

# BUILDING BLOCKS FOR RETIREMENT

## Retirement Planning Essentials

### Retire To a Smaller Tax Bill

If you were choosing a place to retire, what would be most important to you? Climate? Family proximity? Cultural and recreational activities? How about taxes? They could have a big impact on your nest egg. So you might want to factor them in when you're deciding where to spend your retirement.

#### Income Tax — Less Is More

The day of reckoning is at hand when you begin taking taxable distributions from your tax-advantaged retirement accounts. You'll owe federal, and possibly state, income taxes on the taxable amounts you withdraw. Many states allow people to exclude part of their retirement income, but state policies vary. You may be able to reduce the tax bite by retiring in a state with low or no state income tax. However, only a handful of states have no broad-based state income tax. And tax rates vary even among states that do have an income tax.



#### Don't Forget Property Taxes

State income taxes aren't the only tax burden to consider. For homeowners, local real property taxes may be as much or more of an issue. Even renters may be impacted by rising property taxes, since landlords are likely to pass along any increases in the form of higher rent. Whether you're moving or staying put, make sure you factor property taxes into your decision.

#### Other Taxes Count, Too

Sales taxes vary not only from state to state but from county to county and, sometimes, city to city. Over time, sales taxes can add significantly to the cost of living in a particular area. And, if you plan to leave a large estate to your heirs, state estate taxes may be a significant factor to consider.



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