



401(k) FIT

Social Security & 401(k) Integration: Building a More Coordinated Retirement Income Strategy

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Retirement planning is about more than building a 401(k) balance. A strong retirement strategy considers how Social Security and retirement savings work together to create sustainable, tax-efficient income throughout retirement. How you coordinate these two income sources can meaningfully affect how much of your money you actually keep.

Effective retirement planning requires understanding where retirement income will come from, how it will be taxed and how those sources support your goals over time. [Meghan Hannon](#), CRPS®, CPFA®, Partner & Retirement Plan Consulting Leader, shares why integrating Social Security and 401(k) planning can help individuals make more informed decisions as they prepare for retirement.

Key Takeaways

Social Security and [401\(k\) withdrawals](#) should be coordinated as part of a single, tax-aware retirement income strategy.

- Social Security typically replaces only about 40% of pre-retirement income, making 401(k) savings essential to fill the gap.
- The size of your 401(k) withdrawals can directly affect how much of your Social Security benefit is taxed.
- The years between retirement and age 73 are often the most valuable window for tax-efficient withdrawal planning.
- Delaying Social Security while drawing down retirement savings might increase your eventual benefit and reduce future required minimum distributions.
- The right strategy depends on your income needs, account balances, health and longevity expectations, so outcomes will vary.

How Do Social Security Benefits Fit into Retirement Income?

Social Security is designed to replace a portion of your pre-retirement income, not all of it, which is where your 401(k) becomes essential.

Social Security typically replaces around 40% of pre-retirement income for average earners, and often less for higher earners. The gap is what a 401(k) is built to fill. The interaction between the two matters more than most people expect, because the amount you withdraw from a 401(k) can directly affect how much of your Social Security benefit is taxed.

Up to 85% of Social Security benefits can become taxable depending on your combined income, which includes adjusted gross income, tax-exempt interest and half of your Social Security benefit. Large 401(k) withdrawals raise that combined income figure and can push more of your benefit into taxable territory. This is why two retirees with identical savings can end up with very different after-tax income depending on how they sequence their withdrawals.

Understanding how these thresholds work is often the difference between a plan that looks sufficient on paper and one that delivers reliable spendable income.

Coordinating Social Security and 401(k) Withdrawals

The years between retirement and age 73 are often the most valuable window for tax-efficient withdrawal planning.

Once [required minimum distributions](#) (RMDs) begin at age 73, retirees have less control over their taxable income. The gap years before RMDs and before Social Security are claimed create a planning opportunity that is easy to overlook. In our experience, retirees who use this window intentionally often reduce their lifetime tax liability.

A few strategies practitioners commonly evaluate during these years include:

- Drawing down 401(k) assets first to reduce future RMDs while delaying Social Security, which increases the eventual benefit by roughly 8% for each year deferred past full retirement age up to age 70.
- Filling lower tax brackets with strategic 401(k) withdrawals or Roth conversions during low-income years, before Social Security and RMDs raise taxable income.

- Managing the taxation of benefits by timing withdrawals so combined income stays below the thresholds that make more of your Social Security benefit taxable.

These decisions interact, which is what makes coordination valuable. Claiming Social Security early while taking large 401(k) distributions can unintentionally trigger higher benefit taxation, while delaying benefits and drawing from savings first may produce a lower lifetime tax bill and a larger guaranteed income stream. The right path depends on your income needs, account balances, health and longevity expectations, so outcomes will vary.

Why a Coordinated Retirement Income Strategy Matters

Retirement planning is not just about accumulating assets. It is about turning those assets into reliable, tax-efficient income.

Two retirees can save identical amounts and retire in the same year yet end up with very different spendable income based solely on how they sequence Social Security and 401(k) withdrawals. That difference is not about how much was saved. It is about how the plan was executed.

Because these decisions build on one another over time, they are difficult to undo once RMDs and Social Security are underway. Revisiting your projections regularly during the years leading up to and immediately following retirement helps ensure your strategy adapts to changes in tax law, market conditions and your own goals.

Connect with Meghan Hannon to explore how Social Security and your 401(k) can work together to help support the retirement lifestyle you envision.

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