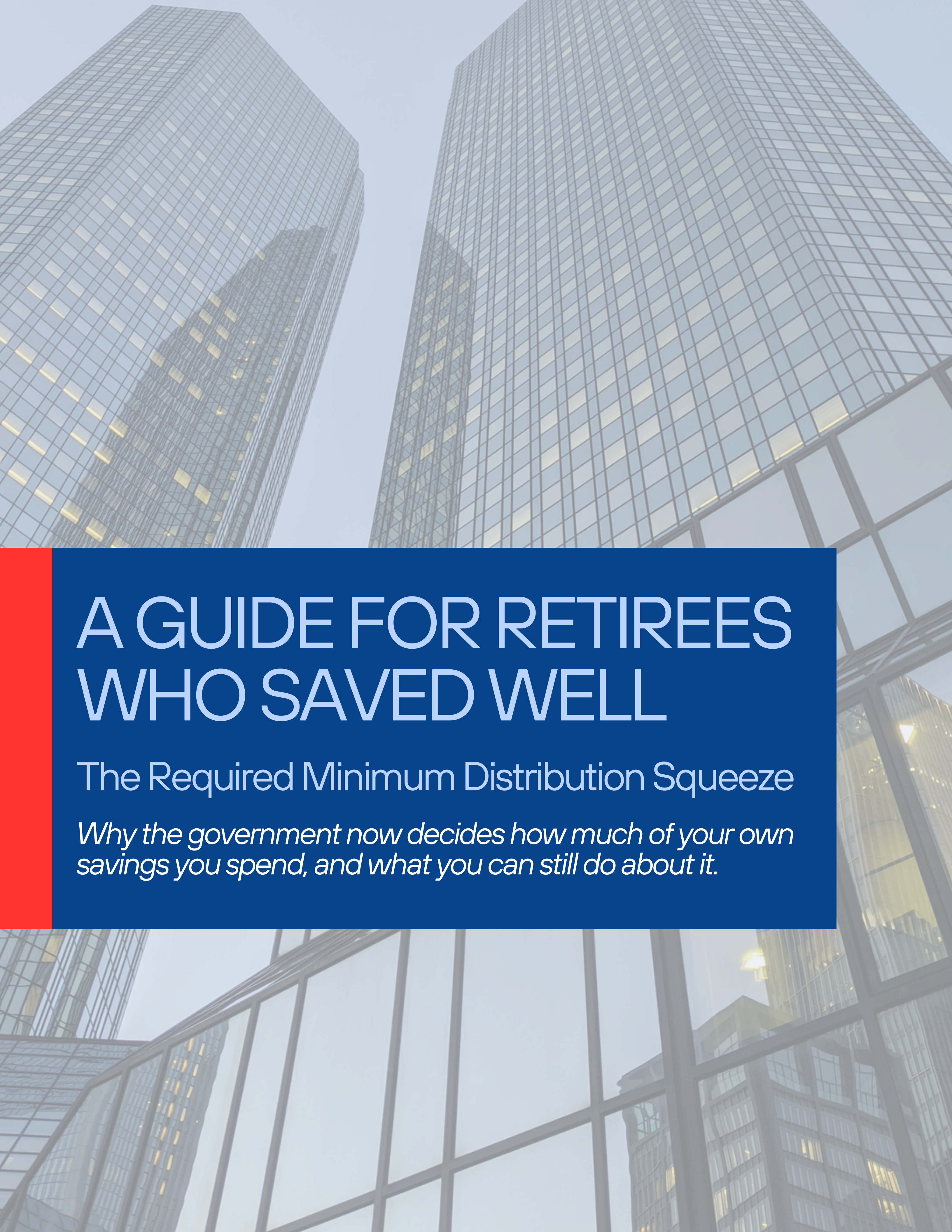

# A GUIDE FOR RETIREES WHO SAVED WELL

## The Required Minimum Distribution Squeeze

*Why the government now decides how much of your own savings you spend, and what you can still do about it.*

# What Really Happens at Age 73

## There is a particular kind of frustration that shows up around age 73.

You saved carefully for 40+ years. You lived below your means during stretches when the people around you did not. Every payday, money went into the 401(k), and every April, someone told you what a smart thing that was. Defer the tax now. Pay it later, at a lower rate, when the paychecks stop.

Later has arrived. The rate is not lower.

And now a letter comes from your custodian each December telling you the minimum you are required to withdraw. Not the maximum. The minimum. The government has an opinion about how fast you should spend your own money, and its opinion is not the same as yours.

Almost nobody who has this problem is a big spender. That is precisely how they got here. 40+ years of careful habits do not switch off on a birthday, and there is something genuinely irritating about being ordered to pull out money you had no intention of touching.

You are not imagining the unfairness of it. You are also not alone in it. Roughly $19.2 trillion sits in American retirement accounts, and the people over 70 hold something like $5.7 trillion of that. Nearly all of it is pre-tax. Most of the people who own it have never had anyone walk them through what happens next.

# The Thing Nobody Mentions About the Number

Most people assume the required withdrawal is a set percentage. 4%, maybe. Something reasonable that stays put.

It does not stay put. The IRS divides your balance by a figure tied to your age, and that figure shrinks with every birthday you celebrate.

| Your Age | You Must Withdraw |
|---|---|
| 73 | 3.77% |
| 80 | 4.95% |
| 85 | 6.25% |
| 90 | 8.20% |
| 95 | 11.24% |

**Look at what that does over time.**

A retiree turns 73 with $2 million saved. The first required withdrawal is about $75,000. Twelve years later, at 85, with the balance holding roughly steady, the required withdrawal is $125,000.

The portfolio did not change. The spending did not change. The taxable income went up by two thirds.

Now consider who that 85-year-old actually is. Somebody with a paid-off house, a car they drive twice a week, and a grocery bill for one or two people. Their real spending has quietly been going down for a decade.

Their forced income has been going up the entire time.

That gap is the whole problem, and it widens every year you live.

# The Dollar That Costs More Than a Dollar

Your accountant will tell you what bracket you are in. Say it is 22%.

That number is close to meaningless for a retiree taking required withdrawals, since the distribution does not just get taxed. It sets off 3 other things on its way through your return, and none of them appear on any statement you receive.

**01**

## It raises your Medicare premium.

Cross an income line of $109,000 as a single person or $218,000 as a couple and Medicare adds a surcharge to your monthly premium. The line is a cliff rather than a ramp, so being one dollar over costs the same as being ten thousand over. And Medicare looks at your income from two years ago, which means the letter arrives long after the year that caused it has closed. There is nothing to appeal. The money is simply gone.

**02**

## It makes your Social Security taxable.

Whether your benefits get taxed depends on a formula that counts your other income plus half of your benefits. A large withdrawal lands in that formula and drags up to 85% of your Social Security into taxation behind it. The thresholds that trigger this were written in 1983 and 1993 and have never once been adjusted for inflation. Every year, quietly, they catch more people.

**03**

## It takes away the deduction Congress just gave you.

Through 2028, anyone 65 and over can claim an extra $6,000 deduction. It starts disappearing once your income passes $75,000 single or $150,000 married, and it is fully gone by $175,000 for a single filer. A withdrawal that carries you through that range is being taxed twice over, once at your rate and once by shrinking your deduction.

None of these 3 is enormous by itself. Stacked on one another, they can push the real cost of your next withdrawn dollar well past the bracket printed on your return.

Nobody hands you that number. It does not exist on any form.

# The Conversation Most Couples Never Have

About half of the married couples reading this guide will live through what follows. Both of you know it is coming, in the distant way people know such things. Very few plan around it, since planning around it means sitting at a kitchen table and talking honestly about which of you goes first.

So let's just lay out what happens, and you can decide what to do with it.

When one spouse dies, Social Security does not keep paying both checks. The survivor keeps the larger one. The smaller one stops permanently.

The retirement accounts, meanwhile, do not shrink. They consolidate into the survivor's name and keep throwing off required withdrawals on exactly the same schedule.

Then, starting the following year, the survivor files as a single taxpayer. The standard deduction is roughly cut in half. The brackets narrow to half their width. The Medicare income line drops from $218,000 to $109,000.

Less money coming in. A harsher rate applied to all of it.

Here is what that looks like for a couple, both 76, with $72,000 in Social Security between them and $95,000 in required withdrawals.

| | Together | Survivor Alone |
|---|---|---|
| **Total Income Received** | $167,000 | $137,000 |
| **Federal Income Tax** | $13,420 | $18,972 |

*Illustrative only, calculated using 2026 federal figures.*

Thirty thousand dollars less arriving. About $5,500 more going out in federal tax. People receive this news in a conference room 8 months after a funeral, and there is nothing anyone can do about it at that point. The window to change the arithmetic is open only while both people are alive and filing together.

# What Your Children Actually Receive

You did not save this money for the IRS. You probably did not entirely save it for yourself either. Somewhere in the back of it was the idea that something would be left.


Something will be. Less than you think.

The rules changed a few years ago. When your children inherit a retirement account, they no longer get to draw it down slowly across their own lifetimes. They have ten years to empty it. If you had already started your own required withdrawals, they have to take money out every year along the way.

Picture what that means in practice. A million and a half dollars gets liquidated across a decade, landing on top of your daughter's salary during the exact years she is earning the most she will ever earn. Money you set aside at your tax rate comes out at hers, and hers is higher.

Roth dollars are the exception. Same ten-year clock, and the tax bill is generally nothing at all.

That single difference is worth more to your children than almost any investment decision you will make between now and then.

## The reason you are holding on so tightly

Everything above suggests you should be drawing down, converting, giving, loosening your grip on the balance. You have not done that, and the reason has nothing to do with being a poor planner.

You are holding a reserve against the thing nobody says out loud. A serious health event. A spouse who needs care for years rather than months.Room and board somewhere that runs more per month than your first mortgage did.

That reserve is not irrational. The trouble is what happens when a reserve has no plan attached to it. An unplanned reserve sits in the single most heavily taxed account you own, throwing off a bigger required withdrawal every year, generating tax on money you are not spending, and eventually landing on your children under a 10-year clock. You end up paying for the insurance function without ever holding a policy.

A planned reserve does the same job differently. Part of it can move to accounts that force nothing. Part of the risk can sit with a contract that pays when care is needed, rather than with a balance large enough to self-fund the worst case. Which of those fits depends on your health, your age, and what a review actually turns up.

One more point here that almost nobody knows. Care costs are frequently deductible as medical expenses, and in a year with heavy care costs that deduction can absorb a large withdrawal or a Roth conversion that would have been punishing in any other year. The most expensive year of your life can be the cheapest year to move money.

Nobody catches that unless somebody is looking at the tax return and the care situation in the same room.

# What Can Still Be Done

**4 things carry most of the weight.** Each one has a deadline, and each one deserves an actual conversation rather than a rule of thumb.

**01**

## Give from the IRA directly.

From age 70 and a half, you can send money straight from your IRA to a charity you already support. In 2026 the limit is $111,000 per person.It counts toward your required withdrawal, and the money never lands in your income at all. That means it works on your tax, your Medicare premium, and your Social Security taxation at the same time. A regular charitable deduction does none of that. One trap: The first dollars out of your IRA each year count toward your required amount, so the gift has to happen before you take the rest. Get the order wrong and the benefit vanishes for the year. This catches people constantly.

**02**

## Convert in the quiet years.

The stretch between your last paycheck and your first required withdrawal is usually the lowest-tax period of your entire life. Money moved into a Roth during those years is taxed once, at today's rate, and then never appears in another required withdrawal, another Medicare calculation, or another Social Security formula for as long as you live. It is also the version your children can inherit without a tax bill.

**03**

## Decide which account you spend from.

Two households with identical savings and identical spending can end up with wildly different lifetime tax bills based only on the order they draw from things. This is not glamorous work. It is one of the highest-value decisions available to you.

**04**

## Set aside a piece of the balance.

Up to $210,000 can be moved into a contract that pushes income out as far as age 85 and removes that money from the required withdrawal calculation in the meantime. The tax is delayed rather than erased, and it will not fit everyone. It exists, and it is worth knowing about.

# Why Nobody Told You Any of This

## Here is how it usually goes.

December, a notice arrives with next year's required amount. January, the money moves. February, a tax form shows up. April, your accountant tells you what it cost. Every window that could have changed the outcome closed on December 31.

Your accountant did nothing wrong. A tax return is a history book. The job is to report accurately what already happened, and a good preparer does that well.

Your advisor did nothing wrong either. The custodian calculated your required amount correctly and moved the money when you asked.

The trouble is that the question that actually matters lives in the space between those two roles. Looking at everything on last year's return, what should the next 12 months look like? Who is going to ask that in October, when it can still be answered?

In most households, nobody. Not out of negligence. It simply is not anybody's assigned job.

# What it Looks Like When Someone is Watching

## The families who handle this gracefully are not smarter than you. They have someone whose actual job is to look ahead.

That used to be called a family office, and it required a few hundred million dollars to staff. A single team handled the tax work, the investments, the legal documents, and the insurance, and every decision was made with the others in the room.

A virtual family office does the same work with a shared team of specialists instead of a payroll, which puts it within reach of families with a few million rather than a few hundred million.

### What changes, in plain terms:

The forward-looking question gets asked in October rather than April. Your tax return gets projected before the year happens instead of reported after it. The person preparing your return and the person managing your accounts work from the same set of assumptions. Your beneficiary forms get read against today's ten-year rule rather than sitting untouched since 2011. And the survivor's tax return gets modeled while both of you are still here to do something about it.

None of that is exotic. All of it depends on one person having the whole picture in front of them, early enough to matter.

# Where to Go From Here

If your required withdrawal is bigger than what you actually want to spend, you do not have a paperwork problem. You have a planning problem, and the calendar is quietly working against you every day between now and December 31.

**The useful next step is small. Bring your last tax return and your account statements, and we will look at 4 things:**

**01**

What your required withdrawals look like over the next 5-10 years, and where they put you against the Medicare lines.

**02**

Whether you have room this year for a conversion, and how much.

**03**

Whether your giving should be running through your IRA, and whether the order is right.

**04**

What the survivor's tax return looks like, and what should be done now, while both of you are here.

That is one conversation. Nothing gets sold in it, and nothing has to change afterward. You may well walk out having learned that your situation is in decent shape, which is a perfectly good outcome and worth knowing.

What you should not do is find out next April what could have been handled in October.