

## Major Categories of Retirement Income

Taxable Accounts	ROTH IRAs	Social Security	Pensions	Annuities
<p>Investments - stocks, bonds, mutual funds, real estate. Retirement savings account distributions. <b>Taxable.</b> Long-term capital gains are taxed at lower rates.</p>	<p><b>Tax free</b> withdrawals if account open for 5 years and age 59.5 or older. Tax is paid on the income deposited.</p>	<p><b>Exempt or partially taxable:</b> At least 15 percent of benefits are always exempt and up to 100 percent may be exempt depending on the taxpayer's "combined income" and filing status.</p> <p>Railroad retirement and disability program is similar to Social Security. Railroad benefits are divided into two tiers. Tier 1 is more like traditional Social Security, whereas Tier 2 is more like a private pension plan. <b>Tax exempt.</b></p>	<p>Private or government <b>Taxable</b> at ordinary income rates with some exceptions. <i>Military retirement</i> is taxable for federal income tax purposes.</p>	<p><b>Partly taxable:</b> The portion of the payment that represents the principal is tax-free, the rest is taxable. Not if the annuity is purchased with pre-tax funds (such as an IRA) then it is taxed as ordinary income.</p>

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