

Taxes on distributions from tax-deferred retirement plans

After retirement, you begin taking distributions from your tax-deferred investment plans. With the exception of Tax-deferred Annuities and some IRAs, most tax-deferred plans defer taxes on both the original savings you contribute and the gains you make. Because of this, the Life Events Planners treat all distributions from tax-deferred plans as 100 percent taxable.

The income is taxed at the average after-retirement tax rate you specified in the Average Tax Rate window. For example, if you make a \$10,000 withdrawal from your tax-deferred savings plan and your post-retirement average tax rate is 10 percent, your taxes on the withdrawal are \$1,000 (10 percent x \$10,000).