunset at the end of 2025, meaning higher taxes—specially on higher-income Americans—may soon be on the horizon. If the bulk of your wealth is saved in tax-deferred retirement accounts, higher tax rates are likely to have an impact on your after-tax wealth.

Based on our research, there are two parts to managing taxes on your retirement assets:

1. During your working years, prioritize your savings based on after-tax growth potential. Ideally, you will be able to spread your investments across a mix of different account types (taxable, tax-deferred, and tax-exempt), which will give you more options for managing the timing of your taxable income and realized capital gains in retirement.

Our **Savings waterfall worksheet** provides a good tool for evaluating this on a year-by-year basis, including a summary of the limits for 2024 contributions.

2. In retirement, spread taxable income over time. The income tax system is progressive (you pay an incrementally higher tax rate in years when your annual income is higher), so the key to funding your retirement spending on a tax-efficient basis is to implement a dynamic withdrawal strategy that accounts for your tax bracket and tax rate on a year-by-year basis.

The spending waterfall does a good job of helping you to minimize taxes in the current year, but this may defer too much of your taxable income into later years, resulting in larger required minimum distributions

(RMDs) and a higher tax burden in the future.

The spending waterfall also implicitly assumes that you will need to spend your IRA distributions, but in many cases you may want to reinvest them for growth, either for your Longevity strategy (lifetime spending needs) or for your Legacy strategy (for inheritance and philanthropy).

To enhance the value of the spending waterfall, consider the impact that partial Roth conversions could have on the success of your financial plan.

The fair market value of the amount that you convert will count as taxable income, so Roth conversions in low-tax years are a great way to fund tax-exempt assets that will continue growing, won't be subject to lifetime RMDs, and will pass income tax-free to your beneficiaries. For more information, please see **Time to consider a partial Roth conversion**.

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Read the complete **2024 retirement guide** for updates on what's new for the retirement planning landscape, including a Medicare and Social Security.

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