2026 · WHERE SHOULD I WITHDRAW MY NEXT DOLLAR FROM FOR RETIREMENT EXPENSES?

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Do you need this money to pay for an education expense, and do you have access to a 529 account?

- Yes → Consider using your 529 account to pay for qualified education expenses, as withdrawals will generally be tax-free and penalty-free.
- No → Do you need this money to pay for a medical expense, and do you have access to a health savings account (HSA) that is earmarked for current medical expenses?
  - Yes → Consider using your HSA to pay for qualified medical expenses, as withdrawals will generally be tax-free and penalty-free.
  - No → Do you need this money in order to make a gift to charity?
    - Yes → Are you over the age of 70.5, and do you have money in a traditional IRA?
      - No → As an alternative to cash, consider donating appreciated assets (e.g., stocks, ETFs, etc.) in-kind, as doing so will avoid triggering unrealized capital gains.
      - Yes → Consider making a qualified charitable distribution (QCD) from your IRA to the charity, as QCDs are tax-free and penalty-free and can also help satisfy your required minimum distribution (if applicable).
    - No → Which option best describes your tax situation?
      - My taxes are currently lower and are expected to be higher in the future. → In general, consider withdrawing from sources that are taxed as ordinary income (e.g., traditional IRA, annuity, etc.) while in a lower tax bracket, as it may help reduce the cumulative taxes you pay over your lifespan. → If your tax bracket is low enough to qualify, consider sourcing funds by selling assets with long-term capital gains at the 0% tax rate (if it makes sense for your situation).
      - I'm not expecting my taxes to change much between now and the future. → In general, consider withdrawing from sources that have favorable tax rates (e.g., long-term capital gains, etc.) compared to your ordinary tax rates, as it may help you maintain your overall tax rate and potentially prevent triggering your next marginal tax bracket. → If your tax bracket is low enough to qualify, consider sourcing funds by selling assets with long-term capital gains at the 0% tax rate (if it makes sense for your situation).
      - My taxes are currently higher and are expected to be lower in the future. → In general, consider withdrawing from non-taxable sources (e.g., Roth IRA, cost basis, line of credit, etc.) while in a higher tax bracket to help preserve your taxable assets for periods when your tax rate is lower and to avoid unnecessary increases to your AGI or MAGI. → If you plan to withdraw from a retirement account, make sure you are not subject to a 10% early withdrawal penalty (e.g., over age 59.5, down payment on a house, hardship withdrawal, etc.).

Be mindful of triggering additional AGI/MAGI tax consequences (e.g., 3.8% net investment income tax, IRMAA surcharges, additional Social Security taxation, etc.) when withdrawing from taxable sources.

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