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Retiring Soon? This Could Be the Tax Break You Didn't Know You Had

If you've worked at a company for many years and have company stock inside your 401(k), there might be a powerful tax-saving opportunity waiting for you—one that many people don't even know exists. It's called **Net Unrealized Appreciation**, or **NUA**, and while the name may sound complicated, the idea is simple: you might be able to pay less in taxes on your company stock if you handle it the right way when you retire or leave your job.

What Is NUA in Simple Terms?

If your company stock has grown in value while inside your retirement account, NUA lets you pay **lower tax rates** on that growth when you take the stock out — instead of being taxed like regular income.

In other words, you could pay **capital gains taxes** (which are typically lower) on the growth, rather than **income taxes** (which can be much higher). But there are **specific rules and timing requirements**, so it's important to plan ahead.

Who Should Pay Attention to NUA?

You may want to explore this option if:

- You've been at your company a long time and have accumulated **a large amount of company stock** in your retirement account.
- You're **approaching retirement** or planning to leave your employer soon.
- Your stock has **grown significantly** in value since you first acquired it.
- You don't plan to sell your company stock right away but want to make the most of your options.

NUA isn't for everyone. It may not be the best fit if your company stock hasn't increased much, you're planning to move it into an IRA, or you need access to the funds right away. Plus, the strategy has to be done just right, or the tax benefits could be lost, so it's important to look into it **before** making any rollover decisions.

The Catch?

While this tax break can be valuable, it's not automatic—and it's easy to miss if you're not looking for it. There are rules about timing, how you take the distribution, and what you do with the stock afterward. Making the wrong move could mean missing out on the benefit entirely.

The good news? You don't need to figure it out on your own. If you're nearing retirement or thinking about moving on from your employer, now is the time to review your options. A quick review of your retirement plan—especially if you hold company stock—can help determine whether this little-known strategy could give your retirement more flexibility and potentially save you on taxes down the road.

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