FIRST LIGHT WEALTH

A FIRST LIGHT WEALTH GUIDE

Tax Planning in Retirement

A Guide for Lawyers

The tax decisions that come up most often for attorneys approaching retirement, from your final working years through required distributions.

DAVID HUNTER, CFP®

First Light Wealth · Hershey, PA

INSIDE THIS GUIDE

Contents

INTRO	Why this guide exists
START HERE	The tax planning timeline
01	Tax planning starts after tax season
02	Your retirement tax picture looks different
03	Which account you draw from matters as much as how much
04	Roth conversions
05	Managing capital gains
06	Medicare and IRMAA
07	Social Security and taxes
08	Charitable giving
09	The transition years: taxes around your exit from practice
10	Supporting tools and a yearly rhythm
—	Putting it together

INTRODUCTION

Why this guide exists

For most of your career, tax planning probably meant one thing: put as much as you can into the firm 401(k) and let your CPA handle the rest.

That approach works well while you're earning. Retirement changes the numbers a bit.

Once the paychecks stop, you decide which accounts to draw from, how much income to show each year, and when. Those decisions can shape your tax bill for the next 30 years. They also affect your Medicare premiums, how much of your Social Security gets taxed, and what your kids inherit.

The good news is that the years around your exit from practice often hold some of the best tax planning opportunities of your life. Most of them show up **before age 65**, and they're easy to miss if no one is looking for them.

> *Most of the best opportunities show up before age 65, and they're easy to miss if no one is looking for them.*

This guide pulls together the tax planning topics that come up most often with attorneys approaching retirement.

HOW TO USE IT

Start with the timeline. It shows which decisions tend to come up at each stage, from your final working years through required distributions. Then jump to the chapters that match where you are today.

These are simply general examples to help you think through your own situation. Your numbers may be different, and none of this is advice aimed at your situation necessarily.

START HERE

The tax planning timeline

Most of the big tax moves happen before 65. Each stage points to the chapters that cover it.



The highlighted stretch, between leaving practice and 63, is where many attorneys have the most room to act. Each stage points to the chapters that cover it.

01 CHAPTER ONE

Tax planning starts after tax season

Your tax return records what already happened. Tax planning decides what next year's return will look like.

That difference matters more in retirement than at any other point. While you're working, your income mostly arrives on its own schedule. In retirement, you choose it.

> *While you're working, your income mostly arrives on its own schedule. In retirement, you choose it.*

i. **Use last year's return as a planning tool.**

Your filed return shows which bracket you landed in, how much room was left before the next one, and whether you were close to a Medicare surcharge line. That information would be very beneficial to know in January, not April.

ii. **Watch out for deductions that cost more than they save.**

Spending $10,000 at year-end to save $3,700 in taxes still leaves you $6,300 poorer. A deduction is only a good deal if you needed the purchase anyway.

$10,000	–	$3,700	=	$6,300
spent at year-end		saved in taxes		poorer

iii. **Get your CFP® and CPA talking.**

Your CPA files the return. Your planner looks at the next 10 or 20 years. Costly mistakes often happen in the gap between the two, like a Roth conversion that pushes income over a Medicare threshold nobody was watching.

02

CHAPTER TWO

Your retirement tax picture looks different

Most attorneys need far less income in retirement than their salary suggests.

Payroll taxes stop. Bar dues, CLE, malpractice coverage, and the commute stop. So do the retirement contributions you were making every year. When you add it up, a $500,000 salary might only need to be replaced by something closer to half that.

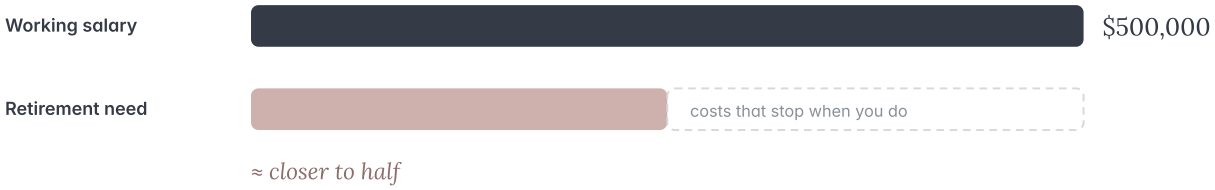


Illustration of the example above. Your numbers may be different.

Lower spending needs usually mean lower brackets. That opens room for planning.

The catch is where your savings live.

If you spent 30 years maxing out tax-deferred accounts, most of your nest egg hasn't been taxed yet. Every dollar you pull from a traditional 401(k) or IRA shows up as ordinary income.

Left alone, those balances keep growing until required minimum distributions (RMDs) start at 73, or 75 if you were born in 1960 or later. At that point the IRS decides how much income you show each year. Large balances can mean large forced withdrawals, often on top of Social Security and any pension.

THE TAX TIME BOMB IN YOUR 401(K)

I call this the tax time bomb in your 401(k). It's a good problem to have. It's still a problem worth planning for while you have years of flexibility in front of you.

CHAPTER THREE

03 Which account you draw from matters as much as how much

Most retirees hold money in three kinds of accounts, and each is taxed differently when you spend it.

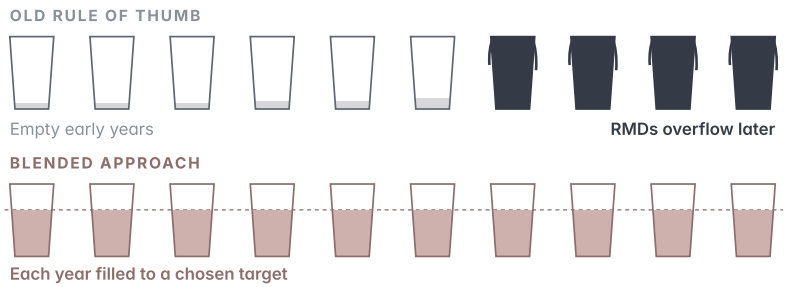
ACCOUNT TYPE	EXAMPLES	HOW WITHDRAWALS ARE TAXED
Tax-deferred	401(k), 403(b), traditional IRA	Ordinary income
Taxable	Brokerage, joint account	Only the gain, often at lower capital gains rates
Tax-free	Roth IRA, Roth 401(k), HSA for medical costs	Generally not taxed

The old rule of thumb says spend taxable first, then tax-deferred, then Roth. It's simple, and it can leave money on the table. Spending only from your brokerage account early in retirement can keep your income so low that you miss out on years of lower tax brackets. Then RMDs arrive and push you into higher ones.

A blended approach often works better.

Each year, you might draw from more than one bucket so that your taxable income lands where you want it. That target might be the top of a bracket, the 0% capital gains line, or just under a Medicare surcharge threshold.

> *Think of it like filling glasses of water. You decide how full each year's glass gets, instead of leaving it empty for a decade and overflowing later.*



Each glass is one year of taxable income.

This is also where your withdrawal plan becomes a paycheck. Once the order is set, the plan can deposit a steady amount to your checking account each month while the tax decisions happen in the background.

CHAPTER FOUR

04 Roth conversions

A Roth conversion moves money from a traditional IRA or 401(k) into a Roth IRA.

You pay income tax on the amount you convert this year. In exchange, that money and its future growth may come out tax-free later, and Roth IRAs have no RMDs during your lifetime.

> *In effect, you choose when to pay the tax instead of letting RMDs choose for you.*

The bracket comparison is only part of the decision

The usual question is "Will my tax rate be higher now or later?" That matters. So do a few things that are easy to miss:

RMDs

that may push you into higher brackets after 73 or 75

The surviving spouse

When one spouse passes, the survivor usually files as single, with narrower brackets on roughly the same income

Your heirs

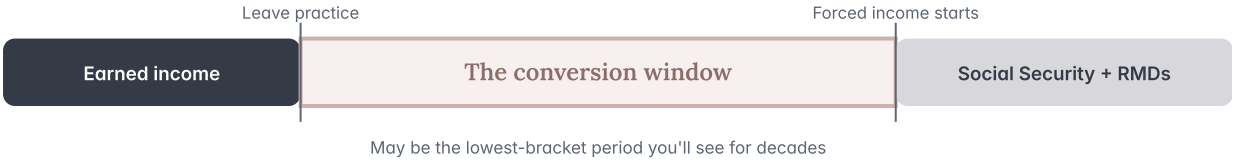
Most non-spouse beneficiaries must empty an inherited traditional IRA within 10 years, often during their own peak earning years. An inherited Roth generally comes out tax-free

Medicare premiums

covered in Chapter 6

The conversion window

For many attorneys, the best years to convert fall between leaving practice and starting Social Security and RMDs. Your earned income has stopped, and the forced income hasn't started yet. That stretch may be the lowest-bracket period you'll see for decades.



The window can collide with real life. Big expense years, like a child's tuition, can land right in the middle of it. If you fund those costs from IRA withdrawals, you use up the same low brackets you hoped to fill with conversions.

A phased exit changes the picture too. Part-time income shrinks the room for conversions in those years. What it gives you in return is control over when the window opens.

Rates are more predictable now

The 2025 tax law made the current individual tax brackets permanent. That removed a looming deadline and lets you spread conversions over more years with less guesswork. Congress can always change the law again, so "permanent" is a relative word.

A NOTE ON TIMING

Conversions may still offer estate planning benefits even when the pure tax math looks like a wash. That's one reason I run these as multi-year projections instead of a single-year comparison.

05

CHAPTER FIVE

Managing capital gains

Your taxable brokerage account gives you some of the most flexible planning tools in retirement. You decide when to sell, and long-term gains are taxed at lower rates than wages or IRA withdrawals.

The 0% capital gains bracket

0%

If your taxable income stays low enough, generally up to the top of the 12% ordinary bracket, long-term capital gains may be taxed at **0%** at the federal level.

Few attorneys qualify while they're working. In the gap years after leaving practice, many more might.

THE TRAP

Capital gains stack on top of your ordinary income. A large IRA withdrawal or Roth conversion in the same year can push gains out of the 0% zone. It can also make more of your Social Security taxable. Coordinating these in the same plan is what keeps one good move from undoing another.

Tax-gain harvesting

In a 0% year, you might sell investments with gains on purpose and buy them right back. You owe little or no federal tax, and you reset your cost basis higher. That shrinks the taxable gain when you sell for real years later.

Tax-loss harvesting

In a down market, you might sell an investment that has lost value and replace it with something similar. The loss can offset gains elsewhere, plus up to $3,000 of ordinary income each year, with any extra carried forward to future years.

This works for bonds too. When rising rates push bond prices down, the paper loss may be worth harvesting even if you plan to keep holding bonds.

> Keep the wash-sale rule in mind. It disallows the loss if you buy the same or a substantially identical investment within 30 days before or after the sale.

Market drops are uncomfortable. They can also be some of the most productive tax planning moments of the year.

CHAPTER SIX

06 Medicare and IRMAA

Medicare premiums rise with income. The extra charge is called IRMAA (Income-Related Monthly Adjustment Amount), and it applies to both Part B and Part D. High-earning attorneys often meet IRMAA in their first year on Medicare, sometimes after they've already stopped working.

The two-year lookback

IRMAA is based on your modified adjusted gross income from **two years earlier**. Your premiums at 65 are set by your income at 63. Your last big earning year, a practice sale, or a large Roth conversion can follow you into retirement.



That makes **63 the age to start** watching.

The thresholds are cliffs

IRMAA works in tiers. Going even one dollar over a threshold can trigger the full surcharge for that tier, for each spouse on Medicare. When you plan Roth conversions or capital gains, it may make sense to stop just short of the next line, or to go well past it if the conversion is worth more than the extra premium.

IF YOUR INCOME DROPPED, ASK FOR A REDO

If you retired and your income fell, Social Security may still bill you based on your old earnings. **Form SSA-44** lets you ask them to use your current income instead after a life-changing event, and work stopping or slowing down counts. It's an easy form to miss.

Other places Medicare and taxes meet

- **HSAs:** you can't contribute once you're enrolled in Medicare. If you enroll after 65, Part A coverage can be backdated up to six months, so stop contributions in time
- **Early retirees:** if you leave practice before 65, ACA marketplace premiums depend on income too, which can affect how much you convert in those years
- **Working past 65:** enrollment deadlines, IRMAA from your salary, and RMDs from old IRAs can catch people off guard

07

CHAPTER SEVEN

Social Security and taxes

85%

UP TO

Up to **85%** of your Social Security benefit can be taxable. How much depends on your "provisional income," which counts your other income plus half of your benefit.

The income thresholds behind that formula were set decades ago and have never been adjusted for inflation. That's why many attorneys with meaningful IRA withdrawals may end up at or near the 85% mark.

THE NEW SENIOR DEDUCTION · 2025 THROUGH 2028

The 2025 tax law added an extra deduction of up to **$6,000 per person** age 65 and older for 2025 through 2028. It phases out as income rises, so higher-income retirees may get only part of it, or none. Keeping income lower in those years can help you hold on to more of it.

Claiming age is a tax decision too

When to claim usually gets framed as "take it at 62 or wait until 70." The better question is how that choice fits the rest of your plan.

Delaying Social Security raises your benefit for life. It also stretches the low-income window from Chapter 4, which can leave more room for Roth conversions. The trade-off is that you spend more from your portfolio while you wait.

> *There's no single right answer. It's a decision worth modeling alongside your withdrawal and conversion plan rather than on its own.*

08

CHAPTER EIGHT

Charitable giving

If you give to charity, the way you give can matter as much as how much.

Most retirees take the standard deduction. For them, a check to charity may produce no tax benefit at all. A few changes in how the gift is made can fix that.

Qualified charitable distributions (QCDs)

Starting at age 70½, you can send money directly from your IRA to a charity, up to an annual limit that adjusts with inflation. The gift never shows up in your taxable income.

That can be even better than a deduction. Lower income can mean less of your Social Security taxed, lower IRMAA exposure, and more room under other thresholds. Once RMDs begin, a QCD can count toward your required amount.

KEEP IN MIND

The money has to go straight from the IRA to the charity. QCDs can't go to a donor-advised fund.

Gifting appreciated stock

Giving shares you've held for more than a year, instead of cash, may let you deduct the full market value if you itemize while avoiding the capital gains tax on the growth. You can then use the cash you would have given to buy the shares back, with a fresh, higher cost basis. A donor-advised fund is a great way to do this. You can give shares to the fund in one step, and it can sell them without capital gains tax and send grants to the charities you choose over time.

Donor-advised funds and bunching

A donor-advised fund (DAF) also lets you make several years of gifts in one year (termed "bunching"), take the deduction then, and recommend grants to charities over time.

Bunching gifts into a single year may push you past the standard deduction when you'd otherwise fall short. It pairs well with a Roth conversion year, since the deduction can offset some of the conversion income.

09

CHAPTER NINE

The transition years: taxes around your exit from practice

The years just before and after you step away from practice are usually your most complicated tax years.

Income is high and lumpy, decisions overlap, and several opportunities exist only during this stretch.

That part is hard to picture for most attorneys, because you've never done it before. A few areas tend to matter most.

The QBI deduction for firm owners

Law firms count as a "specified service" business, so the qualified business income (QBI) deduction phases out at higher incomes. Many attorneys assume they earn too much and stop there.

A chain of planning moves, such as larger retirement plan contributions, may bring taxable income back into the range where some of the deduction returns.

Timing income and expenses

If you control when income lands, small moves add up. Collecting receivables in a lower-income year, timing a bonus, or prepaying deductible expenses in a high-income year can shift income toward the years where it's taxed least.

The temporary SALT window

The 2025 tax law raised the cap on state and local tax deductions through 2029, with a phase-down at higher incomes. For attorneys in high-tax states, managing income to stay under the phase-down may be worth real money in those years.

A phased exit vs. a hard stop

Going part time for a few years creates a very different tax picture than walking away all at once. It can reduce early portfolio withdrawals, buy time to delay Social Security, and give you more control over when your Roth conversion window opens.

START EARLY

The attorneys who handle this well tend to start planning about three years before they want to be done.

CHAPTER TEN

10 Supporting tools and a yearly rhythm

The HSA

A health savings account may be the most tax-friendly account available. Contributions are deductible, growth is tax-free, and withdrawals for qualified medical costs are tax-free too.

If you have one, it can work as a dedicated retirement medical fund. Remember the Medicare timing rules in Chapter 6.

A yearly tax planning rhythm

Tax planning in retirement works best as a habit you repeat each year. A simple rhythm might look like this:

1	**Early in the year**	Review last year's return and project this year's income
2	**Mid-year**	Set Roth conversion and capital gains targets, and check IRMAA thresholds
3	**During market drops**	Look for tax-loss harvesting opportunities
4	**Fall**	Finalize charitable gifts, QCDs, and any gain harvesting
5	**Before December 31**	Complete conversions and confirm RMDs are taken

> *Each year's choices build on the last. Small, repeated decisions tend to add up to a meaningfully lower lifetime tax bill.*

IN CLOSING

Putting it together

Every strategy in this guide connects to the others. A Roth conversion affects your Medicare premiums. Your Social Security timing affects your conversion window. A charitable gift can make room for both.

That's why I build these as one coordinated plan instead of a list of separate tactics.

Most of the decisions that shape your lifetime tax bill happen in the five years on either side of your exit from practice. If you're inside that window, or approaching it, it may be a good time to map it out.

A SECOND SET OF EYES

If you'd like a second set of eyes on your own timeline, you can Start A Conversation here and we will map it out together.

Start A Conversation →

David Hunter, CFP®

First Light Wealth · 405 E. Chocolate Ave., Suite 101A, Hershey, PA 17033

hello@firstlightwealth.com

Serving lawyers locally and virtually nationwide

First Light Wealth, LLC ("FLW") is a registered investment advisor offering advisory services in the State of Pennsylvania and in other jurisdictions where exempted. Registration does not imply a certain level of skill or training.

This communication is for informational purposes only and is not intended as tax, accounting or legal advice, as an offer or solicitation of an offer to buy or sell, or as an endorsement of any company, security, fund, or other securities or non-securities offering. This communication should not be relied upon as the sole factor in an investment making decision.

Past performance is no indication of future results. Investment in securities involves significant risk and has the potential for partial or complete loss of funds invested. It should not be assumed that any recommendations made will be profitable or equal the performance noted in this publication.

The information herein is provided "AS IS" and without warranties of any kind either express or implied. To the fullest extent permissible pursuant to applicable laws, First Light Wealth, LLC (referred to as "FLW") disclaims all warranties, express or implied, including, but not limited to, implied warranties of merchantability, non-infringement, and suitability for a particular purpose.

All opinions and estimates constitute FLW's judgement as of the date of this communication and are subject to change without notice. FLW does not warrant that the information will be free from error. The information should not be relied upon for purposes of transacting securities or other investments. Your use of the information is at your sole risk. Under no circumstances shall FLW be liable for any direct, indirect, special or consequential damages that result from the use of, or the inability to use, the information provided herein, even if FLW or a FLW authorized representative has been advised of the possibility of such damages. Information contained herein should not be considered a solicitation to buy, an offer to sell, or a recommendation of any security in any jurisdiction where such offer, solicitation, or recommendation would be unlawful or unauthorized.