# Think Tax Planning is Only for the Rich? Think Again!

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The famed late Judge Learned Hand of the U.S. Court of Appeals for the Second Circuit was quoted as saying "There are two systems of taxation in our country: one for the informed and one for the uninformed." Without a doubt, every single retiree in America understands that the less you pay in taxes, the more of your hard-earned money you get to keep to do the things you like. Yet for some strange reason, the vast majority of folks never spend any part of their retirement planning years formulating a strategy to make sure that will be a reality.

Perhaps you consider tax planning as something only "rich" retirees need to worry about – and although you're working on it, you are not there just yet. Or maybe you think that because your retirement income will be lower than what you're earning today, your tax bill will automatically decrease.

I must admit that, on the surface, that reasoning seems pretty logical. However, in reality these are complete myths when it comes to the way things work under the U.S. Tax Code.

In fact, as tax season shifts into high gear, if you pay close attention, you'll notice that the bulk of seniors who feel clobbered by taxes do not consider themselves to be "rich" – although that's admittedly a very loose term. Take social security benefits, for instance. Your checks begin to be taxable when your total taxable retirement income from all sources (including municipal bonds) plus one-half of your social security benefits exceeds just $25,000 if you're single or $32,000 if you're married. You wouldn't consider these to be thresholds that only the "rich" would be wise to plan around, would you?

It's true that our tax system is progressive in nature, but it's equally true that your tax bill depends on your *taxable income*, not merely your gross or total income. As a result, even with a significant drop in your gross income, you could end up effectively paying more in taxes during retirement, as you generally tend to lose most of your significant deductions: mortgage interest (because your house is usually paid off or nearly so), dependent children (they are likely independent adults by the time you retire), and deductible contributions to retirement accounts (you're drawing income, instead of contributing).

On the other hand, the Tax Code also identifies some sources of retirement income as *non-taxable*. What you must understand about non-taxable income is that its size is irrelevant when it comes to your income tax bill. As a result, if Mary draws $250,000/year in non-taxable income, she'll not owe even a penny of tax. All things being equal, Sarah, who draws just $30,000 in taxable income, will end up paying more in income tax. When it comes to taxes, the term "rich" is directly related to *taxable* or *non-taxable* income.

Now here's some good news: Even if you are already retired, there are things you may be able to do to shift your income from the taxable column into the non-taxable column today – and also protect your income from possible future tax hikes. You can begin by scheduling a complementary, no-obligation appointment to talk with a Laser Financial Group wealth advisor about your options. Please call 877.656.9111 or visit LaserFG.com.

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