



## January 2026 Question of the Month

T. BRIAN HAYES

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*"Hello Brian. My wife and I are both 55 years old and planning to retire in 10 years at age 65. We won't have a pension, so our retirement income will come from Social Security and withdrawals from our retirement savings. We currently have about \$1,000,000 saved in our traditional 401(k) plans, and we're each contributing \$20,000 annually. Our combined salaries with bonuses equal about \$175,000 to \$200,000, and we'd like to retire on roughly the same income. Based on what we've saved and our current contributions, do you think we'll be able to maintain this income level? Our projected Social Security benefit is about \$70,000 per year. Thank you."*

Hello Steve and Brenda. First off, you're doing something that puts you ahead of most Americans—you're planning ahead, you've saved well, and you're asking the right questions a full decade before retirement. It's crucial to confirm that your current strategy will provide the income you want and to ensure you're saving in the most effective way possible.

You've asked if your plan will work, and the short answer is yes—but there's a significant tax issue that could cost you hundreds of thousands of dollars if you don't address it now. Let's start by analyzing your current plan. With your current income level, you're in the 22% federal tax bracket. Starting with \$1,000,000 and contributing \$40,000 per year, your projected 401(k) balance in ten years would be approximately \$2,350,000, assuming a conservative 6% growth rate.

At retirement, with proper management for both growth and protection, you should be able to safely withdraw about \$125,000 annually from your retirement savings. Combined with your \$70,000 in Social Security, that gives you \$195,000 in gross income. After paying approximately \$20,500 in federal taxes, your net retirement income would be about \$174,500.

On the surface, this looks fine—you'd remain in the same tax bracket you're in today (assuming tax rates don't increase). However, there's a significant hidden problem with this approach. Because all of your retirement withdrawals would come from taxable traditional 401(k) accounts, your Social Security will be taxed at the maximum rate of 85% for the rest of your life. You'll also owe taxes on any dividends, interest, and capital gains, and you may face higher Medicare Part B premiums. And of course, all of your retirement savings remain vulnerable to future tax rate increases, which are increasingly likely. Essentially, Uncle Sam controls a large portion of your retirement plan—and that's not where you want to be.

Fortunately, you can avoid this situation and significantly improve your retirement outcome by making one key change: I recommend changing your \$40,000 in annual contributions from the pre-tax traditional 401(k) to the Roth 401(k). Yes, this will increase your federal taxes during your remaining working years since you won't receive the tax deduction for



your contributions. At your current 22% bracket, that's an additional \$8,800 in federal taxes each year for the next ten years.

But here's where it pays off: In retirement, you'll be able to strategically split your withdrawals between pre-tax and Roth accounts. This strategy would net you the same income while dropping you into the 12% federal tax bracket—saving you over \$10,000 every single year throughout your entire retirement. You'd also avoid higher Medicare Part B premiums and additional taxes on investment income. And any money left to your heirs would be taxed at lower rates as well.

Think about it: pay an extra \$8,800 annually for 10 years, but save \$10,000+ annually for potentially 30+ years in retirement. That is a huge tax savings and puts you in a much better retirement situation as now some of your money is protected from taxation, thus lowering your tax liability. There are additional strategies worth exploring as well, such as Roth conversions on your existing traditional 401(k) funds, which could lower your taxes even further.

### **The Bottom Line**

The more sources of retirement income you have, the better you can structure an income plan that maximizes what you keep and minimizes what you pay in taxes. If all your retirement savings is in pre-tax accounts, you're stuck in what I call the "taxation domino effect," and you're completely exposed to whatever tax rates the government decides to implement in the future. As I've said many times, saving for retirement is important, but how you save is even more important. You need to use the right tools, strategies, and account types for your own unique and

specific situation to maximize lifetime income in the most tax-efficient way possible. The difference can literally be hundreds of thousands of dollars in taxes over your retirement—and substantially more wealth for you and your family.

Join me this weekend on The Retirement Money Matters Show where I will answer this question in more detail and also many more retirement planning questions sent in from our readers and listeners. The show airs Saturday morning at 6 on WIBC (93.1 FM), Saturday morning at 8 on 930 am or 93.7 FM in Sarasota, FL, Sunday morning at 8:00 on WWKI (100.5 FM) or anytime online at our website at [www.hayesadvisorygroup.com](http://www.hayesadvisorygroup.com). You can also obtain this information by reaching out to us at Hayes Advisory Group at 452-PLAN (7526), 800-939-1603 or [brian@hayesadvisorygroup.com](mailto:brian@hayesadvisorygroup.com).

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## **T. BRIAN HAYES**

### **FOUNDER & PRESIDENT**

T. Brian Hayes is the Founder, Owner, and CEO of Hayes Advisory Group, boasting over 30 years of experience in guiding clients towards their retirement goals. Specializing in pre-retirees and retirees, he ensures clients understand their planning options and tailors strategies to their unique needs. A strong advocate for education, Hayes regularly writes and speaks on financial topics, hosts a weekly radio show on retirement, and instructs for The Prepare Institute, a 501-3 non-profit educational institution. He holds memberships in prestigious financial organizations like The Indiana Network of Estate Planning Professionals and The National Association of Insurance and Financial Advisors. Hayes is a distinguished member of the Million Dollar Roundtable (MDRT), with multiple honors recognizing his professional expertise and ethical standards. Based in Central Indiana, he serves clients across the U.S. and Canada, residing with his wife and three children.

