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Nationwide Retirement Institute®

Managing the taxes on your retirement income



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Today’s agenda



Tax basics



The importance of diverse retirement income sources



Next steps



Tax basics

There are two kinds of taxes on income



Ordinary income tax

Wages from employment

Certain retirement accounts

Bank account interest
(savings, money market, CD)

Social Security income, in part



Capital gains tax

Selling investments
(stocks, most kinds of bonds)

Profit from selling real estate*

* This list is not exhaustive. Capital gains are exempt on the sale of a primary residence up to $250,000 (single) or $500,000 (married filing jointly).

2026 ordinary income tax brackets

Standard deduction (65+)	
Single	$18,150
Married filing jointly	$35,500

Temp. Senior deduction (65+)	
Per person, max*	$6,000
***Through 2028, subject to income phase-outs**	

	Single	Married filing jointly
10%	$0 – $12,400	$0 – $24,800
12%	$12,401 – $50,400	$24,801 – $100,800
22%	$50,401 – $105,700	$100,801 – $211,400
24%	$105,701 – $201,775	$211,401 – $403,550
32%	$201,776 – $256,225	$403,551 – $512,450
35%	$256,226 – $640,600	$512,451 – $768,700
37%	$640,601 or more	$768,701 or more

Source: IRS.gov

How taxes owed are calculated

2026 marginal tax rates
For single filers, these are the brackets:

Tax rate	Tax bracket
10%	$0 – $12,400
12%	$12,401 – $50,400
22%	$50,401 – $105,700
24%	$105,701 – $201,775
32%	$201,776 – $256,225
35%	$256,226 – $640,600
37%	$640,601 or more

Effective tax rate
Actual amount of tax paid
Example: Total income of $150,000

	Tax owed
=	$1,240
=	$4,560
=	$12,166
=	$5,916
	$23,882
	÷ $150,000

Effective tax rate = 16%

Standard deduction (65+)	
Single	$18,150

Temp. senior deduction (65+)	
Adjusted amount	$1,500

*Through 2028, subject to income phase-outs ($75,000 for single filers, $150,000 for MFJ). Reduced by $0.06/$1.00 over limit)

Source: IRS.gov

Three categories of retirement income

1. Taxable
2. Tax-deferred
3. Tax-exempt

Taxable sources of retirement income

Type of income	Type of tax paid
Taxable portion of Social Security benefits	Ordinary income
Investment sales or earnings (stocks, most bonds, etc.)	Capital gains or ordinary income
Dividends and interest	Capital gains or ordinary income
Profit from selling real estate*	Capital gains, under certain circumstances

* Capital gains are exempt on the sale of a primary residence up to $250,000 (single) or $500,000 (married filing jointly).

2026 Capital gains tax

Capital gains

are the increase between the original value of an investment and the price when it is sold.

Short-term gains

are earned on investments held **one year or less**. These are taxed at **ordinary** income rates.

Long-term gains

are earned on investments held **more than one year**. These are taxed according to how much you make.

Long-term capital gains tax rate[1]	Individual/married filing separately	Married filing jointly/ surviving spouse	Head of household
0%	$0 – $49,450	$0 – $98,900	$0 – $66,200
15%	$49,451– $545,500	$98,901 – $613,700	$66,201 – $579,600
20%	$545,501 or more	$613,701 or more	$579,601 or more

[1] IRS.gov

Tax-deferred sources of retirement income

Type of income	Type of tax paid
Pension	Ordinary income tax
Retirement savings > 401(k) > Traditional IRAs > 403(b) plan > 457(b) plan	Ordinary income tax
Annuities	Ordinary income tax

Tax-exempt sources of retirement income

Type of income	Type of tax paid
Certain municipal bonds	Capital gains, if any
Retirement savings > Roth 401(k) > Roth 457(b) > Roth IRAs	None
Health reimbursement arrangement (HRA)	None
Health savings account* (HSA)	None on qualified medical expenses
Nontaxable portion of Social Security income	None
Life insurance cash value	None

* HSAs are not taxed at a federal income tax level when used appropriately for qualified medical expenses. Also, most states, but not all, recognize HSA funds as tax free.

Federal tax laws are complex and subject to change. Neither Nationwide nor its representatives give legal or tax advice. Please consult with an attorney or tax advisor for answers to your specific questions.

What determines how much Social Security income is taxed?



Gross income, not including Social Security benefits

\+

Tax-exempt interest income (e.g., interest on municipal bonds)

\+

Excluded foreign income

\+

50% of Social Security benefits

=

Provisional income[1]

[1] 2021 Internal Revenue Service Publication 915 — Worksheet A (2022).

The importance of diverse retirement income sources



Three sources of income in retirement

Taxable

- Investments (stocks, most bonds, CDs)
- Interest-bearing savings accounts
- Taxable portion of Social Security benefits
- Profit from selling a primary home

Tax-deferred

- Pension
- Retirement savings
  - 401(k)
  - 403(b) plan
  - 457(b) plan
  - Traditional IRA
- Certain annuities

Tax-exempt

- Retirement savings
  - Roth 401(k)
  - Roth 457(b)
  - Roth IRA
- Life insurance cash value
- Certain municipal bonds
- Health reimbursement arrangement (HRA)
- Health savings account (HSA)
- Nontaxable Social Security benefits

Diverse retirement income sources may help you pay less tax

This year, two couples decide to take their grandkids to the Grand Canyon.

For each couple, the trip will cost **$10,000.**

But before they go, both couples need to pay contractors for home renovations. To cover this one-time expense, each couple needs another **$10,000.**

So each couple needs **$20,000** on top of their usual retirement income.

Let's assume each couple normally draws $100,000 of retirement income per year, so they'll need a total of **$120,000.**

Paying for a retirement trip and home improvement

Couple 1 decides to take the additional $20,000 out of their tax-deferred 401(k)

After their standard deduction of $35,500 + **temporary senior deduction of $12,000**, **$72,500 will be taxed.**

Taxable rate	Taxable income	Amount taxed	Tax due
10%	$0 – $24,800	$24,800	$2,480
12%	$24,801 – $72,500	$47,700	$5,724
			Total = $8,204

Tax calculations in highest bracket:
$72,500 - $24,800 = $47,700 x 12% = $5,724

Couple 2 has some account diversity, including a savings account and a Roth IRA. They withdraw $10,000 tax free from the Roth and another $10,000 from savings for the renovations.

They withdraw only $100,000 from their tax-deferred account, **of which $52,500 will be taxed.**

Taxable rate	Taxable income	Amount taxed	Tax due
10%	$0 – $24,800	$24,800	$2,480
12%	$24,801 – $52,500	$27,700	**$3,324**
			Total = $5,804

Tax calculations in highest bracket:
$52,500 - $24,800 = $27,700 x 12% = $3,324

Couple 1 owes $8,204 in tax, whereas Couple 2 owes $5,804.

Couple 2 will pay $2,400 less in tax.

These are hypothetical scenarios, and actual results will vary.

Having diverse accounts may allow you to stay in a lower tax bracket



Next steps





Next steps

Find someone to talk to

Reach out to experts:

- Your employer’s retirement plan liaison
- [Financial professional/Retirement specialist]
- Tax advisor

Summary

1. Understand how your current retirement savings and Social Security benefits will be taxed.
2. If you can contribute to either a Roth IRA or Roth 401(k), you're creating a future source of tax-free income in retirement.
3. Work with an expert now to get advice on new investments.
4. Work with an expert again later to strategize withdrawals to minimize taxes.

Summary

1. Understand how your current retirement savings and Social Security benefits will be taxed.
2. If you can contribute to either the Roth 401(k) or Roth 457(b) options within your Savings Plus account, you're creating a future source of tax-free income in retirement.
3. Work with an expert now to get advice on new investments.
4. Work with an expert again later to strategize withdrawals to minimize taxes.

Next steps

Questions to get the conversation started

- What are the tax implications when I start to receive retirement income?
- How will distributions from my retirement plan impact my taxes?
- Will my Social Security benefits be taxed?
- How does employment income post-retirement impact my Social Security payments?
- Should I take a distribution to pay off debt or renovate my home?
- I want to travel or make a large purchase. How will this impact my retirement income?
- Should I do a Roth conversion before required minimum distributions (RMDs) begin?

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Thank you for your time today.