



From Saver to Spender: Building a Retirement Income Plan That Lasts

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For many investors, the hardest part of retirement planning is not building wealth, but learning how to spend it.

For most of your working life, the financial goal was straightforward: save more than you spend, invest wisely, and let time do the rest. But the skills that make someone a disciplined saver don't always translate cleanly to retirement. For many people, the hardest financial transition isn't building wealth, it's learning to spend it.

Suddenly what matters most isn't how much you've saved. It's whether that balance can generate reliable, flexible income for ~30 years without running out—and without causing so much anxiety that you can't enjoy what you've built. That's a fundamentally different problem than the one you just spent decades solving, and hardly anyone talks about the transition.

The shift from saver to spender sounds simple, yet, in practice, it's one of the most psychologically complex financial moves a person will ever make. Investors who are thoughtful, disciplined, and financially sophisticated often hesitate at the threshold. The hesitation doesn't stem from a lack of math or saving. It happens because the math alone doesn't tell you when it's okay to spend, how much to use, or how long your portfolio is going to last. That's where a retirement plan comes in. Not just as a projection within a modeling software, but as a framework that creates clarity and confidence.

Know Your Tax Buckets

Three account types share nearly every retirement income decision:

Taxable (brokerage): Your brokerage account is flexible and easy to utilize. Capital gains taxes apply to the gains your investments have made. To put it simply, if you initially invested \$500k and it's grown to \$800k over the years, you will owe taxes on the \$300k gain once you sell the securities. Your overall capital gains tax rate is based on your total income. Typically, the federal capital gains rate is lower than ordinary income tax rates. (State capital gains tax rates are generally the same as income tax rates.)

Tax-deferred (Traditional or Rollover IRA, 401k): You built your 401k and IRA by deferring your ordinary working income during your career. In most cases, your taxable income was reduced by the amount you contributed each year. The assets grow tax-free (no tax due on income and dividend producing assets). Instead, the tax bill comes due when you withdraw, as you must pay ordinary income tax rates on the full amount of withdrawal, not just on the gains. If you withdraw \$100k from your IRA, \$100k is added to your ordinary income whether you're still working or not. Your ordinary income rate is typically a higher rate



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than capital gains on a brokerage account. Also, the taking of withdrawals (and thus paying taxes) eventually becomes mandated. The IRS requires you to take Required Minimum Distributions (RMDs) from your non-Roth IRAs & 401ks each year starting at 73 or 75, depending on birth year.

Tax-free (Roth): Roth IRAs are tax-exempt and the most ideal assets from a tax perspective. You contribute to them with after-tax dollars (you already paid income tax on the money used to make the contribution.) However, they grow tax-free, and withdrawals are tax-free. There are strict amount and income limits on standard contributions but funds can also be added through Roth conversions. Roth IRAs are often the last assets you should utilize in retirement, and they are great to pass down to heirs since they too will never pay taxes on withdrawals. It's worth noting, a Roth 401k is a very similar tool with slightly different rules that can be utilized during working years.

Given this information, you and your Wealth Counselor should strategize on drawing from these accounts at appropriate times. Everyone's situation is unique and there are many factors that influence the sequencing during the first years of retirement, including: age, cash reserves, expense needs, other income sources, and tax rates.

The "planning window" that presents opportunities can be seen as the gap between retirement date and first Required Minimum Distribution (RMD) year. This limited span of time is often a lower income period, with real flexibility for converting assets from tax-deferred to tax-exempt.

Two Big Decisions

Social Security Timing: When to begin Social Security benefits is a critical decision in retirement planning. It's often made in isolation, due to the simple math: delaying benefits past your full retirement age (FRA) increases your monthly payment by roughly 8% per year, up to age 70. But the important question is how Social Security fits within your broader income strategy. For individuals who retire before 70, the years between retirement and claiming SS benefits can be an opportunity to draw from taxable accounts or complete Roth conversions while income is low, then add Social Security as a reliable income floor later. The decision often depends more on cash flow, rather than simply delaying solely because the benefits will be higher at age 70. The timing of Social Security and your other income and tax strategies is where the real planning leverage lies.

Roth conversion strategy: In short, a Roth conversion is moving money from a tax-deferred IRA into a tax-free Roth account. This requires paying ordinary income tax today in exchange for tax-free growth and withdrawals later. When done strategically during the years between retirement and your first RMD, conversions can meaningfully reduce your lifetime tax burden. The idea is that your income is lower during those years, allowing you to convert at a lower tax rate. This ultimately reduces the amount of your RMDs



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later on, as you are re-shuffling your tax buckets. It can be seen as smoothing out your tax liability over time, rather than experiencing very low tax years before high tax years.

That said, Roth conversions are not right for everyone, and the decision deserves careful thought. A retiree with significant charitable intentions, for example, may find less value in utilizing a Roth conversion strategy. Qualified Charitable Distributions (QCDs) allow individuals over age 70½ to donate directly from an IRA tax-free, effectively removing that income from taxation. On the other hand, if your primary goal is building a tax-efficient legacy for the next generation, Roth conversions can be one of the most powerful tools available. Heirs who inherit a Roth IRA benefit from continued tax-free growth, making it especially compelling for those focused on their legacy. As with most planning decisions, the right answer depends on your personal situation, which is exactly why this conversation belongs with your Wealth Counselor.

Building for Behavior, Not Just Math

In addition to making these big decisions, retirement can bring anxiety for a reason that's further out of our control: market returns. When you flip the switch from saving to withdrawing, negative market returns have a much heavier impact on your nest egg. Because your retirement contributions have stopped, you are no longer buying more shares when prices are low. Instead, you face the risk of selling assets at a loss when you need income. This is why having a cash buffer strategy early in retirement is critical. Holding pure cash, money market funds, or a larger bond allocation allows your equities to recover without forcing you to sell during a market downturn.

Another observation is that spending behavior comes in phases during retirement. It's not always linear and it's the main thing you can control. We often see new retirees' spending increase because they're typically more active and are finally taking those trips they've been planning for years. It's important to enjoy your hard-earned savings, and we support it. The middle phase is often a bit slower paced, with more routine and perhaps fewer trips, while health is still in relatively good shape. The last phase is typically known for higher spending once again due to healthcare costs near end of life.

Even when they have done everything right, many recent retirees still struggle to spend once the psychological switch flips from saver to spender. Understanding which sources will fund expenses in the early days of retirement can offer the peace of mind needed to truly enjoy what you have built.

Building the Plan Before You Need It

Even if retirement feels far away, it's best to plan early. Waiting too long reduces your options, often forcing sub-optimal, reactive decisions. Planning in advance allows proactive adjustments. A retirement income plan is not a static document; it is a living framework. Your Wealth Counselor is eager to revise it with you as life evolves. Whether your retirement is on the horizon or already underway, giving your financial plan a fresh



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look is a wonderful opportunity to optimize your path and provide peace of mind. Let's start a conversation to stress-test your retirement roadmap and keep your future secure. ■

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