7 Costly Tax Traps to Avoid in Retirement

And how to keep more of what you’ve worked so hard to save

You’ve spent your entire career building wealth for your future. But here’s the truth: retirement doesn’t automatically mean financial freedom. Hidden tax traps can erode your nest egg faster than you think. This quick guide outlines the 7 most common retirement tax traps—and how to avoid them— so you can keep more money in your pocket, not Uncle Sam’s.

1 Relying Too Heavily on Tax-Deferred Accounts

401(k)s, IRAs, and similar accounts may feel like “savings havens.” The reality? They’re just tax-deferred, not tax-free. When you withdraw, you’ll pay ordinary income taxes—potentially at higher future rates.

2 Ignoring Required Minimum Distributions (RMDs)

At age 73 (under current law), the IRS *forces* you to start taking withdrawals. These RMDs can push you into a higher tax bracket, triggering unnecessary tax exposure.

3 Overlooking Social Security Taxation

Up to 85% of your Social Security benefits can be taxed if your income is above certain thresholds. Strategic planning can minimize this hidden tax burden.

4 Forgetting About Rising Tax Rates

National debt, government spending, and changing laws mean taxes may increase in the future. Building a retirement strategy on the assumption taxes will stay the same is a costly mistake.

5 Leaving Inheritance Unprotected

Passing on tax-deferred accounts often leaves heirs with a hefty tax bill. Without planning, more of your legacy goes to the IRS than your loved ones.

6 Mismanaging Capital Gains

Selling investments at the wrong time can trigger unnecessary capital gains taxes. Smart sequencing of withdrawals and sales helps reduce exposure.

7 Failing to Use Tax-Free Income Sources

Too many retirees rely only on taxable and tax-deferred accounts. Without access to tax-free money sources, you may lose flexibility and control. Building retirement income that includes tax-free distributions can help reduce risk and create long-term security.

Avoiding these traps isn't about working harder—it's about working smarter with the money you already have. That's why I host a weekly webinar: "How to Escape the Tax Trap." In just 60 minutes, you'll discover strategies to reposition your savings for greater tax efficiency and long-term security.

■ Reserve Your Seat Now

You've worked too hard to give up your retirement dollars to unnecessary taxes. With the right strategy, you can keep more of your money, live with confidence, and even create a lasting legacy.