



Retirement Income Planning

A Smarter Approach to Turning Your Wealth into Tax-Efficient Income

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The Hidden Risk in a Successful Portfolio

Many investors approach retirement with what looks like a strong balance sheet: substantial 401(k) and IRA balances, appreciated stock portfolios in taxable accounts, and equity positions built over decades of disciplined saving. On paper, everything looks great.

But once you transition from accumulation to distribution, the questions change entirely:

The Central Challenge

Where should your income actually come from?

In what order should you draw from each account?

How do you minimize lifetime taxes while sustaining your lifestyle?

This is where most retirees — and many plans — fall short. Without a coordinated strategy, significant wealth can be eroded by unnecessary taxes, Medicare surcharges, and poor sequencing decisions.

Coordinating the Three Tax Buckets

Effective distribution planning begins with recognizing that your assets sit in three fundamentally different tax environments. Each has distinct rules, advantages, and risks:

Asset Type	Tax Treatment	Planning Consideration
401(k) / IRA	Ordinary income	Can push into higher brackets; Roth conversions in early retirement reduce future RMD exposure
Taxable Accounts	Long-term capital gains (short-term taxed as ordinary income)	Harvest long-term gains in low-income years; pair with tax-loss harvesting to manage embedded liability
Roth / Tax-Free	Tax-free growth & withdrawals	Under-utilized if not built pre-retirement; valuable for managing income in high-tax years

Without a coordinated strategy, retirees commonly pay more in lifetime taxes than necessary, trigger unnecessary Medicare (IRMAA) surcharges, face mounting RMD pressure in their 70’s and 80’s, and leave portfolios exposed to sequence-of-returns risk.

The Most Common Mistake

The Default Approach (and Why It Backfires)

“Let’s spend taxable assets first and defer the 401(k) as long as possible.”

While intuitive, this approach can create significant unintended consequences:

- Larger future RMDs forced into higher tax brackets in your 70’s and 80’s

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- Loss of the low-tax window in early retirement, before Social Security and RMDs stack up
 - Reduced flexibility at the moments it matters most — market downturns, healthcare events, estate decisions
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A Smarter Approach: Income Orchestration

Instead of reacting year-by-year, HCM Wealth designs a multi-decade income plan around four coordinated principles:

1. Tax Bracket Management

- Fill lower tax brackets intentionally rather than deferring everything
- Smooth income across decades to avoid spikes that push you into higher brackets

2. Strategic Use of Taxable Assets

- Harvest long-term gains in low-income years, where the 0% capital gains rate may apply
- Pair gain realization with tax-loss harvesting to manage the embedded liability in your portfolio
- Only long-term gains qualify for preferential rates; short-term gains are taxed as ordinary income

3. Proactive IRA / Roth Strategy

- Consider early IRA withdrawals or Roth conversions in the years before RMDs begin
- Reduce future RMD exposure and maintain control over lifetime tax rates
- Build the tax-free bucket as a flexible resource for high-income years

4. Sequence-of>Returns Protection

- Maintain a cash/short-term reserve (“buffer”) to fund near-term spending
 - Avoid forced equity sales during market downturns when portfolios are most vulnerable
 - Align the timing of larger withdrawals with market environments
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What This Looks Like in Practice

For a typical client entering retirement with \$3–7M in IRAs and 401(k)s alongside \$1–5M in taxable investments with embedded gains, a coordinated strategy can:

 Reduced Lifetime Tax Burden*	 After-Tax Income Sustainability	 Consistent Spending Power	 Improved Estate Outcomes
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**Actual outcomes vary based on individual circumstances, future tax law, life expectancy, state taxes, and estate planning goals.*

How HCM Wealth Helps

Our process integrates analysis across every dimension of your financial picture:

Our Income Orchestration Process

- Multi-year income projections and tax scenario modeling
- Withdrawal sequencing analysis across all account types
- Roth conversion modeling with bracket-filling strategies
- Portfolio-level tax optimization and gain/loss harvesting
- IRMAA and Medicare surcharge planning
- Charitable gifting strategies (DAFs, QCDs, appreciated stock)
- RMD projections and estate-impact analysis

We’re not just managing investments — we’re managing how those investments turn into efficient, sustainable income.

“Retirement income is a strategy, not simply paycheck replacement.”

— HCM Wealth

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