

Before December 31 Checklist

STUDENT HANDOUT

Module 4 year-end planning tool for withdrawals, taxes, Medicare, RMDs, state tax, and debt.

Course rule: Decisions made before December 31 are planning. Decisions discovered in April are damage control.

1. Stack the Income

- List pension, VA disability, Social Security, TSP/IRA, work, and other income.
- Mark each source as taxable, tax-free, or partly taxable.
- Separate COLA-protected income from flat-dollar income.

2. Test the Withdrawal

- Estimate the federal tax impact before taking a traditional TSP or IRA withdrawal.
- Ask whether the expense can be split across tax years.
- Compare cash, Roth, payment plan, HELOC, or staged repair options.

3. Check the Dominoes

- AGI: Will the withdrawal raise taxable income?
- Social Security: Will more benefits become taxable?
- Medicare IRMAA: Could higher income affect premiums two years later?

4. Review RMDs

- Confirm whether you are in an RMD year for traditional TSP, IRA, or 401(k).
- Do not wait until the last week of December to request an RMD.
- Ask a custodian or tax professional how the deadline applies to your accounts.

5. Compare State Rules

- Check whether your state taxes military retired pay, Social Security, and TSP/IRA withdrawals.
- Remember: no state income tax does not mean no taxes.
- Compare property tax, sales tax, insurance, housing, and VA access before relocating.

6. Protect Cash Flow

- List high-interest debt and minimum payments before retirement.
- Decide whether debt payoff beats adding another taxable withdrawal.
- Keep an emergency reserve so the TSP is not the first repair fund.

Post-Test Lock-In Facts

Tax-free source

VA disability compensation is tax-free.

RMD penalty

A missed RMD may trigger a 25% excise tax.

No income tax

Texas, Florida, and Nevada are examples.

Debt pressure

About 97% of adults age 66-71 carry non-mortgage debt.

Sources checked for 2026 delivery: IRS RMD guidance; IRS Publication 907 VA disability guidance; TaxSlayer Pro and Kiplinger no-income-tax state summaries; LendingTree retirement-age nonmortgage debt analysis. Education only.

Consult a qualified tax, financial, or benefits professional before making personal decisions.

VUB Financial Readiness Course