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Three considerations if you're retiring this year

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Beginning the year with a clear retirement roadmap can help families take advantage of updated rules and opportunities and stay on track for financial security.

1. Right-size the Liquidity strategy. A Liquidity strategy may help individuals maintain their lifestyle during periods of market volatility by funding spending needs from resources that prioritize capital preservation. This approach may reduce the likelihood of locking in otherwise-temporary losses in the core part of a portfolio.

As retirement approaches, it may be prudent to set aside funds needed for the next 3-5 years in a Liquidity strategy, using cash, bonds, and borrowing capacity. Historically, this time frame has often allowed long-term portfolios to fully recover from market downturns, though outcomes may vary.

The Liquidity strategy should reflect anticipated withdrawals. Families may want to review spending habits, consider potential changes, and account for any large one-time expenses. Discussions with family and a financial advisor may help ensure alignment with overall goals.

For more information, please see the CIO Global Investment Management team's report, [Liquidity strategy: Refilling for 2026 and beyond](#) (published 16 December 2025).

2. Spread taxable income over time. Since the income tax system is progressive, families may benefit from implementing a dynamic withdrawal strategy that considers tax brackets and rates on a year-by-year basis.

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While this approach may help minimize taxes in the current year, deferring too much taxable income could result in larger required minimum distributions (RMDs) later, potentially increasing future tax liability. A financial advisor may assist families in evaluating strategies that balance their current and future exposure.

The spending waterfall also implicitly assumes that IRA distributions will be spent, but in many cases, families may choose to reinvest these funds for growth—either to support their Longevity strategy (lifetime spending needs) or their Legacy strategy (inheritance and philanthropy).

To enhance the effectiveness of the spending waterfall, families may want to consider the potential impact of partial Roth conversions on the success of their financial plan.

The fair market value of any amount converted counts as taxable income, so completing Roth conversions during lower income years may provide an opportunity to fund tax-exempt assets that can continue growing, avoid lifetime RMDs, and pass income tax-free to beneficiaries. For more details, see the CIO Global Investment Management team's report, [Should 401\(k\) millionaires consider a Roth conversion?](#) (published 10 December 2025).

3. Review health care and potential long-term care costs. A common misconception about Medicare is that it is free. In reality, households generally pay monthly premiums and remain responsible for co-pays, coverage gaps, long-term care (LTC) costs, and other out-of-pocket expenses.

The good news is that premiums make up the bulk of most retirees' health expenses and are relatively predictable, making them easier to plan for. However, out-of-pocket expenses—which make up about 30% of health care spending in retirement—may vary significantly from year to year, particularly in later retirement when health-related issues tend to increase.

Families may want to work with a financial advisor to ensure their retirement plan accounts for the full range of health care costs, as outlined in the Appendix section of this report.

In addition to health care expenses, planning for potential long-term care needs is important. Since Medicare generally does not cover most LTC costs, health care and long-term care need to be addressed separately in the planning process.

For more information, see the CIO Global Investment Management team's report, [Long-term care costs and solutions](#) (published 29 October 2025).

For much more on retirement planning, see the full [2026 Retirement guide](#).

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