



THE SOCIETY FOR FINANCIAL AWARENESS

DC Metropolitan Chapter www.dcsdfa.org

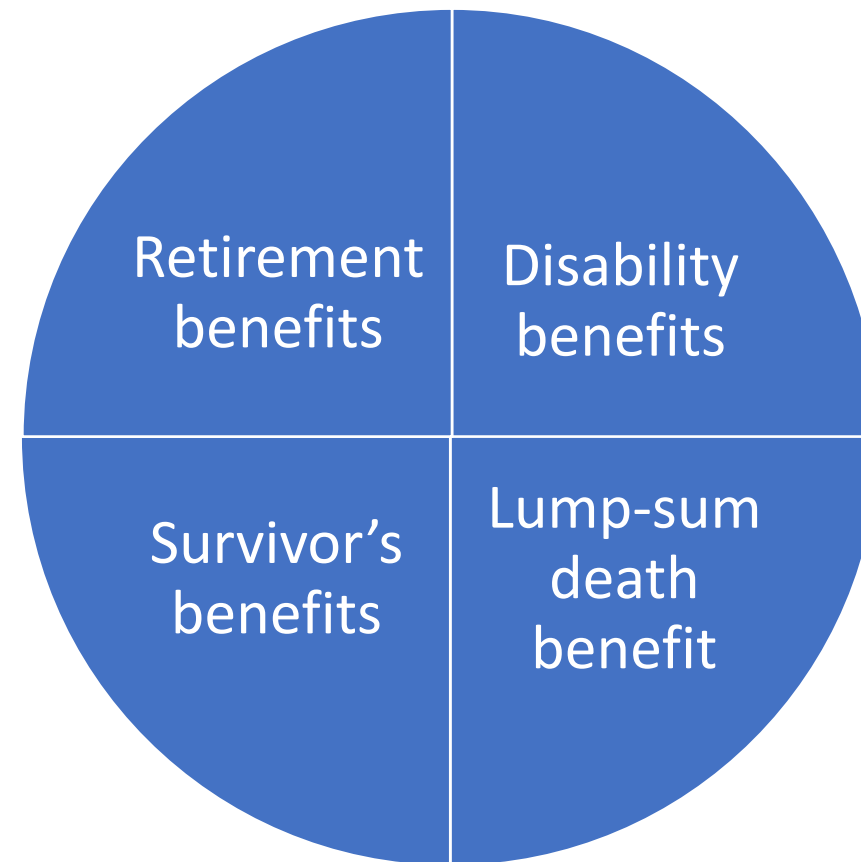
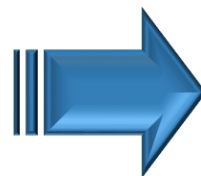
Social Security and Taxes in Retirement



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What is Social Security?

Social Security is the Old-age, Survivors, and Disability Insurance (OASDI) program for U.S. citizens and includes



Source: Social Security website, www.SocialSecurity.gov

Four Types of Social Security

Retirement

Workers who have worked for enough years are eligible for retirement at age 62.

Survivor

If you are the surviving spouse or minor child of a worker who qualified for Social Security retirement.

Disability

If you haven't reached retirement age but have met the work requirements and are considered disabled under the SSA program's medical guidelines.

Family

If you're eligible for disability or retirement benefits, your current or divorced spouse and minor children may receive benefits.

The Social Security Act (1935)

- Established social insurance to prevent poverty
- Established a Board of Trustees for Social Security Trust Funds
- Requires an annual Trustees Report (to Congress) on the status of Funds

The Board of Trustees includes:

- Secretaries of the Treasury, Labor, and Health and Human Services
- The Commissioner of Social Security
- Two public representatives appointed by the President and confirmed by the Senate

A Brief History of Social Security

1930's & 40's

- Social Security is signed into law. (8-14-1935)
 - (House 372 to 33, Senate 77 to 6 in favor)
- Initial SSB was paid in 1937.
- Benefits extend to spouses, surviving spouses, and minor children in 1939.

1950's & 60's

- The first cost of living increase (COLA) was added.
- The “Medicare Act” provides healthcare to beneficiaries.

1970's & 80's

- “COLA” is provided yearly based on the annual increase in consumer prices in 1972.
 - automatic adjustments began in 1975.
- President Reagan signs into law the taxation of benefits (1983)

1990's & 2000's

- President Clinton ends eligibility for most non-citizens.
- The Senior Citizens' Freedom to Work Act signed into law
- 2024 – Social Security celebrates its 89th birthday.

Then & Now

1935	Today
Average life expectancy was under age 60.	The average life expectancy is 78.4 overall Males=75.8 Females 81.1 years old
Most people would not live to collect benefits.	People can outlive their retirement savings
Designed to “supplement” retirement.	40% of current retiree income
Worker / Retiree ratio 160 to 1	Worker / Retiree ratio 2.8 to 1
Benefits paid annually - \$1.7 million	Benefits paid annually - \$1.6Trillion (69 million Americans)
Poverty rate for Seniors exceeded 50%	The poverty rate for Seniors is less than 9.5%

How is Social Security Financed?

Under the Federal Insurance Contributions Act (FICA), wage earners and their employers are required to make mandatory contributions from earnings up to a maximum annual cap.

The cap for 2026 is \$184,500.

The self-employed pay both employee and employer shares; however, they can deduct the employer's share from taxable ordinary income.

**Beneficiaries with higher incomes pay income taxes on a portion of their benefits.
A portion of the tax goes to Social Security trust funds; a portion goes to the Medicare Hospital Insurance fund.**

Interest: Any interest earned on trust fund reserves are paid back into the funds.

Source: National Academy of Social Insurance

Future of Social Security?

(Topics currently being discussed)

- SS Trust Fund (combined) [projected] to disappear by 2034.
- Social Security cannot operate in the red.
- Beginning in 2034, SS can only pay out 80% of benefits.
 - (voluntary donations– www.ssa.gov)
- Potential Changes
 - Move FRA from 67 to 70.
 - All earnings are subject to SS tax. (Current level - \$184,500)
 - Means testing (Bend Points!!!!) (Change to a welfare program)
 - Decrease % Delayed Retirement Credits / Do not adjust DRCs if FRA is increased to age 70.
 - Delay eligibility from age 62 to age 64.
 - Reduce COLA adjustments – Chained CPI-U Index

Qualifying for Retirement Benefits

40 credits are needed for retirement.

- Averages out to 10 Years of part-time work
- 1 Credit = \$1,890 FICA wages/earnings
- Maximum of 4 credits earned annually (J, A, J, O)

Age requirements

- 62 (Partial benefit)

(Must ATTAIN age 62 for the entire month!! Attain age, the day before the birthday)

- 66 to 67 (Full benefits) (Full Retirement Age)
- FRA to 70 (Full benefits + Delayed Retirement Credits)

Must file an application (Entitled) - SSA will not come calling!

Payment Dates

Social Security Retirement Benefits Are Paid Based on (actual) Birthdate:

1st – 10th: 2nd Wednesday (following month)

11th – 20th: 3rd Wednesday (following month)

21 – end: 4th Wednesday (following month)



What Are Social Security Benefit Amounts

Benefit amount is known as the Primary Insurance Amount (PIA). When individuals initially become eligible for social security or disability benefits, the amount received is normally the sum of:

- **90% of the first \$1,286 of average monthly earnings**
- **32% of average monthly earnings over \$1,286 and up to \$7,749**
- **15% of average monthly earnings over \$7,749**

Source: SSA [Primary Insurance Amount](#)

What is Full Retirement Age (FRA)?

FRA is the age at which an individual first becomes eligible for full, unreduced benefits and depends on the year of birth.

The FRA for those born in 1960 or later is 67, but reduced benefits can begin at 62.

Benefits are increased slightly each month until FRA at age 67, when 100% of their monthly benefits will be received.



What is Full Retirement Age (FRA)?

Maximum benefits

Each additional year worked adds another year of earnings to Social Security records; higher lifetime earnings often increase monthly benefit amount

For those born in 1943 or later, an additional 8% per year is added to benefits for each year an individual delays application for benefits beyond FRA

*Application for Medicare is still recommended at age 65, delay can increase cost



Full Retirement Age Chart

Begin Receiving Benefits at Age:	Earner Benefits Reduced To:	Spousal Benefits Reduced To:
62	70%	32.5%
62 + 6 mo.	72.5%	33.8%
63	75%	35%
63 + 6 mo.	77.5%	36.3%
64	80%	37.5%
64 + 6 mo.	83.3%	39.6%
65	86.7%	41.7%
65 + 6 mo.	90%	43.8%
66	93.3%	45.8%
66 + 6 mo.	97.7%	47.9%
67	No reduction 100% of benefits	50%

Source: SSA: Retirement Planner
[Full Retirement Age](#)

Spousal/Ex-Spousal Benefits

When a worker files for retirement benefits, the worker's spouse may be eligible for a benefit based on the worker's earnings...

- A nonworking spouse will receive 50% of their spouse's PIA benefit if they apply at FRA.
- A spouse can choose to retire at age 62; however, their benefit could be reduced by as much as 32.5%, depending on their FRA.

If you are divorced, you can receive benefits based on your ex-spouse's record (even if they have remarried) if:

- You are 62 years of age or older
- You are currently unmarried
- Your marriage lasted 10+ years
- The benefit you are entitled to is less than the benefit you would receive based on your ex-spouse's work



Source: <https://www.ssa.gov/benefits/retirement/planner/credits.html#h2>

Who is Eligible for Survivor Benefits?

Dependents of deceased workers may be eligible for Survivor Benefits. The number of required credits depends on the age of the worker at death; however, no more than 40 credits are required.

If the deceased worker was employed for 1.5 years during the 3 years before his or her death, survivors of very young workers may be eligible for benefits



<https://www.ssa.gov/benefits/survivors/>

Survivor Benefits

Eligibility Age

- Widow(er) age 60 or older, but as early as age 50 if disabled within seven years of the deceased spouse's death;
- At any age, if caring for a dependent child of the deceased (called a mother's or father's benefit).
- Remarriage at age 60 or later does not disqualify a widow or widower or former spouse if 10 or more years have passed since the deceased's death from claiming benefits from the deceased.

Amounts of Benefits

- Aged widow benefits as much as 100% of what the deceased spouse was collecting, including delayed retirement credits earned by the deceased or entitled to collect at death.

If a deceased spouse dies prior to claiming benefits:

- Prior to FRA, survivor PIA = FRA benefit
- After FRA, surviving PIA = what the deceased spouse's benefit would have been at the time of death, including the delayed retirement credits earned but never received

<https://www.ssa.gov/benefits/survivors/>

Are Non-Workers Eligible for Survivor Benefits?

- Widowed individuals are eligible for unreduced benefits at full retirement age, reduced benefits at 60 years of age, and 50 years of age if disabled
- Widowed individuals supporting children younger than 16 years of age or disabled are eligible
- Unmarried children younger than 18 years of age (19 for full-time students) are eligible
- If the deceased worker provided more than 50% of support, worker's parents are eligible at 62 years of age

Are Non-Workers Eligible for Survivor Benefits?

Many non-workers such as widowed individuals, unmarried children, and dependent parents can qualify for Survivor Benefits; even divorced spouses qualify if their marriage lasted at least 10 years.



<https://www.ssa.gov/benefits/survivors/>

How Much Benefits are Taxed

Individual

Married (Joint)

Married (Separate)

This filing status typically means all Social Security benefits will be taxed



How Much Benefits are Taxed

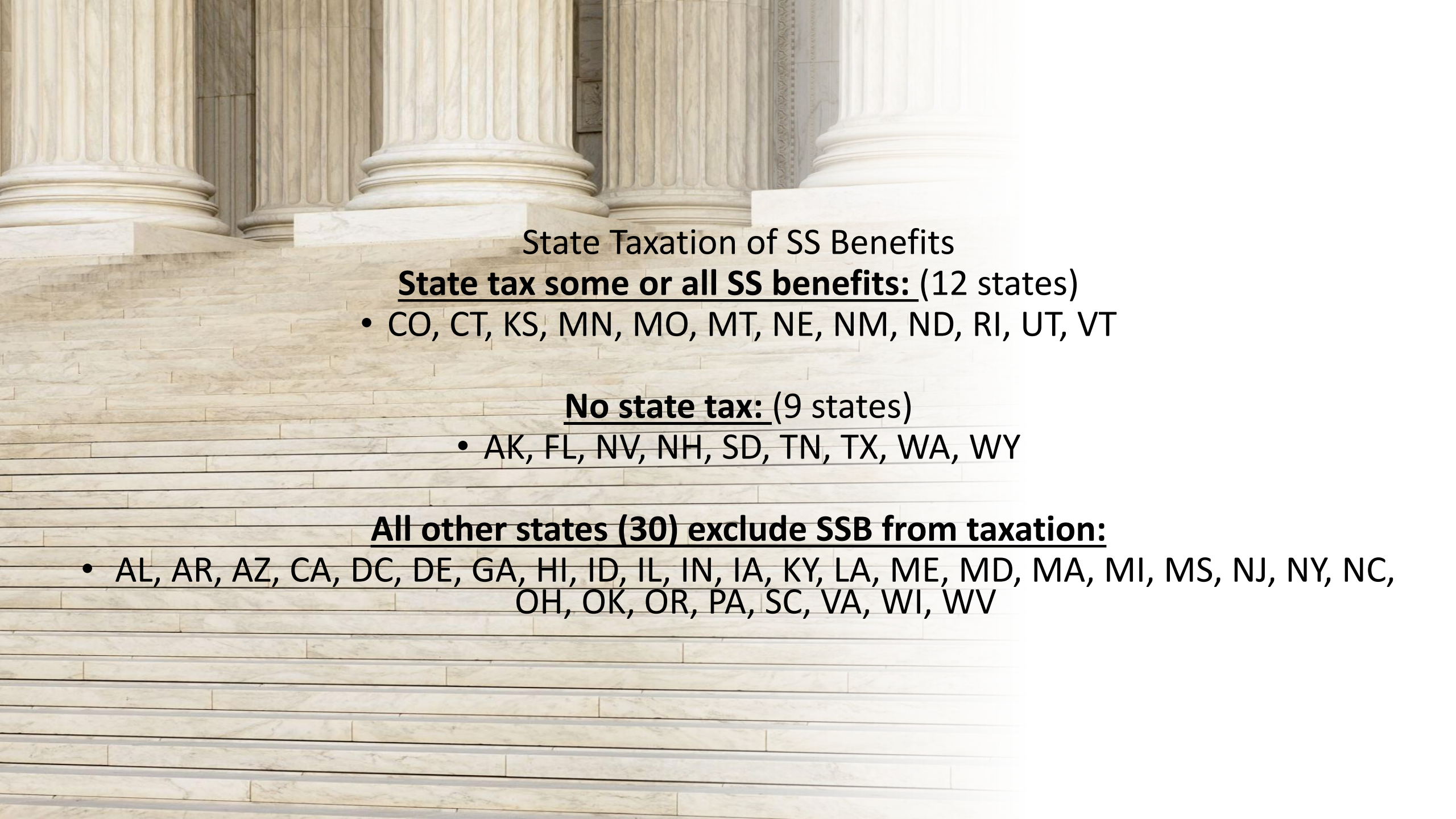
Single or HOH

- Combined income between \$25,000 and \$34,000
 - Up to 50% of benefits are taxable
- Combined income of more than \$34,000
 - Up to 85% of benefits are taxable

Joint

- Combined income between \$32,000 and \$44,000
 - Up to 50% of benefits are taxable
- Combined income more than \$44,000
 - Up to 85% of benefits are taxable

Source: <https://www.ssa.gov/benefits/retirement/planner/taxes.html?ftag=yhf4eb9d17&&#!>

The background of the slide features a photograph of classical architecture, showing several large, fluted columns and a wide set of stone steps leading up to them. The image is slightly faded and serves as a backdrop for the text.

State Taxation of SS Benefits

State tax some or all SS benefits: (12 states)

- CO, CT, KS, MN, MO, MT, NE, NM, ND, RI, UT, VT

No state tax: (9 states)

- AK, FL, NV, NH, SD, TN, TX, WA, WY

All other states (30) exclude SSB from taxation:

- AL, AR, AZ, CA, DC, DE, GA, HI, ID, IL, IN, IA, KY, LA, ME, MD, MA, MI, MS, NJ, NY, NC, OH, OK, OR, PA, SC, VA, WI, WV

Strategy: Social Security Benefit Reduction

Begin collecting before FRA and CONTINUE working:

- *If FRA is not reached during the entire year:*
 - Deduct \$1 from benefit payments for every \$2 earned above the annual limit, which is **\$24,480 for 2026.**
- *Year FRA is reached:*
 - Deduct \$1 in benefits for every \$3. **\$62,160 for 2026.**
 - Only on earnings before the month the FRA is reached
- *Beginning the month FRA is reached:*
 - No limit on earnings

Retirement Planning

- This is a personal decision and should be based on needs and probable life expectancy.
- Healthy individuals can typically delay benefits
- Delaying benefits will likely increase future benefits for a younger spouse
- Less healthy individuals typically begin receiving benefits at age 62



The Desire

We all desire a financial life that performs to its full potential.

Ideally, this financial life should contain:

- Long term wealth
- Retirement income
- Minimized taxes
- Lasting legacy
- Reduced cost and risk

And, along the way, we seek to keep it organized, flexible, and easy to control.



Financial Decisions

The manner in which we make these decisions presents a real challenge.

We make them:

- One at a time
- At different times
- With different people
- Under different circumstances

We tend to avoid revisiting those decisions, making things worse over time. That causes us to have what we call a "financial junk drawer."



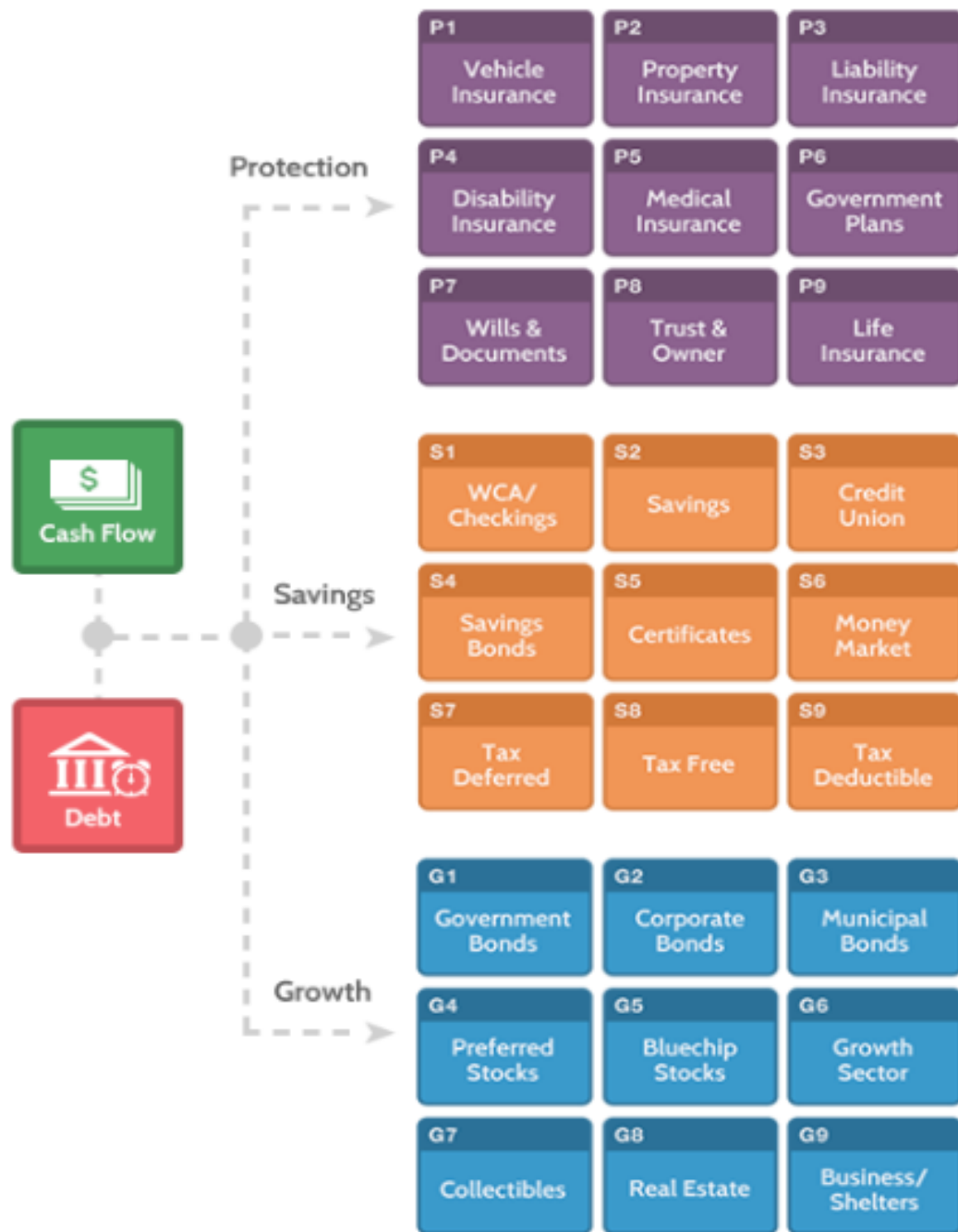
Junk Drawer

Having a "financial junk drawer" undermines our chances for financial success.

The Junk Drawer characteristics:

- Disorganized
- Uncoordinated
- Non-integrated
- Inefficient
- Ineffective
- Hard to manage





Step #1: Understanding Your Target Retirement Income



Total Gross Income	\$107,000
---------------------------	------------------

Less	
TSP/401(k)	\$24,500
IRA	\$6,500
Social Security	\$6,634
Mortgage	\$0
College	\$0
Credit Cards	\$0
Debts	\$6,500
Tax Equivalent	\$0
Non/Qualified IRA	\$0
Roth	\$0

Total Payments	\$44,134
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Target Retirement Income	\$62,866
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Step #2: Quantify Your Retirement Income Projections



Retirement Income Projections

		Pension	\$25,000
		Social Security	\$25,000
	0% W/D	Tax Deferred Annuities	\$0
	0% W/D	Tax Free	\$0
	2.5% W/D	TSP/401(k) \$500,000	\$12,500
		TOTAL	\$0
		Pension	\$0
		Social Security	\$0
	3% W/D	Tax Deferred	\$0
	3% W/D	Tax Free	\$0
	0% W/D	TSP/401(k)	\$0
		TOTAL	\$0
		W/D Rate from Cash Assets	\$0
		Total Income at year #2	\$62,500

Step #3: Compare and Analyze



TOTAL Gross Income	\$107,000
Less:	
TSP/401k	\$24,500
IRA	\$6,500
Social Security	\$6,634
Savings	
Mortgage	
College	
Credit Cards	
Debts	\$6,500
Tax Equivalent	
Non/Qualified IRA	
Roth	
Total Payments	\$44,134
TARGET RETIREMENT INCOME:	\$ 62,866

GAP

(Less money in retirement than what you're living on today)

SAME

SURPLUS

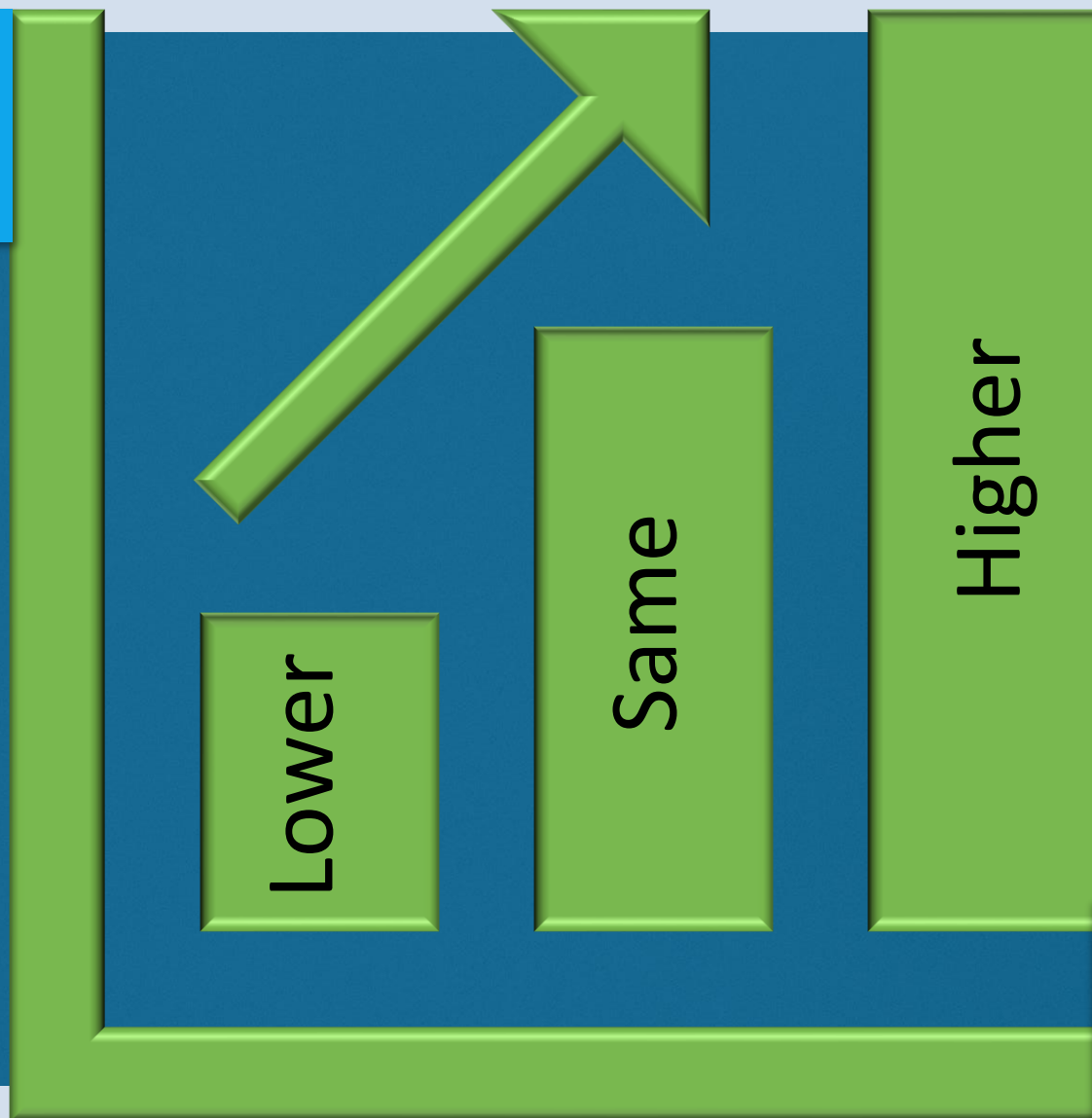
(More income in retirement than you're living on today)

Retirement Income Projections		
	Pension	\$25,000
	Social Security	\$25,000
0% W/D	Tax Deferred Annuities	\$0
0% W/D	Tax Free	\$0
2.5% W/D	TSP/401(k) \$500,000	\$12,500
	TOTAL	\$0
	Pension	\$0
	Social Security	\$0
3% W/D	Tax Deferred	\$0
3% W/D	Tax Free	\$0
0% W/D	TSP/401(k)	\$0
	TOTAL	\$0
	W/D Rate from Cash Assets	\$0
	Total Income at year #2	\$62,500

Understanding Your Tax Picture

STEP #4:

Will you be
in a



TAX BRACKET when
you retire?

IRS Form 1040

Taxable Income

Form 1040 (2025) Page 2

Tax and Credits	11b Amount from line 11a (adjusted gross income)	11b
12a Someone can claim <input type="checkbox"/> You as a dependent <input type="checkbox"/> Your spouse as a dependent		
b <input type="checkbox"/> Spouse itemizes on a separate return c <input type="checkbox"/> You were a dual-status alien		
d You: <input type="checkbox"/> Were born before January 2, 1961 <input type="checkbox"/> Are blind		
Spouse: <input type="checkbox"/> Was born before January 2, 1961 <input type="checkbox"/> Is blind		
e Standard deduction or itemized deductions (from Schedule A)	12e	
13a Qualified business income deduction from Form 8995 or Form 8995-A	13a	
b Additional deductions from Schedule 1-A, line 38	13b	
14 Add lines 12e, 13a, and 13b	14	
15 Subtract line 14 from line 11b. If zero or less, enter -0-. This is your taxable income	15	
16 Tax (see instructions). Check if any from Form(s): 1 <input type="checkbox"/> 8814 2 <input type="checkbox"/> 4972 3 <input type="checkbox"/>	16	
17 Amount from Schedule 2, line 3	17	
18 Add lines 16 and 17	18	
19 Child tax credit or credit for other dependents from Schedule 8812	19	
20 Amount from Schedule 3, line 8	20	
21 Add lines 19 and 20	21	
22 Subtract line 21 from line 18. If zero or less, enter -0-	22	
23 Other taxes, including self-employment tax, from Schedule 2, line 21	23	
24 Add lines 22 and 23. This is your total tax	24	

Standard deduction for—

- Single or Married filing separately, \$15,750
- Married filing jointly or Qualifying surviving spouse, \$31,500
- Head of household, \$23,625
- If you checked a box on line 12a, 12b, 12c, or 12d, see inst.

Form **1040** Department of the Treasury—Internal Revenue Service **2025** OMB No. 1545-0074 IRS Use Only—Do not write or staple in this space.

For the year Jan. 1–Dec. 31, 2025, or other tax year beginning . . . , 2025, ending . . . , 2025. See separate instructions.

☐ Filed pursuant to section 301.9100-2 ☐ Combat zone ☐ Deceased MM / DD / YYYY Spouse MM / DD / YYYY

☐ Other

Your first name and middle initial Last name Your social security number

If joint return, spouse's first name and middle initial Last name Spouse's social security number

Home address (number and street). If you have a P.O. box, see instructions. Apt. no. Check here if your main home, and your spouse's if filing a joint return, was in the U.S. for more than half of 2025. ☐

City, town, or post office. If you have a foreign address, also complete spaces below. State ZIP code **Presidential Election Campaign** Check here if you, or your spouse if filing jointly, want \$3 to go to this fund. Checking a box below will not change your tax or refund. ☐ You ☐ Spouse

Foreign country name Foreign province/state/county Foreign postal code

Filing Status ☐ Single ☐ Head of household (HOH) ☐ Qualifying surviving spouse (QSS) ☐ Married filing jointly (even if only one had income) ☐ Married filing separately (MFS). Enter spouse's SSN above and full name here: If you checked the HOH or QSS box, enter the child's name if the qualifying person is a child but not your dependent: ☐ If treating a nonresident alien or dual-status alien spouse as a U.S. resident for the entire tax year, check the box and enter their name (see instructions and attach statement if required):

Digital Assets At any time during 2025, did you: (a) receive (as a reward, award, or payment for property or services); or (b) sell, exchange, or otherwise dispose of a digital asset (or a financial interest in a digital asset)? (See instructions.) ☐ Yes ☐ No

Dependents (see instructions)

	Dependent 1	Dependent 2	Dependent 3	Dependent 4
(1) First name				
(2) Last name				
(3) SSN				
(4) Relationship				
(5) Check if lived with you more than half of 2025	(a) <input type="checkbox"/> Yes (b) <input type="checkbox"/> And in the U.S.	(a) <input type="checkbox"/> Yes (b) <input type="checkbox"/> And in the U.S.	(a) <input type="checkbox"/> Yes (b) <input type="checkbox"/> And in the U.S.	(a) <input type="checkbox"/> Yes (b) <input type="checkbox"/> And in the U.S.
(6) Check if	<input type="checkbox"/> Full-time student <input type="checkbox"/> Permanently and totally disabled	<input type="checkbox"/> Full-time student <input type="checkbox"/> Permanently and totally disabled	<input type="checkbox"/> Full-time student <input type="checkbox"/> Permanently and totally disabled	<input type="checkbox"/> Full-time student <input type="checkbox"/> Permanently and totally disabled
(7) Credits	<input type="checkbox"/> Child tax credit <input type="checkbox"/> Credit for other dependents	<input type="checkbox"/> Child tax credit <input type="checkbox"/> Credit for other dependents	<input type="checkbox"/> Child tax credit <input type="checkbox"/> Credit for other dependents	<input type="checkbox"/> Child tax credit <input type="checkbox"/> Credit for other dependents

☐ Check if your filing status is MFS or HOH and you lived apart from your spouse for the last 6 months of 2025, or you are legally separated according to your state law under a written separation agreement or a decree of separate maintenance and you did not live in the same household as your spouse at the end of 2025.

Income

Attach Form(s) W-2 here. Also attach Forms W-20 and 1099-R if tax was withheld. If you did not get a Form W-2, see instructions.

Attach Sch. B if required.

1a Total amount from Form(s) W-2, box 1 (see instructions)	1a
b Household employee wages not reported on Form(s) W-2	1b
c Tip income not reported on line 1a (see instructions)	1c
d Medicaid waiver payments not reported on Form(s) W-2 (see instructions)	1d
e Taxable dependent care benefits from Form 2441, line 26	1e
f Employer-provided adoption benefits from Form 8839, line 31	1f
g Wages from Form 8919, line 6	1g
h Other earned income (see instructions). Enter type and amount:	1h
i Nontaxable combat pay election (see instructions) 1i	
z Add lines 1a through 1h	1z
2a Tax-exempt interest 2a	2a
3a Qualified dividends 3a	3a
c Check if your child's dividends are included in 1 <input type="checkbox"/> Line 3a 2 <input type="checkbox"/> Line 3b	
4a IRA distributions 4a	4a
c Check if (see instructions) 1 <input type="checkbox"/> Rollover 2 <input type="checkbox"/> QCD 3 <input type="checkbox"/>	4b
5a Pensions and annuities 5a	5a
c Check if (see instructions) 1 <input type="checkbox"/> Rollover 2 <input type="checkbox"/> PSO 3 <input type="checkbox"/>	5b
6a Social security benefits 6a	6a
b Taxable amount 6b	6b
c If you elect to use the lump-sum election method, check here (see instructions) <input type="checkbox"/>	
d If you are married filing separately and lived apart from your spouse the entire year (see inst.), check here <input type="checkbox"/>	
7a Capital gain or (loss). Attach Schedule D if required 7a	7a
b Check if: <input type="checkbox"/> Schedule D not required <input type="checkbox"/> Includes child's capital gain or (loss)	
8 Additional income from Schedule 1, line 10 8	8
9 Add lines 1z, 2b, 3b, 4b, 5b, 6b, 7a, and 8. This is your total income 9	9
10 Adjustments to income from Schedule 1, line 26 10	10
11a Subtract line 10 from line 9. This is your adjusted gross income 11a	11a

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions. Cat. No. 113208 Form **1040** (2025) Created 9/5/25

What is Your Tax Bracket?

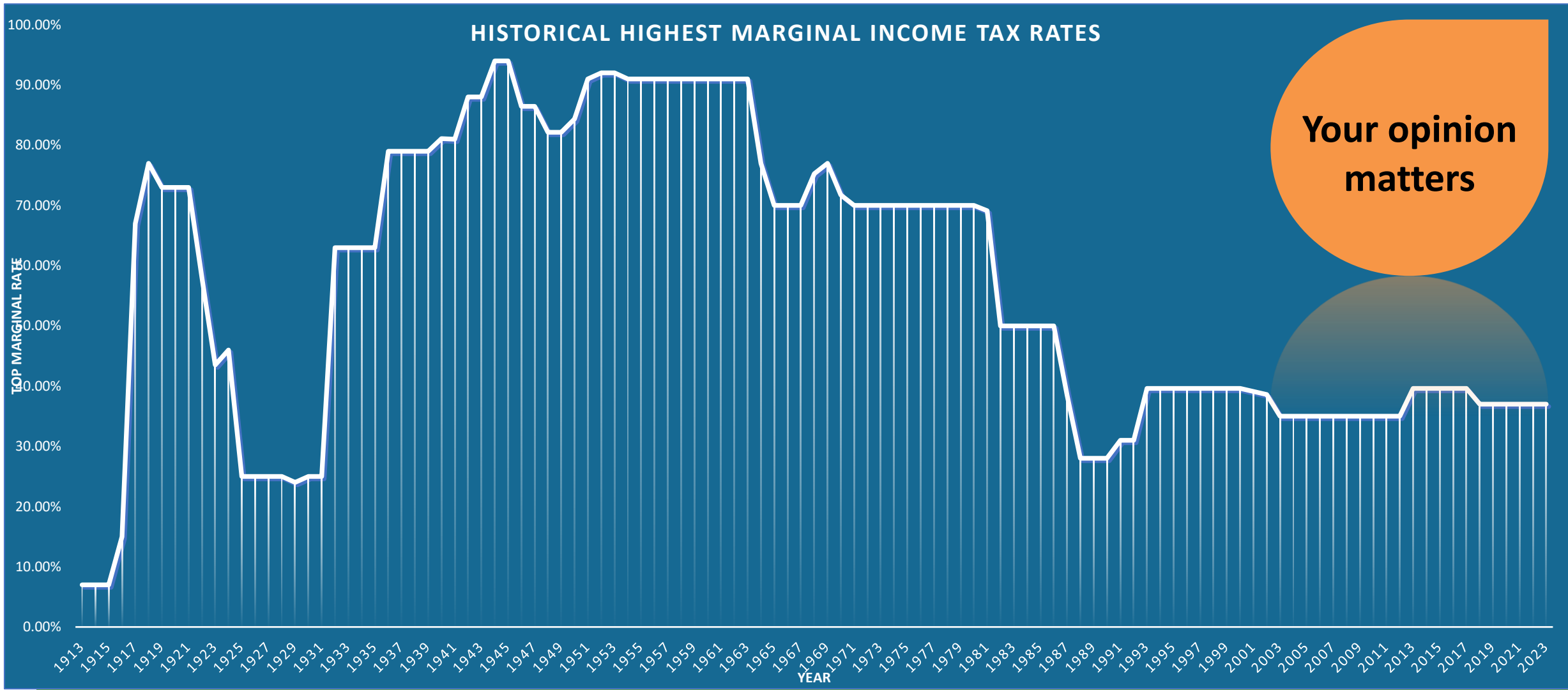
Your Line 15: \$183,000 ~ So, what marginal rate are you in now?

How many of you think you will be in a lower tax bracket when you retire?

Tax Bracket 2025

Tax Rate	For Single Filers	For Married Individuals Filing Joint Returns	For Heads of Households
10%	\$0 to \$11,925	\$0 to \$23,850	\$0 to \$17,000
12%	\$11,925 to \$48,475	\$23,850 to \$96,950	\$17,000 to \$64,850
22%	\$48,475 to \$103,350	\$96,950 to \$206,700	\$64,850 to \$103,350
24%	\$103,350 to \$197,300	\$206,700 to \$394,600	\$103,350 to \$197,300
32%	\$197,300 to \$250,525	\$394,600 to \$501,050	\$197,300 to \$250,500
35%	\$250,525 to \$626,350	\$501,050 to \$751,600	\$250,500 to \$626,350
37%	\$626,350 or more	\$751,600 or more	\$626,350 or more

Where do You Think Your Taxes Will Be in the Future?



- ▶ The data referenced in this chart we created is from the Tax Policy Center: <https://taxpolicycenter.org/statistics/historical-highest-marginal-income-tax-rates>
- ▶ This table contains a number of simplifications and ignores a number of factors, such as the amount of income or types of income subject to the top rates, or the value of standard and itemized deductions. Sources: IRS Revenue Procedures, various years. Also, Eugene Steuerle, The Urban Institute; Joseph Pechman, *Federal Tax Policy*; Joint Committee on Taxation, Summary of Conference Agreement on the Jobs and Growth Tax Relief Reconciliation Act of 2003, JCX-54-03, May 22, 2003.

ROTH vs TRADITIONAL TSP

Which is Right for YOU?



A Traditional TSP

B Roth/Roth TSP

Years ---> 1 -- 20

\$18,000 @ 5% ROR → 401(k)



Accumulated: $\frac{\$624,947}{\text{X } 4\% \text{ W/D}}$
\$24,997

(taxes, Fed 25% + State 6%) - \$7,749

\$17,248.00

Years ---> 1 -- 20

\$18,000 x 25% Fed + 6% State =
\$12,420 @ 5% ROR → Roth



Accumulated: $\frac{\$431,213}{\text{X } 4\% \text{ W/D}}$

\$17,248.00

ROTH OR Traditional TSP -- WHAT IS THE BEST CHOICE?

▶ Advantages of Roth TSP

- Potentially tax-free withdrawals
- Heirs inherit a tax-free asset
- Roth withdrawals do not increase your taxable income, which may lower taxes on Social Security benefits and/or reduce Medicare premiums.
- *Good candidates: Younger employees, those who won't need to withdraw funds for a long time, expect to be in a higher tax bracket when retired and more aggressive investors..*

▶ Disadvantages of Roth TSP:


- Paying taxes early
- Five year holding period before withdrawals are tax free
- Higher taxable income may reduce eligibility for some tax credits and deductions while you are working.
- *Bad candidates: Will be in a lower tax bracket when funds are withdrawn, expect to need funds from TSP soon, conservative investors.*

Critical decision factors

- Can you afford higher taxes when making the Roth contributions
- Tax rate differential (contribution years vs. withdrawal years)
- Time horizon for needing funds to meet annual living expenses
- Rate of return on investments
- Concern about benefiting heirs.



Benefits of Roth Conversion

- ▶ Tax-free distributions
(assuming you follow the 5-year rules)
 - ▶ If you are over 59 ½, immediate access to funds tax-free with no penalties
(Principal only, earnings must wait 5 years)
 - ▶ No required minimum distributions — freedom of choice
 - ▶ Tax-free inheritance to beneficiaries
(spouse can do a rollover)
 - ▶ Immunized against future tax law changes
- 

Step #1: Understanding Your Target Retirement Income



Total Gross Income	\$107,000
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Less	
TSP/401(k)	\$24,500
IRA	\$6,500
Social Security	\$6,634
Mortgage	\$0
College	\$0
Credit Cards	\$0
Debts	\$6,500
Tax Equivalent	\$0
Non/Qualified IRA	\$0
Roth	\$0

Total Payments	\$44,134
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Target Retirement Income	\$62,866
--------------------------	----------

Income	\$0
Total Income	\$107,000

Additional Information

Sue 61-62;

Bill 61-62

Retirement Income Projections

Sue	COLA	0%	Pension	\$0
	WD	0%	Social Security	\$0
	0%	0%	Tax Deferred	\$0
	0%	0%	Roth	\$0
	0%	0%	401k & IRA	\$0
			TOTAL	\$0
Bill	COLA	0%	Pension	\$0
	WD	0%	Social Security	\$0
	0%	0%	Tax Deferred	\$0
	0%	0%	Roth	\$0
	0%	0%	IRA	\$0
			TOTAL	\$0
W/D Rate from Cash Assets				\$0
				\$0
Total Income at year # 1 =				\$0
0.0%	Target Retirement Income			\$62,866

0	2,360	0
---	-------	---

Employee	Match	Add.
----------	-------	------

6,500

24,500

6,500

0	0	37,500
---	---	--------

Regular Savings	CD's	College Savings	Rate	Future Value
Savings 100,000			1%	101,000
			1%	0
			1%	0
Tax Deferred	Roth	401k & IRA		
		IRA 550,000	4%	0
			4%	68,640
	roth 66,000		4%	926,640
		TSP 310,000		
Tax Deferred	Roth	IRA		
			4%	0
			4%	22,880
	roth 22,000		4%	318,760
		IRA 300,000		
				1,437,920

Government Bonds	Corporate Bonds	BoA Trust	Rate	Future Value
			5%	0
		25,000	5%	0
			5%	26.250

What is Your Tax Bracket?

How many
of you think
you will be
in a lower
tax bracket
when you
retire?

Tax Bracket 2025

Tax Rate	For Single Filers	For Married Individuals Filing Joint Returns	For Heads of Households
10%	\$0 to \$11,925	\$0 to \$23,850	\$0 to \$17,000
12%	\$11,925 to \$48,475	\$23,850 to \$96,950	\$17,000 to \$64,850
22%	\$48,475 to \$103,350	\$96,950 to \$206,700	\$64,850 to \$103,350
24%	\$103,350 to \$197,300	\$206,700 to \$394,600	\$103,350 to \$197,300
32%	\$197,300 to \$250,525	\$394,600 to \$501,050	\$197,300 to \$250,500
35%	\$250,525 to \$626,350	\$501,050 to \$751,600	\$250,500 to \$626,350
37%	\$626,350 or more	\$751,600 or more	\$626,350 or more

Total Income	\$107,000
---------------------	------------------

0	0	0
Employee	Match	Add.

Additional Information

Sue 62-70

Bill 62-70

Retirement Income Projections

Sue	COLA	0%	Pension	\$18,836
	WD	0%	Social Security	\$0
	0%	0%	Tax Deferred	\$0
	0%	0%	Roth	\$0
	3%	0%	401k & IRA	\$31,506
			TOTAL	\$50,342

Bill	COLA	0%	Pension	\$0
	WD	0%	Social Security	\$0
	0%	0%	Tax Deferred	\$0
	0%	0%	Roth	\$0
	4%	0%	IRA	\$12,750
			TOTAL	\$12,750

0%	W/D Rate from Cash Assets	\$0
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	\$0
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Total Income at year # 8 =	\$63,092
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0.0%	Target Retirement Income	\$62,866
-------------	---------------------------------	-----------------

0	0	0
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Regular Savings	CD's	College Savings	Rate	Future Value
Savings 101,000			1%	109,369
			1%	0
			1%	0
Tax Deferred	Roth	401k & IRA		
		IRA 578,760	4%	0
			4%	93,939
	roth 68,640		4%	966,258
		TSP 347,880		
Tax Deferred	Roth	IRA		
			4%	0
			4%	31,313
	roth 22,880		4%	314,061
		IRA 318,760		

Savings Type Assets Total 1,514,938

Government Bonds	Corporate Bonds	BoA Trust	Rate	Future Value
			5%	0
		26,250	5%	0
			5%	30,703

Sue Retires

What is Your Tax Bracket?

Your Line 15: \$183,000 ~ So, what marginal rate are you in now?

How many of you think you will be in a lower tax bracket when you retire?

Tax Bracket 2025

Tax Rate	For Single Filers	For Married Individuals Filing Joint Returns	For Heads of Households
10%	\$0 to \$11,925	\$0 to \$23,850	\$0 to \$17,000
12%	\$11,925 to \$48,475	\$23,850 to \$96,950	\$17,000 to \$64,850
22%	\$48,475 to \$103,350	\$96,950 to \$206,700	\$64,850 to \$103,350
24%	\$103,350 to \$197,300	\$206,700 to \$394,600	\$103,350 to \$197,300
32%	\$197,300 to \$250,525	\$394,600 to \$501,050	\$197,300 to \$250,500
35%	\$250,525 to \$626,350	\$501,050 to \$751,600	\$250,500 to \$626,350
37%	\$626,350 or more	\$751,600 or more	\$626,350 or more

Total Income	\$107,000
--------------	-----------

0	0	0
Employee	Match	Add.

0

Additional Information

Sue 62-70

Bill 62-70

Retirement Income Projections

Sue	COLA	0%	Pension	\$18,836
	WD	0%	Social Security	\$0
	0%	0%	Tax Deferred	\$0
	0%	0%	Roth	\$0
	3%	0%	401k & IRA	\$31,506
			TOTAL	\$50,342

Bill	COLA	0%	Pension	\$0
	WD	0%	Social Security	\$0
	0%	0%	Tax Deferred	\$0
	0%	0%	Roth	\$0
	4%	0%	IRA	\$12,750
			TOTAL	\$12,750

0%	W/D Rate from Cash Assets	\$0
----	---------------------------	-----

	\$0
--	-----

Total Income at year # 8 =	\$63,092
----------------------------	----------

0.0%	Target Retirement Income	\$62,866
------	--------------------------	----------

0	0	0
---	---	---

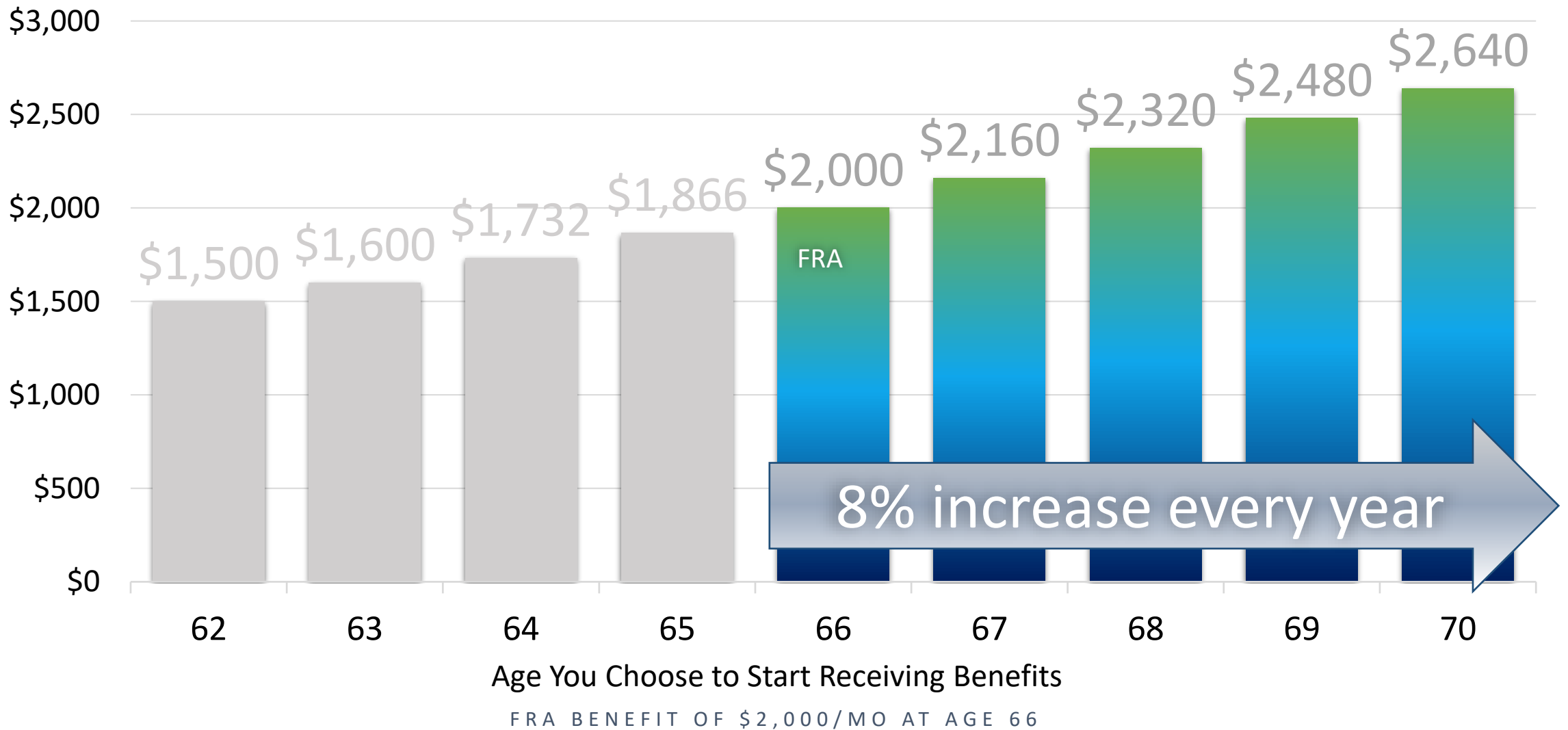
Regular Savings	CD's	College Savings	Rate	Future Value
Savings 101,000			1%	109,369
			1%	0
			1%	0
Tax Deferred	Roth	401k & IRA		
		IRA 578,760	4%	0
			4%	93,939
	roth 68,640		4%	966,258
		TSP 347,880		
Tax Deferred	Roth	IRA		
			4%	0
			4%	31,313
	roth 22,880		4%	314,061
		IRA 318,760		

Savings Type Assets Total 1,514,938

Government Bonds	Corporate Bonds	BoA Trust	Rate	Future Value
			5%	0
		26,250	5%	0
			5%	30,703

Sue Retires

Monthly Social Security Benefit Example



Retirement Income Projections

Sue 73 to 90

WD	3.0%	Pension	\$31,133
COLA	3.0%	Social Security	\$52,891
0.0%	0.0%	Tax Deferred	\$0
0.0%	0.0%	Tax Free	\$0
4.0%	3.1%	Tax Deductible	\$73,055
TOTAL			\$157,079

Bill 73 to 90

COLA	0.0%	Pension	\$0
WD	3.0%	Social Security	\$52,891
0.0%	0.0%	Tax Deferred	\$0
0.0%	0.0%	Tax Free	\$0
4.0%	0.0%	Tax Deductible	\$14,131
TOTAL			\$67,022

W/D Rate from Cash Assets	\$0
	\$0

Total Income at year # 17 = \$224,101

0.0% Target Retirement Income \$62,866

Sue				
Tax Deferred	Tax Free	Tax Deductible		
		RIRA 678,860	4%	0
			4%	205,831
	Roth 105,668		4%	316,718
		TSP 408,048		
Bill				
Tax Deferred	Tax Free	Tax Deductible		
			4%	0
	Roth 43,228		4%	84,204
		IRA 353,275	4%	339,881
Savings Type Assets Total				1,080,083

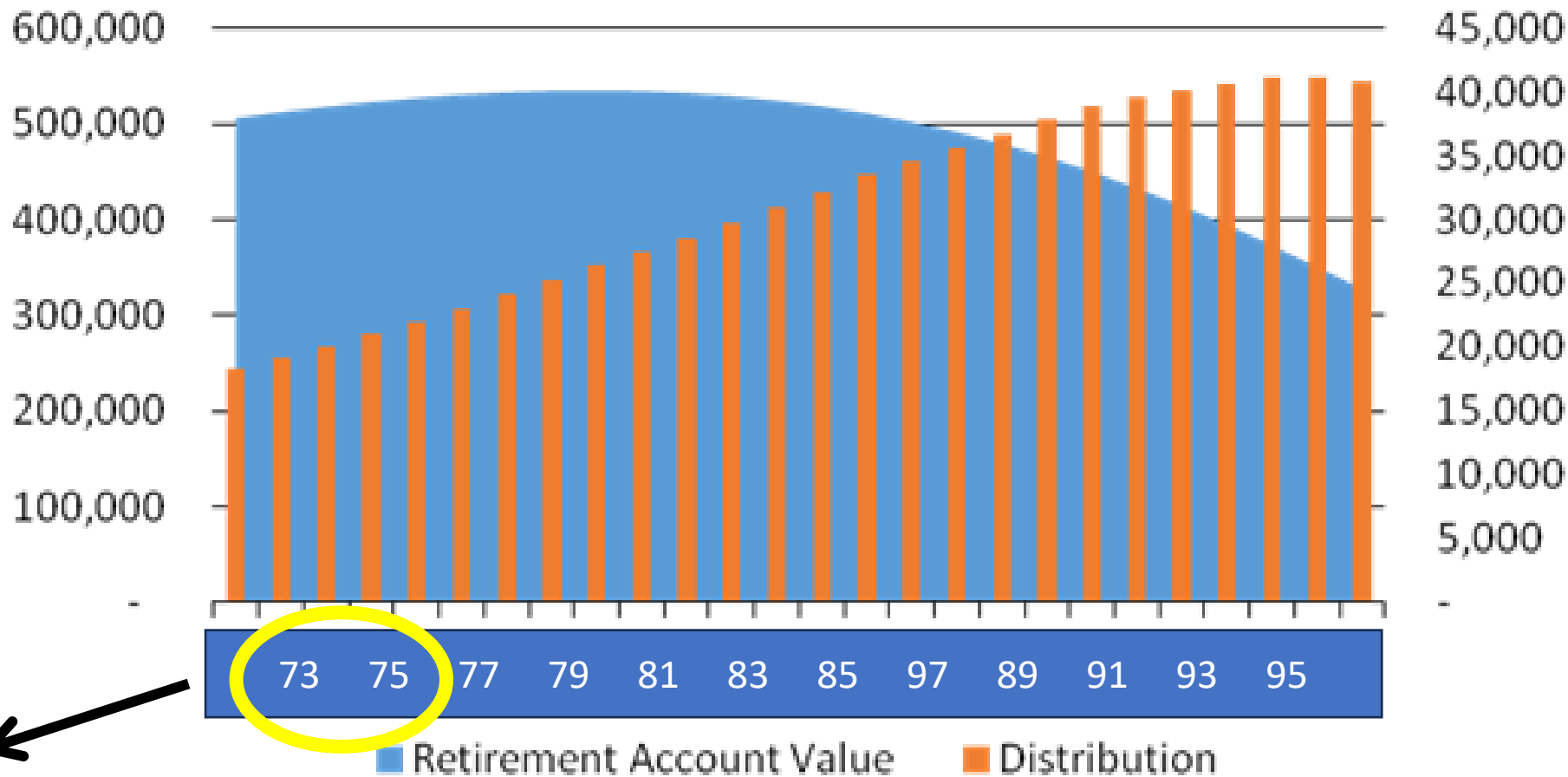
0	0	0
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Sue and Bill
Model Inflation

Which RMD to use?

Age	Individuals impacted	Effective Year
Age 72 (or 70 1/2)	Born 1950 or earlier	-
Age 73	Born 1951 – 1959	2023
Age 75	Born 1960 or later	2033

Effect of RMDs



AGE 73...75

NOTE:

The age for withdrawing from retirement accounts was increased in 2020 to 72 from 70 & 1/2.

SECURE ACT 2.0 will raise the age for RMDs to 73 if you were born in 1951-1959.

If you were born in 1960 or later, the SECURE 2.0 Act will raise the age for RMDs to 75.

Assumes 5% annual return and starting value of \$500,000

RMD : PRE-TAX RETIREMENT ACCOUNTS

Ret. Age	To Age	Pre-Tax Accounts	Level B.o.Y.	Rate of Return	Total of	Federal+State
		Initial Balance	Withdrawals	(Avg. Annual)	All Fees	Income Tax %
72	100	\$1,000,000	\$0	5.00%	0.00%	24%
Age	Year	Balance	Gross Withdrawal	Balance Net of Fees	All-Inclusive Tax Liability	Net of Fed+State Income Taxes
B.o.Y.		B.o.Y.	B.o.Y. <input checked="" type="checkbox"/> RMD	E.o.Y.	E.o.Y.	
72	1	\$1,000,000	\$39,063	\$1,008,984	\$0	\$766,828
73	2	1,008,984	40,850	1,016,542	243,970	772,572
74	3	1,016,542	42,712	1,022,521	245,405	777,116
75	4	1,022,521	44,652	1,026,763	246,423	780,340
76	5	1,026,763	46,671	1,029,097	246,983	782,113
77	6	1,029,097	48,542	1,029,582	247,100	782,482
78	7	1,029,582	50,718	1,027,807	246,674	781,133
79	8	1,027,807	52,708	1,023,854	245,725	778,129
80	9	1,023,854	54,752	1,017,557	244,214	773,344
81	10	1,017,557	56,847	1,008,746	242,099	766,647
82	11	1,008,746	58,991	997,243	239,338	757,905
83	12	997,243	61,181	982,865	235,888	746,978
84	13	982,865	63,411	965,428	231,703	733,725
85	14	965,428	65,232	945,206	226,849	718,356
86	15	945,206	67,036	922,078	221,299	700,780
87	16	922,078	68,812	895,930	215,023	680,907
88	17	895,930	70,546	866,653	207,997	658,657
89	18	866,653	72,221	834,154	200,197	633,957
90	19	834,154	73,171	799,032	191,768	607,264
91	20	799,032	73,984	761,300	182,712	578,588
92	21	761,300	74,637	720,996	173,039	547,957
93	22	720,996	75,104	678,186	162,765	515,422
94	23	678,186	74,526	633,843	152,122	481,721
95	24	633,843	73,703	588,148	141,155	446,992
96	25	588,148	72,611	541,314	129,915	411,398
97	26	541,314	71,225	493,593	118,462	375,130
98	27	493,593	69,520	445,276	106,866	338,410
99	28	445,276	66,459	397,758	95,462	302,296

TAXED
\$

RMD

TSP
\$

SURPLUS

INCOME

TAX

TAX

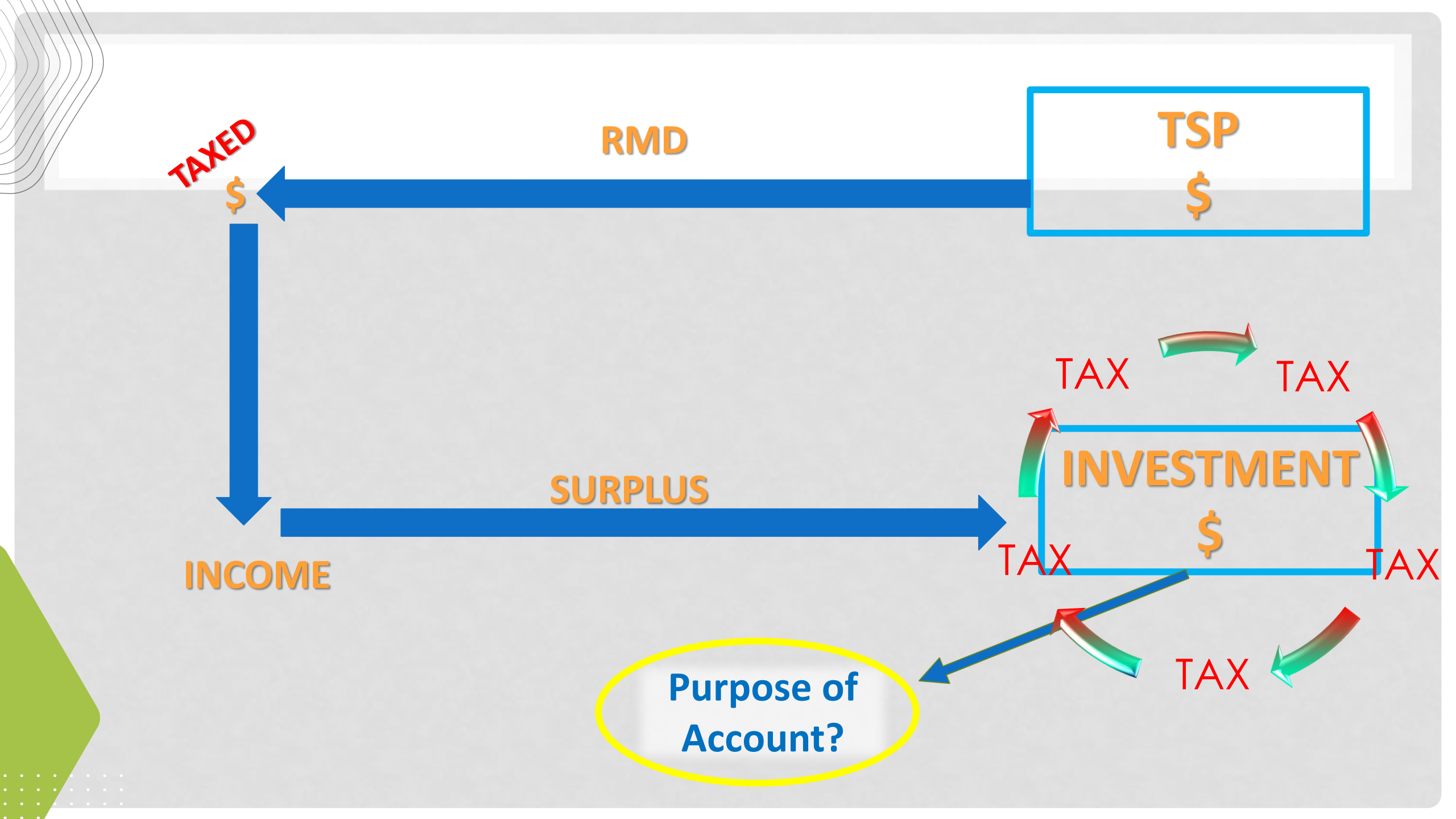
INVESTMENT
\$

TAX

TAX

TAX

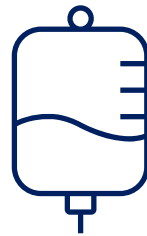
**Purpose of
Account?**



Purpose of Surplus



Emergency



**Long Term Care
of Health**



Legacy

TAXED
\$

RMD

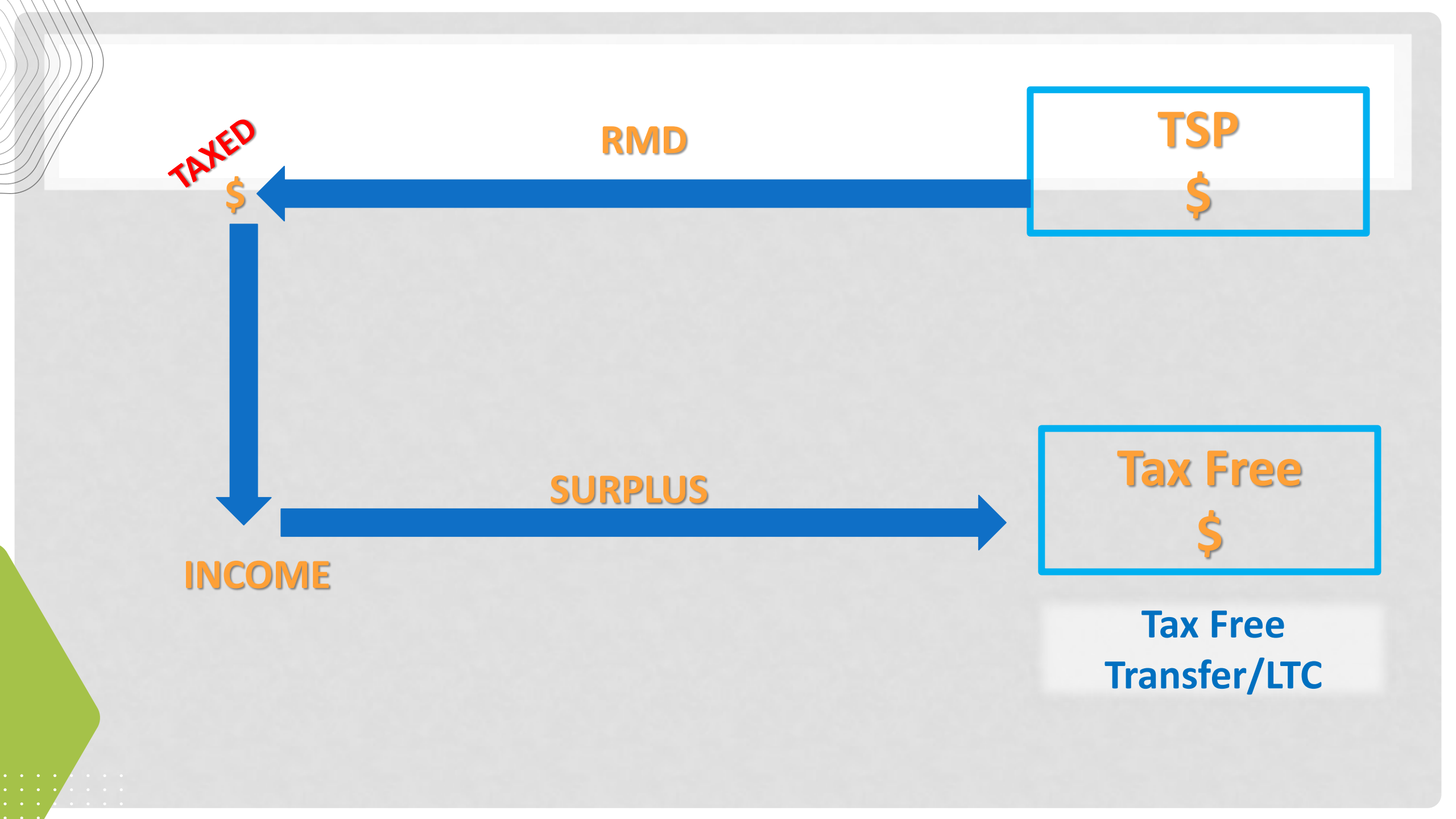
TSP
\$

SURPLUS

Tax Free
\$

INCOME

Tax Free
Transfer/LTC



Wealth Transfer:

Pre-Tax Retirement Accounts

Ret. Age	To Age	Pre-Tax Accounts Initial Balance	Level B.o.Y. Withdrawals	Rate of Return (Avg. Annual)	Total of All Fees	Federal+State Income Tax %
72	100	\$1,000,000	\$0	5.00%	0.00%	24%
Age	Year	Balance B.o.Y.	Gross Withdrawal B.o.Y. <input checked="" type="checkbox"/> RMD	Balance Net of Fees E.o.Y.	All-Inclusive Tax Liability E.o.Y.	Net of Fed+State Income Taxes
72	1	\$1,000,000	\$39,063	\$1,008,984	\$0	\$766,828
73	2	1,008,984	40,850	1,016,542	243,970	772,572
74	3	1,016,542	42,712	1,022,521	245,405	777,116
75	4	1,022,521	44,652	1,026,763	246,423	780,340
76	5	1,026,763	46,671	1,029,097	246,983	782,113
77	6	1,029,097	48,542	1,029,582	247,100	782,482
78	7	1,029,582	50,718	1,027,807	246,674	781,133
79	8	1,027,807	52,708	1,023,854	245,725	778,129
80	9	1,023,854	54,752	1,017,557	244,214	773,344
81	10	1,017,557	56,847	1,008,746	242,099	766,647
82	11	1,008,746	58,991	997,243	239,338	757,905
83	12	997,243	61,181	982,865	235,888	746,978
84	13	982,865	63,411	965,428	231,703	733,725
85	14	965,428	65,232	945,206	226,849	718,356
86	15	945,206	67,036	922,078	221,299	700,780
87	16	922,078	68,812	895,930	215,023	680,907
88	17	895,930	70,546	866,653	207,997	658,657
89	18	866,653	72,221	834,154	200,197	633,957
90	19	834,154	73,171	799,032	191,768	607,264
91	20	799,032	73,984	761,300	182,712	578,588
92	21	761,300	74,637	720,996	173,039	547,957
93	22	720,996	75,104	678,186	162,765	515,422
94	23	678,186	74,526	633,843	152,122	481,721
95	24	633,843	73,703	588,148	141,155	446,992
96	25	588,148	72,611	541,314	129,915	411,398
97	26	541,314	71,225	493,593	118,462	375,130
98	27	493,593	69,520	445,276	106,866	338,410
99	28	445,276	66,459	397,758	95,462	302,296

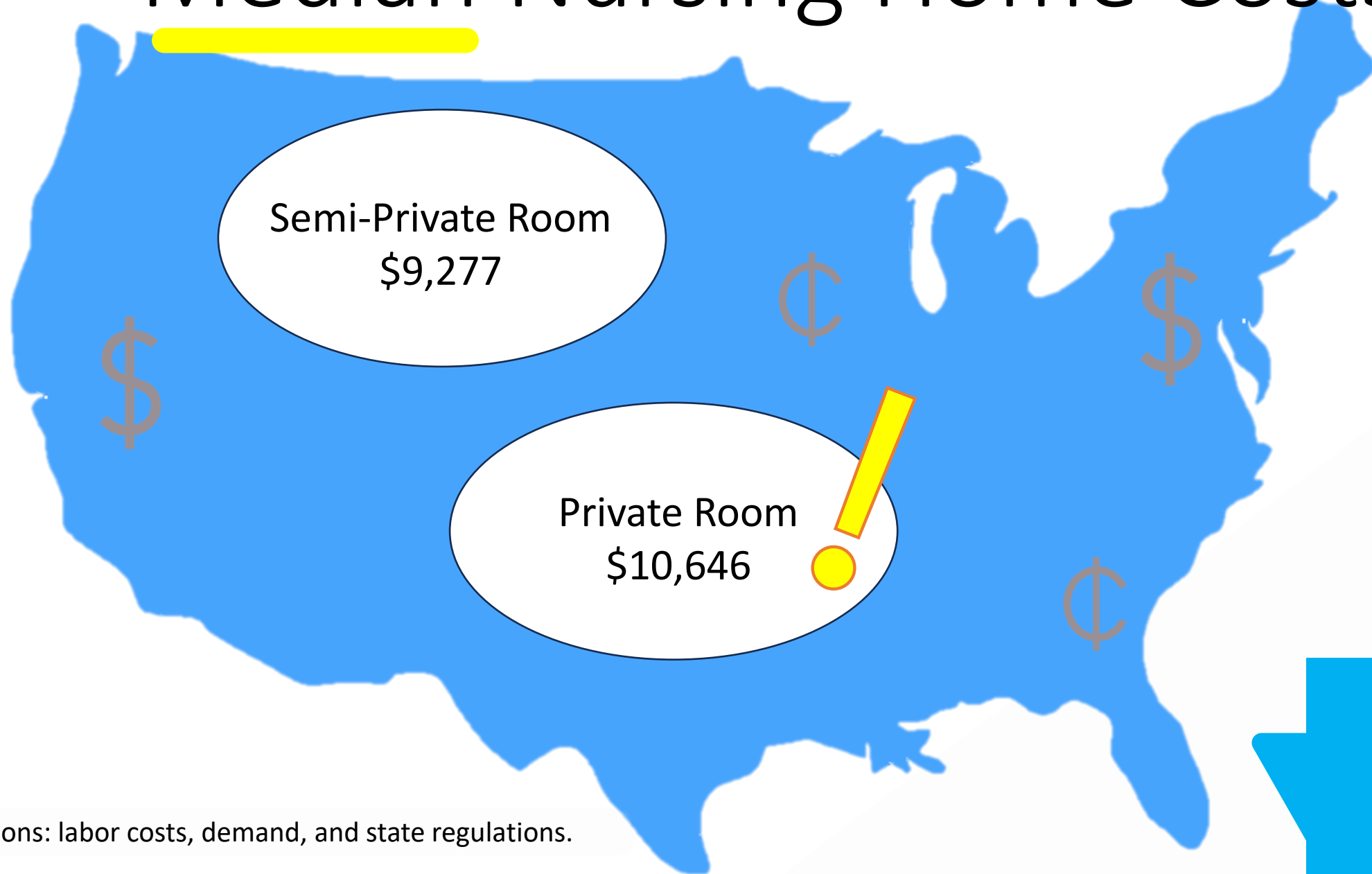
WEALTH TRANSFER

Beginning Balance <div>\$945,000</div>		Gross Level ROR <div>5.00</div>		Fee % of AUM <div>0.00</div>		High Random Gross ROR <div>50.00</div>		Low Random Gross ROR <div>(40.00)</div>		Inflation % <div>0.00</div>		<div>Lock Random RORs</div>	
Annual Additions or Withdrawals <div>(\$116,554)</div>		# of Years <div>10</div>		Avg. Inv. Tax Rate % <div>26.00</div>		<div>Level RORs</div>		<div>Manually-Typed or Pasted RORs</div>		<div>Random Fixed RORs</div>		<div>Random Var. RORs</div>	
		Ord. Inc. Tax Rate% <div>0.00</div> <div>Federal + State</div>		Taxable % of Gain <div>100.00</div> <div>Basis & Turnover</div>		<div>LOC Rate of Return:</div> <div>Not Included</div>				<div>Recalculate Random Var. RORs (or use F9)</div>			
<div>Reset</div>													

Year	Beginning Balance	Gross ROR	Gain or Loss	0.00% Fees	0.00% Taxes	Total Tax & Fees + LOC	Net Gain or Loss	Gross Addition or Withdrawal	Ending Balance Before Deferred Tax	Effective ROR Before Deferred Tax	Deferred Tax
1	828,446	5.00	41,422	0	0	0	41,422	116,554	869,868	5.00	0
2	753,314	5.00	37,666	0	0	0	37,666	116,554	790,980	5.00	0
3	674,426	5.00	33,721	0	0	0	33,721	116,554	708,147	5.00	0
4	591,593	5.00	29,580	0	0	0	29,580	116,554	621,173	5.00	0
5	504,619	5.00	25,231	0	0	0	25,231	116,554	529,850	5.00	0
6	413,296	5.00	20,665	0	0	0	20,665	116,554	433,961	5.00	0
7	317,407	5.00	15,870	0	0	0	15,870	116,554	333,277	5.00	0
8	216,723	5.00	10,836	0	0	0	10,836	116,554	227,559	5.00	0
9	111,005	5.00	5,550	0	0	0	5,550	116,554	116,555	5.00	0
10	1	5.00	0	0	0	0	0	116,554	2	5.00	0
Totals	1	5.00	220,542	0	0	0	220,542	1,165,540	2	5.00	0

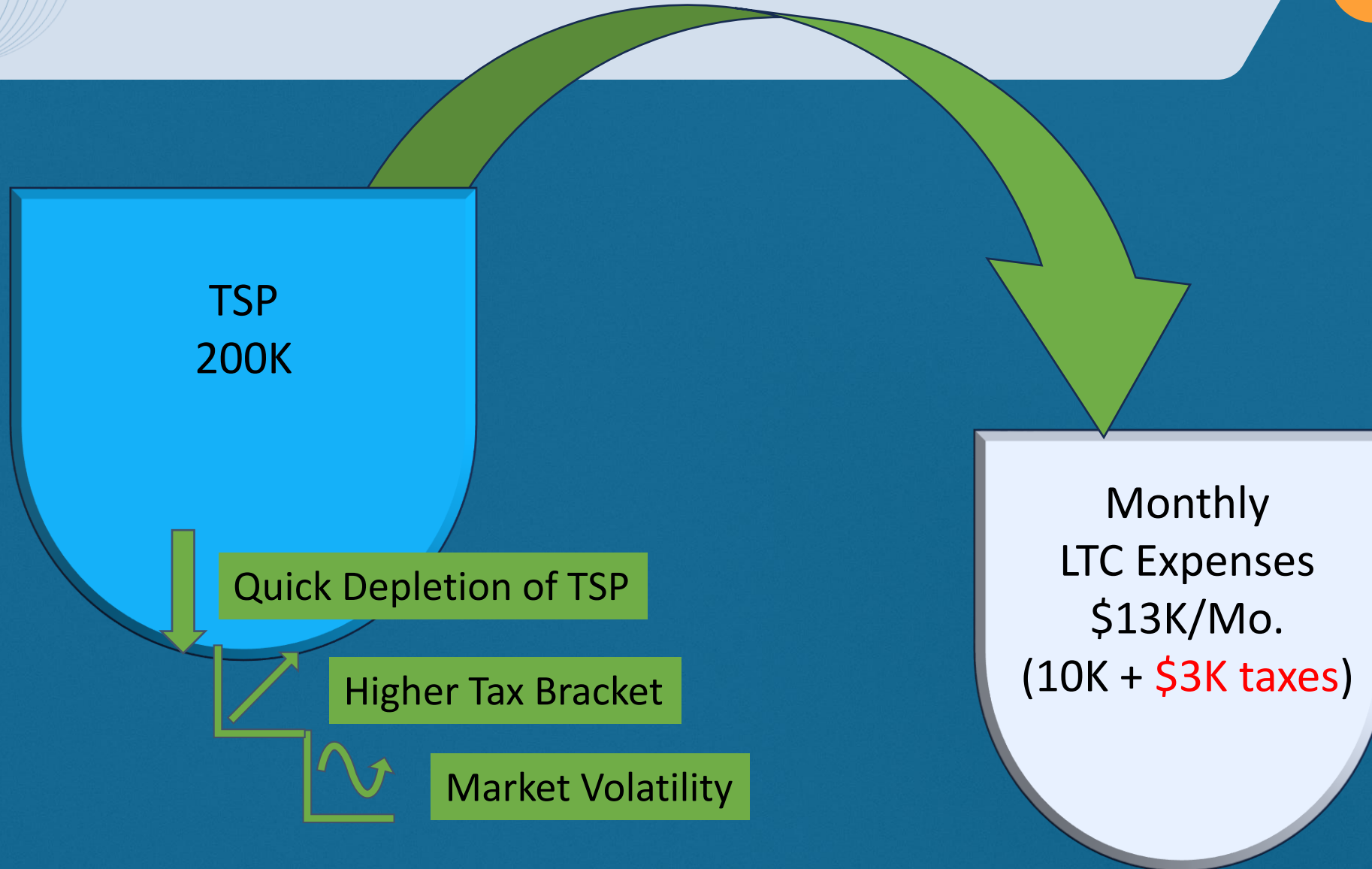
Median Nursing Home Costs

2024



Fluctuations: labor costs, demand, and state regulations.

Paying for LTC: TSP



Existing Policies Premium Rate Increases

State	Filer	Calculated premium change (\$M)	Written premium (\$M)	Approved rate change (%)*	Number of policyholders affected	Renewal business effective date
VA	Genworth Life Insurance Co. ¹	9.7	26.9	36.1	10,228	04/21/22
OH	Genworth Life Insurance Co.	9.7	14.8	65.4	6,713	03/31/22
PA	John Hancock Life Insurance Co. (US)	7.5	12.7	59.1	4,760	05/09/22
TN	Genworth Life Insurance Co.	5.5	9.2	59.5	4,431	04/27/22
KY	Genworth Life Insurance Co.	5.1	12.7	39.9	4,617	03/31/22
IA	Genworth Life Insurance Co.	5.0	10.6	47.4	2,612	02/18/22
NE	Mutual Shares Insurance Co.	4.9	4.6	107.1	2,383	01/01/22
AL	Genworth Life Insurance Co.	4.7	31.0	15.0	8,321	03/14/22
TX	Allianz Life Insurance Company of North America	4.6	7.5	62.2	2,821	01/29/22
NE	Ability Insurance Co. ²	4.6	8.1	56.7	2,024	01/13/22

**11%
Annual
Increase !**

Date compiled Aug 4, 2022

LTC = long-term care

Information collected on a best-effort basis. Rate filing information is sourced from the System for Electronic Rate and Form Filing documents.

Reflects individual long-term care rate filings for Type of Insurance LTC02I, LTC031, LTC041 and LTC051 with renewal business effective dates between Jan. 1 and June 30, 2022. Excludes pending, disapproved and withdrawn filings; filings where rate change was zero; filings where data on the premium impacted was unavailable; filings where the disposition table was unavailable, notably in the state of Florida.

Written premium, calculated premium change, approved rate change and number of policyholders affected are based on disposition section of rate filings. Approved rate change reflects the calculated premium change divided by written premium.

Top 10 filings shown are based on calculated premium change.

*Approved rate change shown may be the ultimate increase as some states cap the amount an insurer can raise rates in a given year.

¹ Adjustments made to values shown due to discrepancies between disposition table and correspondence from the state insurance regulators within the filing.

² Include LTC premium changes for policies of medico Insurance Co. that have been novated over to Ability Insurance Co.

Source: S&P Global Market Intelligence

Stress Test Your LTC Premiums

<u>Beginning Balance</u>	<u>Gross Level ROR</u>
\$3,930	11.00
<u>Annual Additions or Withdrawals</u>	<u># of Years</u>
\$0	20
	<u>Ord. Inc. Tax Rate%</u>
	0.00
	Federal + State

Year	Beginning Balance
1	3,930
2	4,272
3	4,643
4	5,046
5	5,485
6	5,961
7	6,479
8	7,042
9	7,654
10	8,320
11	9,042
12	9,828
13	10,682
14	11,611
15	12,620
16	13,716
17	14,908
18	16,204
19	17,612
20	19,142

Can you afford this?



Thank you for your time today. Kindly fill out our feedback survey:
<https://www.surveymonkey.com/r/DCSOFASURVEY>



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