

## Knowledge is Power

### **How Will Higher Taxes Affect Your Retirement Plan?**

With the change in Congressional and Presidential Administrations, one of the primary news headlines has turned to taxation. The new Presidential Administration has promised increased taxation and is now beginning to show exactly how this will be implemented. So, how will higher taxes affect your retirement?

Unfortunately, taxes do not go away in retirement. In fact, the tax code has what is often referred to as the ‘tax torpedo affect’ or the ‘tax domino affect’ that sets in when people retire. These so called ‘affects’ can cause a multiplication of taxes in retirement. What does this mean? Well, let me just share one example of this.

Social Security is not taxed by itself. However, once you turn Social Security on, you have to complete a ‘provisional income calculation sheet’ which calculates how much of your Social Security income is taxable because of your other incomes, such as IRA withdrawals, pension income, rental income, interest income, etc. Thus, if you have income other than Social Security in retirement, then that will probably trigger taxation on your Social Security benefits.

In addition to Social Security benefit taxation, your retirement income could trigger other taxes as well, such as capital gains taxes, extra investment income tax and higher Medicare premiums. Thus, you now understand what ‘tax torpedo’ or ‘tax domino affect’ means.

This is going to become a much bigger issue in the future when tax rates rise and new additional taxes come into effect. So what can you do? Well, you have to educate yourself and learn more about this, then you need to implement protection strategies. Join me this weekend on The Retirement Money Matters Show as we inform you about some of the new and increased taxes that are being proposed. We will also share with you some tax-savings planning strategies you can start implementing to protect yourself and reduce or eliminate taxes in the future. The show airs on Saturday afternoon at 4 on WFRN (93.7 FM), Sunday morning at 8 on WWKI (100.5 FM) and online at [www.theretirementmoneymattersshow.com](http://www.theretirementmoneymattersshow.com). You may also obtain this information by contacting us at Hayes Advisory Group at 765-452-PLAN, 800-939-1603, or [www.hayesadvisorygroup.com](http://www.hayesadvisorygroup.com).