

Save Thousands on Taxes With Strategic Withdrawals

Admin User · January 5, 2026

Here's what saves the average retiree tens of thousands in taxes.

By Mark Colgan

Did you know that diversifying your savings across pre-tax and after-tax accounts could save the average retiree tens of thousands in taxes? While pre-tax accounts like 401(k)s and traditional IRAs are often seen as go-to options for retirement, relying solely on them might not be as advantageous as it seems.

Retirement is about more than saving. It's about building flexibility and control over your financial future. Combining pre-tax and after-tax accounts equips you with better options for managing both your income and taxes, empowering you to make smarter financial decisions when they matter most—during retirement.

Why Blending Pre-Tax and After-Tax Accounts Matters

Saving for retirement is more than building a nest egg. It's about creating a financial toolkit that provides long-term choice and control. Combining pre-tax and after-tax accounts offers key advantages:

- **Tax Management:** With a diversified mix of accounts, you can control how much income is taxable each year, optimizing your tax bracket.
- **Flexibility:** Access to different account types allows you to adapt to shifting tax laws, rising health care costs or unexpected expenses without limiting your options.
- **Long-Term Growth:** After-tax accounts, like Roth IRAs, grow tax-free, ensuring you keep more of your hard-earned money when it's time to withdraw.

Breaking Down Pre-Tax and After-Tax Accounts

Understanding the strengths and limitations of each account type is essential to crafting a balanced retirement strategy.

Account Types at a Glance

Key Benefits

- **Pre-Tax Retirement Accounts:** Offer upfront tax relief, ideal for high-income earners seeking immediate savings. Potential tax savings if in a lower tax bracket during retirement.
- **After-Tax Retirement Accounts:** Provide tax-free growth and withdrawals. Flexibility in managing taxable income in retirement. Owner has no required minimum distributions (RMDs).
- **After-Tax Investment Accounts:** No age or penalty restrictions on withdrawals. Allows for strategic tax management by spreading the tax burden over time.

Considerations

- **Pre-Tax Retirement Accounts:** Pre-tax accounts can result in higher taxable income during retirement due to RMDs.
- **After-Tax Retirement Accounts:** Lack upfront tax relief and may have income limits for contributions. Conversions to a Roth IRA have tax implications.
- **After-Tax Investment Accounts:** Don't offer entirely tax-free growth, which may impact long-term returns. Lack of contribution limits allows for greater savings flexibility.

Taking Control Through Strategic Withdrawals

Blending pre-tax and after-tax accounts is a powerful way to take control of your retirement finances. By carefully selecting which accounts to draw from, you can adjust your taxable income, reducing your tax burden while meeting your financial needs.

Unlocking the Power of Tax Diversification

Tax diversification—spreading savings across pre-tax and after-tax accounts—gives retirees more control over how and when to access your funds.

Key Benefits:

- **Lower Tax Payments:** Decide how much taxable income to report annually by strategically withdrawing from both Roth and pre-tax accounts.
 - **Avoid Higher Medicare Premiums:** Medicare premiums are income-based and can rise unexpectedly. Strategic withdrawals can help you stay below certain income thresholds.
 - **Preserve Other Benefits:** Programs like property tax reductions or prescription cost assistance often have income caps. Managing withdrawals helps maintain eligibility.
-

- **Legacy Planning:** Roth IRAs, exempt from RMDs, can grow tax-free and serve as a valuable inheritance for loved ones.

Example: Jane's Strategy

Jane, 65 and retired, demonstrates the power of tax diversification in action. She balances \$2,000,000 in a traditional IRA with \$500,000 in a Roth IRA. To meet her annual expenses, she withdraws \$90,000 from her traditional account and \$22,500 from her Roth account.

This deliberate approach keeps Jane in a lower tax bracket, prevents higher Medicare premiums and allows her to maintain valuable property tax breaks. The result? She protects her savings while maintaining flexibility.

Building Your Strategy

To build a financial plan that empowers you in retirement, follow these actionable steps:

1. **Assess Your Current Savings:** Identify the percentage of your savings held in pre-tax versus after-tax accounts.
2. **Diversify Contributions:** Shift savings to Roth accounts if you expect higher taxes in the future.
3. **Consider Roth Conversions:** Take advantage of lower-income years to convert pre-tax funds to Roth IRAs and enjoy tax-free withdrawals later.
4. **Consult a Professional:** Tax rules and withdrawal strategies can be complex. Work with an expert to design a plan that fits your unique needs.

Each of these steps helps enhance your retirement plan's flexibility and minimizes tax surprises.

Key Takeaways

- A diversified mix of pre-tax and after-tax accounts provides long-term tax efficiency, flexibility, and control over your income.
 - Strategic withdrawals allow you to balance taxable and non-taxable income, minimizing undue tax burdens.
 - Utilizing tax diversification safeguards eligibility for important income-based benefits like local tax relief programs and avoids higher Medicare premiums.
 - Roth accounts offer unique advantages, including tax-free growth and withdrawals without RMDs, making them a valuable part of your legacy plan.
 - Customizing your retirement strategy with professional guidance ensures you're taking full advantage of available tools and opportunities.
-

Wrapping It All Up

A blended savings strategy, combining the benefits of pre-tax and after-tax accounts, is a powerful way to prepare for a secure and confident retirement. Jane's story reminds us how this approach gives retirees more control over their finances, minimizes tax liability and protects long-term savings.

Don't wait for retirement to start planning. Take actionable steps today to give your future self the gift of financial freedom and peace of mind.

About the author: Mark Colgan

At Montage Wealth Management, Mark and his team are dedicated to guiding you through life's transitions with financial advice that's as unique as your story. They take the guesswork out of complex decisions, breaking everything into simple, manageable steps and standing by your side with unwavering support—so you can embrace the future with confidence and enthusiasm.

For further details, please visit [Montage Wealth Management](#).

Securities and advisory services offered through Commonwealth Financial Network®, Member FINRA/SIPC, a Registered Investment Adviser. Fixed Insurance products and services are separate from and not offered through Commonwealth. Montage Wealth Management, 179 Sully's Trail, Suite 302, Pittsford, NY 14534. 585-485-6668. Examples are hypothetical and used for illustrative purposes only. No specific investments were used in these examples. Actual results will vary. Past performance does not guarantee future results.
