

Q: I have money in three different accounts, all taxed differently: #1 Mutual funds not in any retirement account, #2 Funds in my IRA, and #3 some money in a Roth. Which should I draw first in retirement?

A: Most people do best if they withdraw taxable accounts first (your #1), deferred-tax accounts second (your #2), and tax-exempt accounts (your Roth) last. However, you should always keep enough money in taxable accounts to cover this year's spending plus an emergency reserve. Another exception is when you must make Required Minimum Distributions (RMDs) from a qualified account such as your IRA after age 70 1/2. Then spend the RMD first. If that would be more than you need for your budget, save the rest of that RMD in a taxable account. In actuality, most people will need to draw more than their RMD. It is really important to have a retirement plan that you update every year to give you a basis for your budget.