The Hidden Tax Risks in Your Retirement and Estate Plan

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Many investors spend years diligently saving and investing for retirement. Yet one of the biggest threats to long-term wealth isn't market volatility—it's taxes.

Over time, successful savers often accumulate substantial balances in retirement accounts, taxable investment accounts, real estate, and business interests. While these assets can create financial security and opportunity, they can also create tax consequences that are often overlooked until it's too late to meaningfully plan around them.

The good news is that many of these risks can be managed with proactive planning.

Risk #1: The Growing Tax Burden Inside Traditional Retirement Accounts

For many retirees, traditional IRAs and 401(k)s represent their largest asset outside of their home. However, these accounts come with a future tax obligation.

Every dollar withdrawn from a traditional retirement account is generally taxed as ordinary income. As balances grow, future Required Minimum Distributions (RMDs) can become significant, potentially increasing taxable income, Medicare premiums, and taxes on Social Security benefits.

While retirement accounts are valuable planning tools, it's important to remember that a portion of those assets ultimately belongs to the IRS.

Planning Consideration: Evaluate whether strategic Roth conversions during lower-income years could reduce future tax exposure.

Risk #2: Tax Surprises for Heirs

Many parents assume their children will simply inherit retirement accounts and continue benefiting from tax-deferred growth. However, changes enacted under the SECURE Act significantly altered the rules for most non-spouse beneficiaries.

Today, many inherited retirement accounts must be distributed within ten years of the original owner's death. For beneficiaries in their peak earning years, these distributions may create substantial tax consequences.

In some cases, heirs can find themselves inheriting a significant tax bill alongside the assets.

Planning Consideration: Review beneficiary designations and evaluate whether Roth assets, charitable strategies, or trust planning could improve outcomes for future generations.

Risk #3: Medicare Premium Increases

Many retirees are surprised to learn that higher income can increase Medicare premiums. Through a system known as Income-Related Monthly Adjustment Amounts (IRMAA), Medicare Part B and Part D premiums can rise significantly once income exceeds certain thresholds.

Large retirement account withdrawals, Roth conversions, property sales, and concentrated stock transactions can all contribute to higher premiums.

Planning Consideration: Coordinate tax planning decisions with Medicare considerations to avoid unintended costs.

Risk #4: Outdated Estate Plans

Estate planning is not a one-time event.

Many families have wills and trusts that were drafted years ago and have not been reviewed since. Changes in family circumstances, wealth levels, tax laws, and beneficiary preferences can all impact whether an estate plan still accomplishes its intended goals.

Additionally, beneficiary designations on retirement accounts and life insurance policies generally supersede instructions contained in a will.

Planning Consideration: Review estate planning documents and beneficiary designations every few years, or after any significant life event.

Risk #5: Missing Opportunities to Give Tax-Efficiently

Many charitably inclined retirees continue writing checks from checking accounts when there may be more tax-efficient options available.

Qualified Charitable Distributions (QCDs) allow eligible individuals to make charitable gifts directly from an IRA, potentially reducing taxable income while satisfying charitable goals.

For families with concentrated appreciated investments, gifting appreciated securities may also provide meaningful tax benefits.

Planning Consideration: Align charitable giving strategies with broader tax and estate planning objectives.

Bringing the Pieces Together

Tax planning, retirement planning, and estate planning are often viewed as separate disciplines. In reality, they are deeply interconnected.

A decision made today regarding a retirement account distribution may affect future taxes, Medicare costs, charitable opportunities, and the eventual inheritance received by loved ones.

The most successful planning outcomes often come not from a single strategy, but from coordinating multiple strategies over many years.

As we move through 2026, now is an excellent time to review your overall financial picture and identify opportunities to improve tax efficiency, preserve wealth, and strengthen your legacy plan.
The goal is not simply to build wealth—but to keep more of it working for you and the people you care about most.

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