

Nearing retirement? 10 tax-saving considerations for 2026

Review our checklist of tips to act on now.

Key takeaways

As you near retirement, consider tax-planning opportunities today that can help set you up for a more tax-efficient retirement.

- If your tax rate is expected to increase in the near future, consider strategies to take advantage of today's currently lower tax rates.
- If your tax rate is expected to decrease, explore options to defer income.
- Diversifying your savings across tax-deferred, taxable and tax-free accounts can offer more flexibility and tax-efficient retirement income.



Under current tax law, lower income tax rates are a certainty — at least for a few years. Tax policy may change in the future, however, so taxpayers may want to make the most of this advantageous window of time.

Taxes were a key focus in 2025, highlighted by the passage of the One Big Beautiful Bill Act (the “OBBBA”). Previously, the Tax Cuts and Jobs Act of 2017 (the “TCJA”) significantly altered the Internal Revenue Code when it was passed nearly a decade ago. Many of the changes made by the TCJA were set to expire at the end of 2025; however, the OBBBA makes permanent many of the TCJA’s provisions.

The OBBBA also created new temporary tax deductions that may benefit older adults, tipped workers and overtime earners, among others. And while it eliminated the need to plan for a sunset of TCJA provisions, planning in light of the OBBBA’s provisions is as crucial as ever.

By making some TCJA provisions permanent, we have certainty about how the next few years look. Of course, in tax law, the term “permanent” often means the law lasts until the next administration changes it. By understanding the current law and assessing your current and potential future tax status, you can help protect yourself from the impact of future tax changes.



Get ready for the marathon, not the sprint

Income tax planning should account for long-term forecasts. Many of the tax breaks under the OBBBA are set to expire in 2029 or before. While the low rates and increased standard deduction have no expiration date, a new administration could increase rates, reduce the standard deduction or enact new laws to increase tax revenues. While deferring income taxes often makes sense, especially if you expect to be in a lower income tax bracket in retirement, accelerating income may actually help lower your lifetime tax bill if you anticipate a higher income tax bracket in the future. It may make sense to take more taxable income now to get to the top of a low bracket to help reduce future taxable income. You should work with a tax advisor on projecting your future tax position.

Understand how the 2025 tax rate changes under the OBBBA affect you — for the short and long term

There is a wealth of information available on all the provisions of the new tax law, but many new deductions concern a small percentage of taxpayers. Perhaps the most sweeping provision affecting the most taxpayers is the permanent lower income tax rates. Many taxpayers also benefit from the increased standard deduction; however, the personal exemption and most itemized deductions remain eliminated. The cap on state and local income tax (“SALT”) deduction previously imposed by the TCJA temporarily increases under the OBBBA from \$10,000 to \$40,000, which presents a short-term planning opportunity for taxpayers in high-tax states. Your financial professional can help you understand the major OBBBA changes and how they affect you.

Plan today for a successful retirement

The transition into retirement can bring apprehension, and uncertainty about tax and economic changes in the future may play an influential role. However, those nearing retirement can take solace in knowing that they have a partner in tax-efficient retirement income planning. With the help of a financial professional, the following tax considerations can help produce lasting tax savings and better protect you in the long term.

Tax tip checklist

1. Understand the maze of limits and expirations on the new deductions.

The OBBBA created several new deductions that apply to some taxpayers. All of them are subject to limits on adjusted gross income (“AGI”), and all expire December 31, 2028. It is key to understand whether these deductions apply to you and whether your income allows you to take advantage of them. It could be advantageous to manage your AGI to qualify for applicable deductions.

Senior deduction: Older adults who are 65 or over may take a new deduction, regardless of whether they itemize. Individuals with modified AGI up to \$75,000 and joint filers with modified AGI up to \$150,000 may take an additional \$6,000 deduction from 2025 to 2028.

Tip income deduction: Between 2025 and 2028, individuals who work in industries where tips are customary may deduct up to \$25,000 in qualified tip income, regardless of whether they itemize, with a phaseout starting at an AGI of \$300,000 for joint filers.

Temporary deduction for overtime compensation: Between 2025 and 2028, qualified overtime pay up to \$25,000 may be deducted from taxable income for joint filers who have up to \$300,000 in AGI.

Temporary deduction for auto loan interest: Between 2025 and 2028, up to \$10,000 in interest for loans on new cars with final assembly in the United States is deductible for joint filers earning up to \$200,000.

2. Consider a Roth conversion.

If you have a traditional IRA or old workplace qualified plan, a Roth conversion could make sense. It could be beneficial to convert some or all of your traditional IRA or old 401(k) to a Roth IRA if you expect to be in a lower income tax bracket now than in retirement. Keep in mind that this transaction will result in taxable income this year, but future income from the Roth IRA will be tax free, assuming certain distribution rules are followed. If you have a greater portion of your investments in tax-free accounts, such as a Roth IRA, you will have more flexibility in retirement to control your overall tax bill by managing your withdrawals between taxable and tax-free accounts. Below are some of the tax factors that may be relevant. Be sure to consult your tax advisor regarding your specific situation.

Traditional or Roth: Weighing the options

You may prefer a traditional IRA if:

- You are in a high tax bracket and could use the tax deferral on current income
- You anticipate being in a lower tax bracket in retirement
- You (or your spouse) do not contribute to an employer-sponsored retirement plan

You may prefer a Roth IRA if:

- You seek greater tax efficiency in retirement
- You anticipate being in a higher tax bracket in retirement
- You wish to avoid paying higher Medicare premiums or added taxes on Social Security retirement benefits, both corresponding to high-income beneficiaries
- You are still many years away from retirement

3. Re-examine your charitable giving.

Starting in 2026, the OBBBA revived a previously expired tax provision allowing nonitemizers to take a deduction for cash gifts to public charities and increased the maximum amount to \$1,000 for single filers and \$2,000 for joint filers. The rules for itemizing charitable deductions have also changed, creating a new floor of .5% of the taxpayer's AGI, which means itemizers will be unable to take some of their charitable deduction each year and small donations may not be deductible. Charitable deductions remain subject to maximum limits; for example, cash donations to public charities that exceed 60% of the taxpayer's AGI must be carried forward. Itemizers should work with their tax advisors to minimize lost deductions.



If you are 70.5 or older and would like to donate to charity, up to \$108,000 can be distributed from your IRA to charity and it will not be included in your taxable income. Such a qualified charitable distribution (QCD) will count toward your required minimum distribution (RMD) if you are age 73 or over. The QCD must be made directly from your IRA to a qualified public charity to be excluded from your income. QCDs to private foundations and donor-advised funds are not permitted.

As of 2025, you can also make a one-time QCD to a charitable remainder trust of up to \$54,000.

4. Bundle your deductions.

Because the 2026 standard deductions are relatively high (\$16,100 for single filers and \$32,200 for married couples filing jointly), it isn't worthwhile for many taxpayers to itemize deductions this year. One strategy is to accumulate deductions that you would normally take and use them all in a single year when they exceed the standard deduction. For example, to the extent possible, you may take the standard deduction in 2026 and save your charitable contributions, property tax payments and medical expenditures for 2027 so that your itemized deductions exceed the standard deduction that year.

5. Talk to your tax advisor about trusts to maximize limited deductions.

If you may lose substantial deductions due to income limitations, you may be able to create a trust that can take advantage of lost deductions, particularly the deductions for SALT, charitable contributions and certain pass-through business income. Your financial professional can help you determine whether trust planning is right for you.

□ 6. Diversify retirement savings to enhance future tax-saving opportunities.

Adjusting how you save today can give you more flexibility in the future. Investors balance their portfolio to achieve investment diversification, but tax diversification may be overlooked. Work with your financial professional to review the diversity of your savings now to achieve greater tax efficiency over your lifetime.

Taxable

Taxable accounts are taxed on distributed dividends or interest, which is why you might get a 1099-INT tax form for the interest earned on a savings account. That interest is taxable in the year it is accrued. The other way an account is considered taxable is when a capital gain is realized, such as when you sell a stock at a profit. That gain is also taxable in the year it is realized.

- **Investments (stocks, most bonds, CDs)**
- **Cash accounts (savings and money market)**
- **Taxable portion of Social Security benefits**
- **Profit from selling a primary home**

Tax-deferred

Tax-deferred accounts are funded with pretax deductions from your paycheck. These accounts accumulate over time, often also growing through investment. The money is used for income later in life, usually after wages have stopped. Taxation is deferred until you withdraw.

- **Pension**
- **Retirement savings**
 - 401(k)
 - 403(b)
 - 457(b)
- **Traditional IRAs**
- **Some nonqualified annuities**
- **Trump accounts for children under age 18**

Tax-exempt

Tax-exempt accounts are often funded with income that has already been taxed, so it will not be taxed when you withdraw it. (An exception is a health savings account, or HSA, which is funded with pretax dollars.)

- **Retirement savings**
 - Roth 401(k)
 - Roth 457(b)
 - Roth IRA
- **Cash value life insurance**
- **Certain municipal bonds**
- **Health reimbursement arrangement (HRA)**
- **Health savings account (HSA)**
- **Nontaxable Social Security benefits**
- **529 accounts**



Do you have assets in all 3 of these tax-related buckets?

Having tax-diverse savings can give you added flexibility to minimize your annual tax bill in retirement.

□ 7. To help minimize taxes, diversify where you withdraw income.

By building a tax-efficient income strategy, your financial professional can help provide guidance on minimizing taxes owed. You'll discuss pulling from a mix of tax-deferred, taxable and tax-free income sources to maximize your standard deduction and take advantage of the lower income tax brackets. You'll consider impacts to your Social Security retirement benefits that can be taxable and the new senior deduction that can be lost if you have high levels of income in retirement. Medicare premiums are also increased when your adjusted gross income is above certain thresholds.

□ 8. Evaluate saving for children.

Many families use 529 plans to save for college expenses, and the OBBBA has expanded qualified education expenses to include elementary, secondary and trade school expenses as well as fees for certifications.

The asset value in 529 plans grows on a tax-deferred basis and will be tax free if distributed for qualified educational expenses. The OBBBA also created "Trump accounts," which are new tax-deferred accounts for qualifying children under 18 years old. The family may make contributions up to \$5,000 and employers may contribute up to \$2,500 of that \$5,000. The federal government will seed accounts with \$1,000 for babies born between 2025 and 2028. Once the child turns 18, the account becomes a traditional IRA. While contributions are not tax deductible for federal income taxes, using 529 or Trump accounts may help provide a solid foundation for your children or grandchildren.

□ 9. Be mindful of the Alternative Minimum Tax.

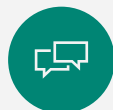
The Alternative Minimum Tax (AMT) is a separate tax calculation applying for high-income taxpayers. Once the TCJA was passed, the number of taxpayers subject to AMT was drastically reduced from about 5 million to 200,000. While the OBBBA retains a high exemption and high-income threshold at which the exemption begins to phase out, married couples with more than \$1 million in income may be subject to more AMT because the amount of exemption they can take decreases more rapidly under the OBBBA. Income from incentive stock options, net operating losses, and certain accelerated depreciations are common tax preferences that are added back to the tax base for AMT purposes.

□ 10. Make sure you take required minimum distributions.

Your first required minimum distribution (RMD) from your IRA or qualified plan must be taken by April of the year following your 73rd birthday. If you are age 73 or over, still working and do not own 5% or more of the business, you might not be required to take RMDs from your employer-sponsored plan. However, you must still take RMDs from IRAs and plan accounts from previous employers, regardless of whether you are still working. You do not have to take lifetime RMDs for designated Roth accounts in employer-sponsored retirement plans, thanks to SECURE Act 2.0 legislation. Remember that RMDs may affect Medicare costs and other taxes.



If you were born in 1960 or later, your RMD age will be 75.



Your financial professional can help

It's important to stay proactive and adaptable in your tax planning. Changes in tax laws can significantly impact your financial strategy, so planning ahead with your tax advisor or financial professional can help you navigate these shifts and optimize your tax outcomes.



This material is not a recommendation to buy or sell a financial product or to adopt an investment strategy. Investors should discuss their specific situation with their financial professional.

Federal income tax laws are complex and subject to change. The information in this memorandum is based on current interpretations of the law and is not guaranteed.

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