Worried About Outliving Your Savings?

5 Retirement Withdrawal Steps to Make Your Money Last Longer

As you approach retirement, one of the most critical decisions you'll face is how to strategically withdraw from your hard-earned savings. It's not just about having enough money — it's about making these savings last throughout your golden years.

The order in which you tap into your various retirement accounts can significantly impact your tax burden and the longevity of your nest egg funds. There's no one-size-fits-all withdrawal order, but a general rule of thumb is to start with your required minimum distributions (RMDs) if you're 73 or older — simply because they're mandatory.

Next, withdraw from your taxable accounts at your brokerage or investment platform, which gives your tax-advantaged accounts more time to grow. After that, begin taking your Social Security benefits if you already maximized their growth or tap into your tax-deferred retirement accounts like traditional 401(k)s or IRAs. This leaves your Roth accounts last, letting them continue growing tax-free.

Read on to learn why this withdrawal strategy makes sense for many retirees and factors that can affect the order you follow.

In what order should you tap your retirement funds?

A simple yet wise strategy is to approach your retirement funds in an order that maximizes your money:

1. Take the required minimum distributions (RMDs)

Once you reach age 73, you're required by the Internal Revenue Service (IRS) to withdraw a specific dollar amount from most retirement accounts each year, including traditional 401(k)s and traditional IRAs. These are your required minimum distributions — or RMDs.

Planning to tap into your retirement accounts that require RMDs helps you dodge some hefty penalties. Fines range from 10% to 25% of the required distribution you didn't take in time, which could really put a dent in your retirement funds. So, even if you don't need the money, it's smart to take out your RMDs to help your retirement savings last longer.

Keep in mind that the SECURE 2.0 Act, passed in 2022, brought several changes to RMDs. While the current RMD age is 73, it increases to 75 in 2033. This gives retirees more time for tax-deferred growth before mandatory withdrawals kick in.

2. Withdraw from your taxable accounts

If you've already taken care of your RMDs or you're not yet 73, your next stop should be your taxable accounts. These are your accounts at brokerages or investment platforms you've used to invest in stocks, bonds, mutual funds and other assets.

Taxable accounts, such as individual or joint brokerage accounts, offer flexibility but don't offer retirement-related tax advantages:

- You invest with after-tax dollars, so you've already paid income tax on this money.
- You'll owe capital gains tax only on the profit you earn when you sell assets, not on your entire withdrawal.
- Long-term capital gains taxes on assets you held for more than a year are lower than taxes on short-term capital gains on assets you held less than a year.

So, try to cash out long-term assets first to take advantage of those lower long-term capital gains taxes. Plus, taxable accounts don't penalize withdrawals before you're 59 1/2, making them a great option to tap into if you plan to retire early.

3. Begin receiving Social Security benefits

Social Security payments often form the foundation of retirement income, making it an essential part of your withdrawal strategy. Your age when you start taking Social Security benefits directly influences how much money you receive.

While you can begin collecting as early as age 62, waiting until your full retirement age or even up to age 70 can significantly boost your monthly payments.

The Social Security Administration bases your full retirement age on when you were born:

- **Between 1943 and 1954:** Your full retirement age is 66
- **Between 1955 and 1959:** Your full retirement age is 66 plus two months for each year after 1954
- **1960 or later:** Your full retirement age is 67

Here's how your benefits grow based on when you start taking them:

	Full retirement age 66		Full retirement age 67	
Claiming age	Percentage of benefits	Monthly benefits	Percentage of benefits	Monthly benefits
62	75%	$1,500	70%	$1,400
63	80%	$1,600	75%	$1,500
64	86.7%	$1,734	80%	$1,600
65	93.3%	$1,866	86.7%	$1,734
66	100%	$2,000	93.3%	$1,866
67	108%	$2,160	100%	$2,000
68	116%	$2,320	108%	$2,160
69	124%	$2,480	116%	$2,320
70	132%	$2,640	124%	$2,480

Source: Social Security Administration

The great thing about your Social Security benefits is that they provide guaranteed monthly income that's adjusted for inflation through annual cost-of-living adjustment (COLA). However, when deciding when to begin taking Social Security benefits, consider:

- **Whether you're still working.** Working while collecting Social Security before full retirement age can reduce your benefits due to earning limits. In 2024, you'll lose $1 in benefits for every $2 earned above $22,320 if you're under full retirement age, but these limits disappear once you reach full retirement age.
- **Your other sources of income.** Having the income you need to cover your daily expenses can help you delay Social Security benefits to maximize them. Tap into returns from your taxable investment accounts or interest income from your high-yield savings account or certificates of deposits.
- **Your spouse's benefits and claiming strategy.** The higher earner's benefit becomes the survivor benefit when one spouse passes away, making claiming age especially important for married couples. Consider having the higher earner delay benefits until age 70.

Once you've established your Social Security claiming strategy, you can move on to taking required minimum distributions from your retirement accounts at age 73, followed by the other accounts in our recommended sequence.

4. Tap into your tax-deferred savings

After taxable accounts, consider tapping into your tax-deferred savings in traditional 401(k) or traditional IRA accounts. These accounts allowed you to contribute pre-tax dollars, reducing your taxable income in the year you contributed. This gives your traditional retirement funds the following tax advantage:

- Your money in these traditional retirement accounts has grown tax-deferred, meaning you haven't paid taxes on it.
- You can tap into these accounts penalty-free once you’re 59 1/2 or older. Before that, you’ll face a 10% early withdrawal penalty.
- When you withdraw, you'll pay ordinary income tax on the entire amount you withdraw, including original contributions and growth earnings.

You can optimize your withdrawal rate by taking out just enough to maximize your current tax bracket without going into a higher one. This strategy is called bracket management, and it's a smart way to stretch your retirement funds and minimize your tax burden.

2024 tax brackets

Tax rate	Single	Married filing jointly	Head of household
10%	$0 to $11,600	$0 to $23,200	$0 to $16,550
12%	$11,601 to $47,150	$23,201 to $94,300	$16,551 to $63,100
22%	$47,151 to $100,525	$94,301 to $201,050	$63,101 to $100,500
24%	$100,526 to $191,950	$201,051 to $383,900	$100,501 to $191,950
32%	$191,951 to $243,725	$383,901 to $487,450	$191,951 to $243,700
35%	$243,726 to $609,350	$487,451 to $731,200	$243,701 to $609,350
37%	$609,351 or more	$731,201 or more	$609,351 or more

Source: Internal Revenue Service

2025 tax brackets

Tax rate	Single	Married filing jointly	Head of household
10%	$0 to $11,925	$0 to $23,850	$0 to $17,000
12%	$11,926 to $48,475	$23,851 to $96,950	$17,001 to $64,850
22%	$48,476 to $103,350	$96,951 to $206,700	$64,851 to $103,350
24%	$103,351 to $197,300	$206,701 to $394,600	$103,351 to $197,300
32%	$197,301 to $250,525	$394,601 to $501,050	$197,301 to $250,500
35%	$250,526 to $626,350	$501,051 to $751,600	$250,501 to $626,350
37%	$626,351 or more	$751,601 or more	$626,351 or more

Source: Internal Revenue Service

But keep in mind that the IRS requires you to take out required minimum distributions (RMDs) once you're 73 or older. So plan ahead for the impact your RMDs can have on your tax bracket.

5. Use your Roth accounts

Finally, it's time to tap into your Roth accounts, which includes Roth IRAs and Roth 401(k)s. The funds in these accounts are the cherry on top of your retirement savings, offering unique tax advantages:

- You've made contributions to your Roth accounts using after-tax money, so you've already paid taxes on this money.
- Both your contributions and earnings grow tax-free, meaning you won't pay any additional taxes when you withdraw any Roth funds in retirement.

That's why it's best to leave these funds untouched as long as possible to let them grow without any tax burden, potentially giving you a larger nest egg down the road. Plus, if you end up not needing the money during your lifetime, you can leave your Roth accounts to your loved ones as a tax-free inheritance.

Remember that, unlike traditional retirement accounts, Roth IRAs don't require minimum distributions during your lifetime. As of 2024, the same rule applies to Roth 401(k)s.

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