

Tax Planning for Retirement Income



Many people naturally assume they will pay less in taxes after they retire. Unless you plan well, however, that may not be the case. Working with us and an accountant on tax planning may be even more important during retirement than it was when you were working.

Your tax bracket could rise

Although you will no longer get a regular paycheck, the income you receive from other sources such as Social Security, pensions, retirement account distributions and other investments, as well as from part-time work may keep you in your current tax bracket—or even push you into a higher one, in some instances.

Surprised? Don't be. The income threshold for taxing Social Security payments is surprisingly low, at least when it comes to Federal taxes. Individuals who earn \$25,000 (\$32,000 for couples) in “combined income”— that is, adjusted gross plus tax-exempt interest plus half of your Social Security benefits—will be required to pay Federal taxes on up to 85% of social security benefits.¹ A handful of states tax Social Security benefits, too. Check [this map](#) to see about yours.²

What's more, the money you so diligently saved during your career in 401(k)s and Individual Retirement Accounts is all taxed as regular income once you start making withdrawals, unless you previously converted them into Roth Accounts. If not, this is a possible strategy we can discuss.

Bear in mind, too, that you will now be responsible to make estimated tax payments every quarter. No longer will taxes be automatically withheld from your paycheck.

Tips for tax planning

Work with us and an accountant to make sure that you are taking advantage of any tax benefits you are entitled to in retirement. Some concepts worth considering are outlined below.

1. Take a higher standard deduction: If you or your spouse is 65 or older, you can take a higher standard deduction—\$7,600 as opposed to \$6,350 for a single filer; \$13,950 for joint filers.³

2. Write off Medicare premiums: If you become self-employed during retirement and are not eligible for an employer-subsidized retirement medical plan, you may be able to claim premiums paid for Medicare Part B and Part D, plus the cost of supplemental Medicare (Medigap) policies or the cost of a Medicare Advantage plan.⁴

3. Withdraw from retirement accounts strategically: The standard advice on withdrawals from retirement and other investment accounts is to tap taxable accounts first, followed by tax-deferred and then Roth retirement accounts. The reason: withdrawals from investment accounts are typically eligible for the capital gains tax, which tends to be lower than the income tax you must pay on withdrawals from IRAs and 401(k) plans. But there are some exceptions to the rule. Work with us to plan the best strategy for you.⁴

4. Leverage your health savings account (HSA): If you or your spouse has an HSA, you can make tax-free withdrawals to cover premiums for Medicare Parts B and D as well as Medicare Advantage plans. If your Part B premium is deducted from your Social Security benefit each month, you can reimburse yourself. Both spouses need to be 65 to qualify.⁵

Taxes do not go away after you retire, but there are strategies to keep them as low as possible. We can work with your accountant to make sure you keep all that's rightfully yours.

Have a great weekend!

Source: Efficient Advisors

Golf Tip of the Week



Splash in the Sand to Improve Your Bunker Play

Cleanly getting out of a sand trap can be tricky, and many golfers consistently struggle to hit solid shots from a bunker. However, with some slight tweaks, you can improve your bunker shot and move beyond the sand. The key is having the right perspectives and choosing the right club for the job.

Avoid the Standard Approach

Golfers will frequently hit two inches behind the ball and then slam the sand so it explodes. While this technique may be common, that doesn't make it the best option. Doing so can cause you to tense your hands and cause you to bury your club in the sand—making you either blade your ball over the green or leave it in the bunker.

Correct Your Approach

- Disregard the sand for a moment and envision your normal, full swing and stance.
- Choose your club by the length of your bunker shot, which could be anything from a 60-degree wedge to a 9-iron. Two factors will affect this choice: your distance from the pin and how much green you have ahead.
- Focus on trying to “splash” your club into the sand, rather than explode or hit it. Control your hand's sense of feel and maintain constant pressure, and aim to create a splash divot of 6 to 8 inches and roughly ½-inch deep.

Note: Using the same swing technique, you'll want to use less lofted clubs for longer bunker shots, and swing softer for harder sand.

Tip courtesy of Randy Chang | Golf Tips Magazineⁱ

Recipe of the Week



Beefy Corn and Black Bean Chili

Serves 6

Ingredients:

1 lb ground beef
1 16-oz bag of seasoned, frozen black beans and corn
2 tsp no-salt chili powder mix
1 can (14 ounces) beef broth
1 can (14 ounces) tomato sauce with chili seasoning
Sour cream (optional)
Green onions, sliced (optional)

Directions:

1. Add ground beef and chili spices to a large Dutch oven or pot.
2. Cook seasoned beef on medium-high heat until just browned (about 6 minutes). Stir to crumble beef as it cooks.
3. Drain fat from cooked beef.
4. Add beans, corn, tomato sauce, and beef broth to pot, and bring mixture to a boil.
5. Cover pot and reduce heat, simmering for 10 minutes.
6. Remove lid and simmer 5 minutes longer.
7. Serve and garnish with sour cream and green onions.

Recipe adapted from MyRecipesⁱⁱ

Health Tip of the Week



Eat These Foods to Keep Skin Healthy

Skin is the body's largest organ, and the food choices we make can either help or hurt its health. Here are some common foods and minerals you can eat to help keep your skin nourished and hydrated.

Selenium

The mineral selenium may help you protect your skin from free radicals that create wrinkles, dry skin, and tissue damage. Consuming selenium may even assist in preventing skin cancer. Here are some foods with high amounts of selenium:

- Brazil nuts
- Button mushrooms
- Lamb
- Oysters
- Shrimp
- Whole-wheat pasta

Vitamin A

Consuming vitamin A can help you avoid flaky, dry skin. Vitamin A can also help improve wrinkles and brown spots, especially if you use a skin product that includes the vitamin. Here are some foods that provide vitamin A in your diet:

- Cantaloupe
- Carrots
- Eggs
- Leafy greens
- Low-fat dairy foods
- Oranges

Tips courtesy of WebMDⁱⁱⁱ

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Our mailing address is:

Ballentine Capital Advisors
23 Buena Vista Way, Suite B
Greenville, SC 29615

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ⁱ <https://www.golftipsmag.com/instruction/short-game/better-bunker-play-splash>

ⁱⁱ <http://www.myrecipes.com/recipe/beefy-corn-black-bean-chili>

ⁱⁱⁱ <http://www.webmd.com/beauty/ss/slideshow-skin-foods>