

Making Your Retirement Savings Work for You

By Scott Van Den Berg, CFP® | President, Century Management Financial Advisors

After decades of saving, it can take a little time to feel comfortable spending your retirement money. You've worked hard to build those accounts, often setting aside things you wanted today to help provide for tomorrow. Now that retirement is here, even a trip you've been looking forward to may bring a moment of hesitation: Is it okay to use this money?

A withdrawal plan can help you find the right answer. Start by figuring out what you can comfortably afford to spend, then choose the accounts that best fit your needs and decide when to draw from them.

Your answer can affect how much tax you pay, how long your savings may last, and what you have available for unexpected needs. Having a clear process can also help you enjoy your savings with greater confidence, without second-guessing every purchase.

After 34 years at Century Management, a fee-only advisor, I've found that the best place to start is with a comprehensive financial plan. Before we decide where your income should come from, it's important to understand what you want your money to support and how the different parts of your financial life fit together.

Start with the life you want to fund

Start by estimating what you'll spend, including health coverage, home repairs, and major purchases. Be sure to leave room for the things that matter most to you—whether that's traveling with your spouse or helping a grandchild through college.

Separate the expenses you must cover from those you could adjust if markets decline or costs rise.

Next, identify income from Social Security, a pension, or other sources. Consider when each begins and whether it keeps pace with inflation. Your savings must cover the remaining gap, including taxes on withdrawals.

Decide when to claim Social Security as part of this process. Waiting past full retirement age can increase your monthly retirement benefit until age 70, but you'll need other income to live on in the meantime. Your health, savings, and your spouse's potential survivor benefit all matter.



Understand what each account can provide

Two accounts with the same balance can have different amounts of spendable money because their tax treatment differs.

Traditional IRA and pretax 401(k) withdrawals generally create taxable income. Roth withdrawals are tax-free when the required rules are met. In a regular brokerage account, sales generally create a taxable gain on the profit. Interest and dividends are taxed separately.

For example, suppose you sell an investment of \$20,000 that you originally bought for \$15,000. Assuming there are no adjustments to the purchase cost, the taxable gain is \$5,000. A \$20,000 IRA withdrawal funded entirely with pretax money generally adds the full \$20,000 to your taxable income. You receive the same cash, but the tax consequences differ.

The mix really matters. Spreading your money across different account types can give you more flexibility in covering your spending and managing taxes.

If you're still working, now is a great time to take stock. Knowing where your savings stand gives you more time to consider any changes before your paycheck stops.

Choose withdrawals across several years

Using brokerage assets first and leaving your IRA untouched until you need to withdraw may seem sensible. However, allowing a large pretax IRA to keep growing could lead to larger required withdrawals later, on top of your Social Security and pension income.

The years after you stop working may be a good time to take IRA withdrawals at relatively favorable tax rates. Weigh the tax savings you could enjoy today against what you might pay later.

A Roth conversion is another option. You move money from a traditional IRA into a Roth IRA, generally paying income tax now so future withdrawals can be tax-free once you meet the requirements. The key question is whether the potential future benefit is worth paying the tax today.



Consider a hypothetical couple retiring at 64. They need \$60,000 per year from savings for living expenses, plus funds for taxes. Their brokerage account can cover those needs, and they also have a large pre-tax IRA.

Additionally, if their plan allows, they could convert \$30,000 from this large pre-tax IRA to a Roth in a year when their income is relatively low. They can use brokerage savings to cover living expenses and the conversion tax. This moves \$30,000 from the pre-tax IRA into an account that may provide future tax-free withdrawals, subject to Roth rules. Assuming the investments grow at the same rate, it also lowers the balance used to calculate future required withdrawals compared with leaving the money in the pre-tax IRA.

This doesn't guarantee lower taxes over your lifetime. A conversion creates a tax bill now. Before deciding whether to convert—and how much—your advisor and CPA should compare the projected costs and benefits.

Look beyond the income tax bracket

Extra income can affect more than your tax bracket. It may make more of your Social Security taxable or raise Medicare premiums, which generally reflect income from two years earlier. Before Medicare, it may affect health insurance subsidies.



Required minimum distributions tell you what must be withdrawn from certain retirement accounts. They do not tell you what you can afford to spend. A plan helps determine that amount.

Coordinate the portfolio with the paycheck

Your retirement income can come from dividends, interest, maturing bonds, cash reserves, and planned investment sales. You do not need to chase higher yields to cover your bills.

Cash and high-quality short-term investments can help cover withdrawals during a market decline, reducing the need to sell stocks after prices fall. The right reserve depends on your spending gap and other income sources. The rest of the portfolio should also support long-term growth and inflation. No allocation eliminates investment risk.

Turn the plan into an annual decision

A comprehensive financial plan can help bring these decisions together and give you a clearer picture of how a weaker market, higher expenses, a longer life, or the loss of a spouse might affect your finances. While projections can't guarantee results, they can help you see where adjustments may be helpful.

After you retire, review your plan annually and before taking a major withdrawal. Decide which accounts will fund your spending, consider whether a Roth conversion makes sense, and set aside money for taxes. Regular transfers to checking can also make day-to-day spending easier to manage.

Spending too freely can have consequences, but so can putting off everything you hoped to enjoy in retirement. A trip with your spouse or special time with your grandchildren may mean more at one stage of life than another. Make room for those priorities in your plan, alongside future health care needs and financial security.

To me, retiring with intention means making these choices thoughtfully. With a clear picture of what your savings can support and how to use them wisely, you can decide on the life you want with greater confidence.

If you're nearing retirement or are already retired and would like to explore your income options, let's set up a time to talk. We can connect by phone, online, or in person—at no cost and with no obligation. We'll focus on what matters most to you, answer your questions, and discuss how a comprehensive financial plan could help you decide what to do next. Click below to choose a time that works for you.



Scott S. Van Den Berg

Scott Van Den Berg
President

Century Management Financial Advisors

Schedule a meeting today.

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- [Scott Van Den Berg, CFP®, ChFC®, CEPA®, AIF®, CRPS®, CMFC®, AWMA®, President](#)
- [David Lloyd, CFP®, CTFA, Director of Wealth Planning](#)
- [John Dixon, CFP®, CPFA, EA, Senior Wealth Advisor](#)
- [Mark Okamoto, AIF®, Senior Wealth Advisor](#)
- [Rachel Van Den Berg, Senior Financial Planner](#)
- [Nicole Okamoto, FPQPTM, Client Support Manager, Paraplanner](#)

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