



# UNDERSTANDING ROTH CONVERSIONS



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# What is a Roth Conversion

- Simplified Employee Pension (SEP)
- Simple IRA
- Defined-Contribution Plan (401(k)/403 (b))



**Roth IRA**

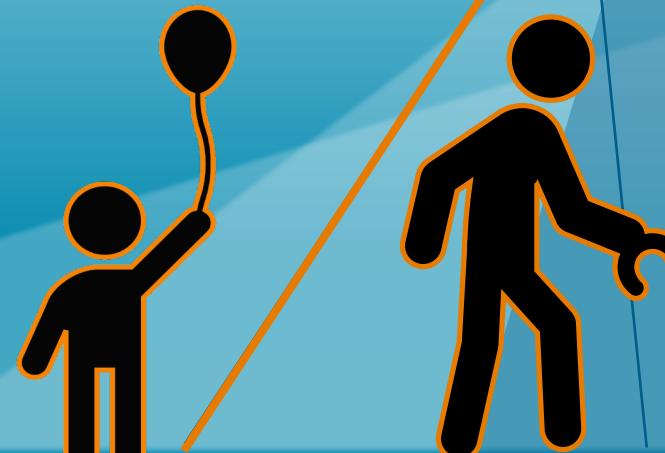
# What are the Benefits of a Roth Conversion

- ✓ Tax Free Growth
- ✓ Tax Free Wealth Transfer (Exceptions could be Estate Tax, Federal and State Tax)
- ✓ Could Reduce the Required Minimum Distribution
- ✓ NO RMD's!!
- ✓ Could Reduce Taxable Income in Retirement
- ✓ Reduces Government Legislative Risk

# What are the 6 Rules to a Roth Conversion



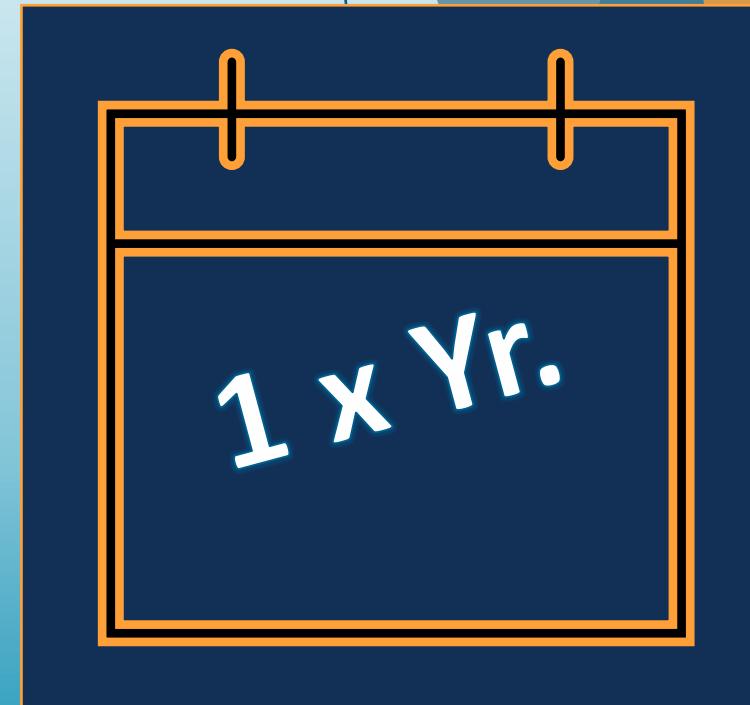
1. No limit to how much you can convert.
2. No age limit to doing a conversion.



## ... More Rules to a Roth Conversion



3. You can do a Roth Conversion once a year per individual.
4. If under 59.5, you must pay tax from another source (consider regardless of age).



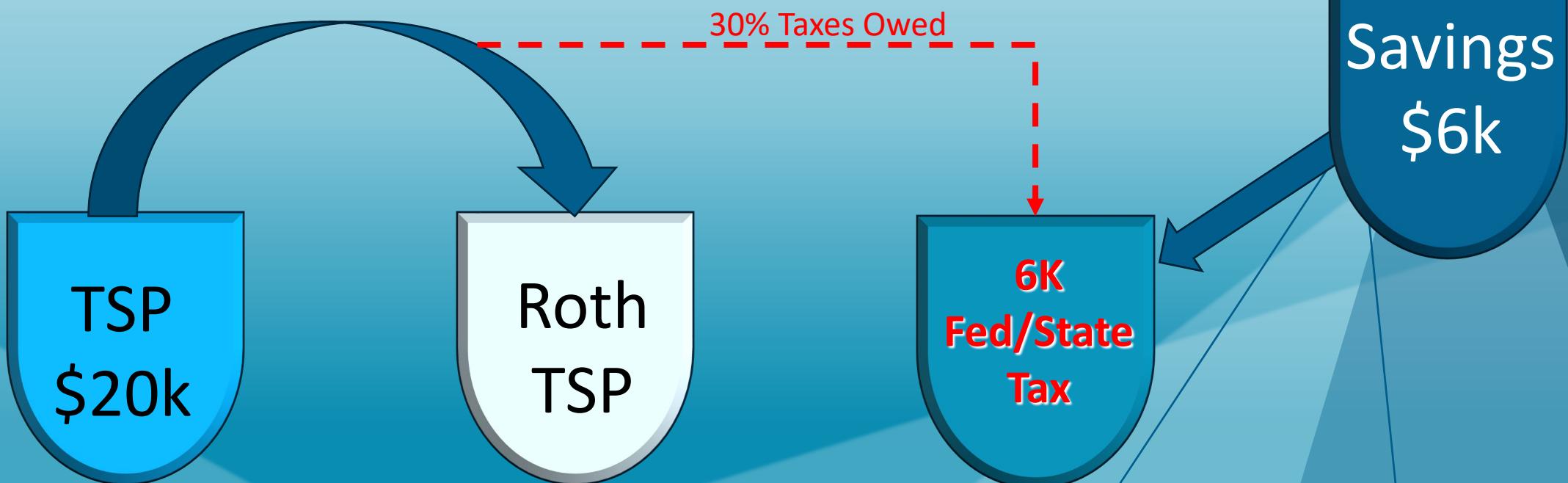
## ... And More Rules...



5. To receive tax-free growth on any Roth, you must own the Roth for 5 years.  
\*Each Conversion starts a new 5yr term.

# And More...

6. In 2026 a Traditional TSP can be converted to a ROTH TSP



# Does a Roth Conversion Makes sense for you?



Convert in a lower tax bracket  
(if you believe taxes will go up in the future).

10

Ideally, you will not need to use the converted monies for 10 yrs. or more.  
(Break-even point!!!).



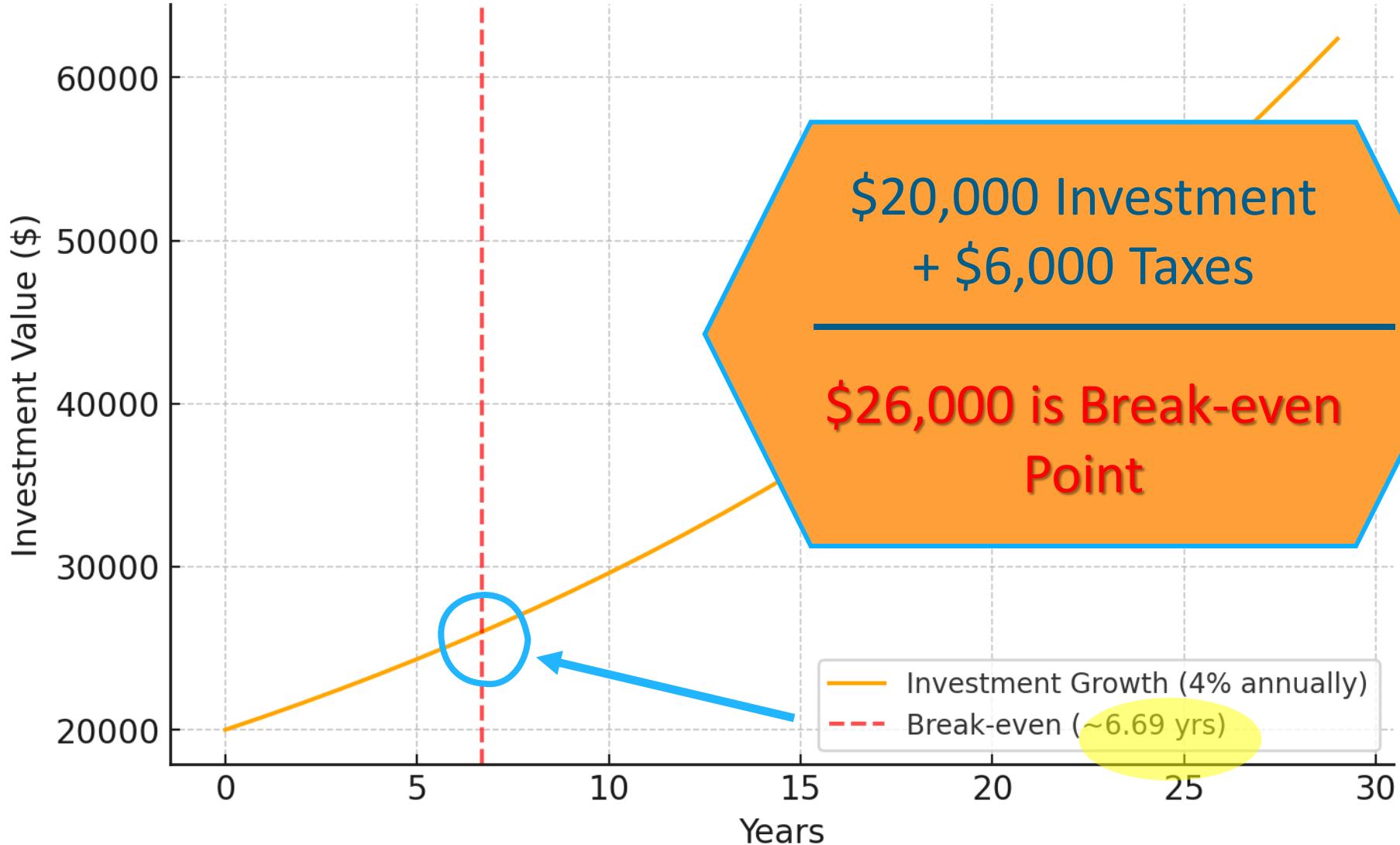
You have enough money from another source to pay the tax for the conversion.



The conversion could impact Medicare Part B Premiums & tax credits w/ income phaseouts.

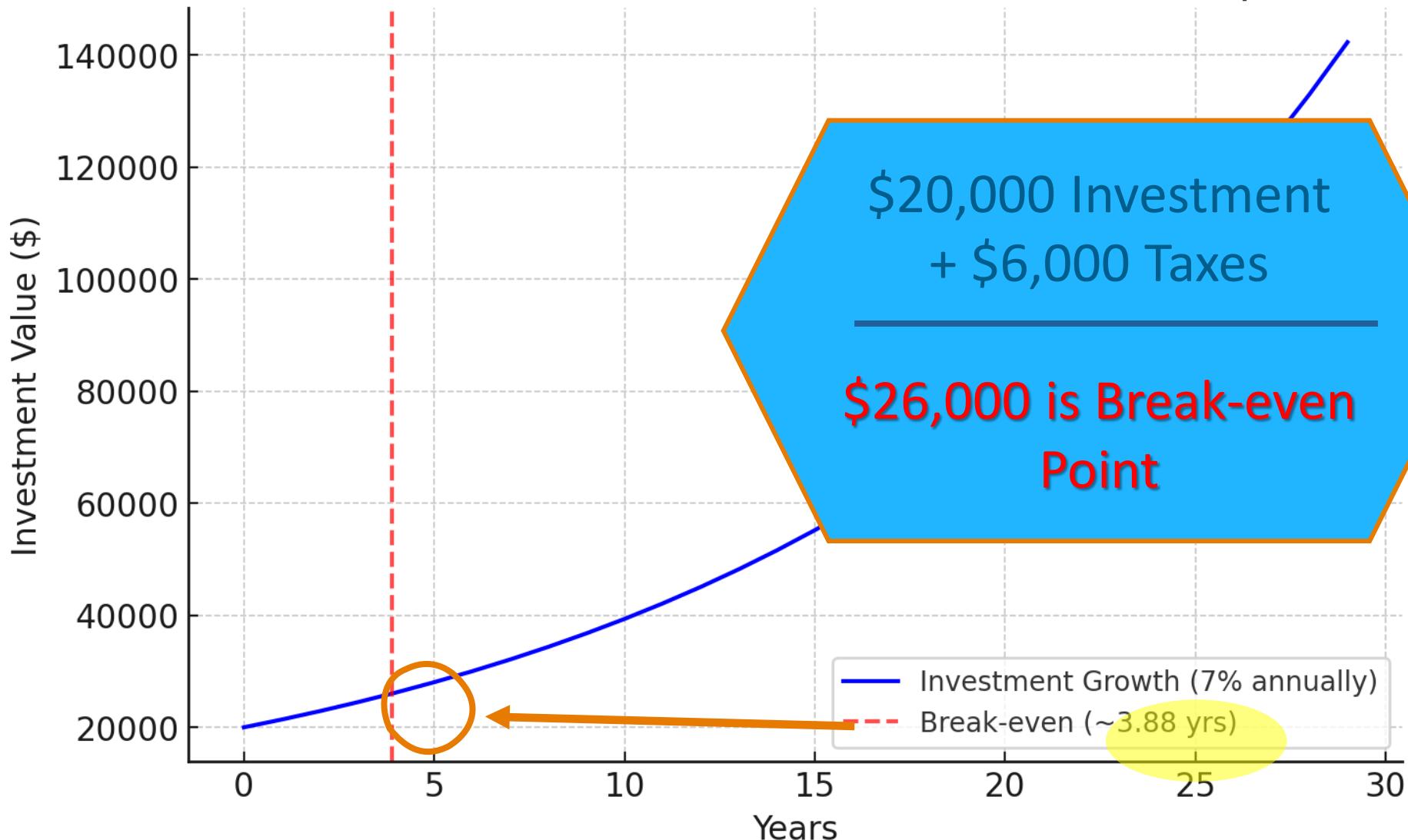
# Break-Even Point at 4% Return

Investment Growth: \$20,000 at 4% Annual Return (Compound Interest)



# Break Even Point at 7% Return

Investment Growth: \$20,000 at 7% Annual Return (Compound Interest)



# How the One Big Beautiful Bill Act Changes Roth Conversions

(Effective 2025)

## TWO Deductions That Can Disappear After a Roth Conversion

*A Roth conversion adds to your taxable income which can quietly push you over deduction phaseout thresholds.*

### Senior Deduction

If you're 65 or older:

- Deduct \$6,000 if single
- Deduct \$12,000 if married

Phaseout range:

- Starts at \$150,000 MAGI
- Fully gone by \$250,000 MAGI

### SALT Deduction

New cap:

- Up to \$40,000 in state/local tax deductions

Phaseout range:

- Begins at \$500,000 MAGI
- Shrinks down to \$10,000 by \$600,000



**Future conversions should be modeled carefully, especially:**

- Before/after age 65
- Around \$150K, \$250K, \$500K, and \$600K income thresholds

# To Clear Up Any Confusion:

CONTRIBUTIONS to a Roth IRA or Roth TSP are *deposits* you make.



CONVERSIONS are *transfers* you make from a taxable account to a tax-free account.



# To Clear Up the Confusion

## ROTH TSP vs. ROTH IRA 2026

	Roth TSP	Roth IRA	
Required Minimum Distributions	No	No	Phase Out!!!!
Income Limitation for Contributions	No	Yes	<b>Single/Head of Household AGI: \$153,000-\$168,000</b> <b>Married Filing Joint AGI: \$242,000 - \$252,000</b>
<b>Annual Maximum Contributions</b>	<b>\$24,500</b>	<b>\$8,000</b>	
Catch Up Provision 50+	\$8,000	\$1,000	
Total Potential Annual Contribution	\$32,500	\$9,000	

# Secure Act 2.0: Catch-Up Changes:

## Increased Catch-up Limits at Age in the Years You Turn 60, 61, 62, and 63\*

- Higher Catch-up is \$11,250 instead of \$8,000. That's a difference of \$3,250.
- Effective date: Calendar years beginning after December 31, 2024
- Applicable plans: TSP, 401(k), 403(b)



# Catch-Up Contributions: New Rules and Eligibility

01

## Affects High TSP Earners

The new catch-up contribution rule **affects high earners** starting in January 2026 (per SECURE Act 2.0).

02

## Age 50+ Earning >\$150K

**Applies to those eligible** for catch-up (age 50+ by Dec 31 next year) earning over \$150,000 in 2026.

03

## Threshold Adjusts

**\$150,000 threshold** called '*Roth catch-up wage threshold*'; **adjusts annually** by CPI.

04

## Implement Now

**TSP implements rule in 2026**; other 401(k)s not required until 2027.



# High Earner Rule Details and Employer-Specific Income



## FICA Wages

2026 catch-up contribution rule uses **\$150,000 FICA wages** from 2025 W-2, box 3.



## Individuals Only

Income threshold applies to individual, not combined spousal income.



## Only Sponsoring Employer

Only wages from the employer sponsoring the 401(k)/TSP are counted.



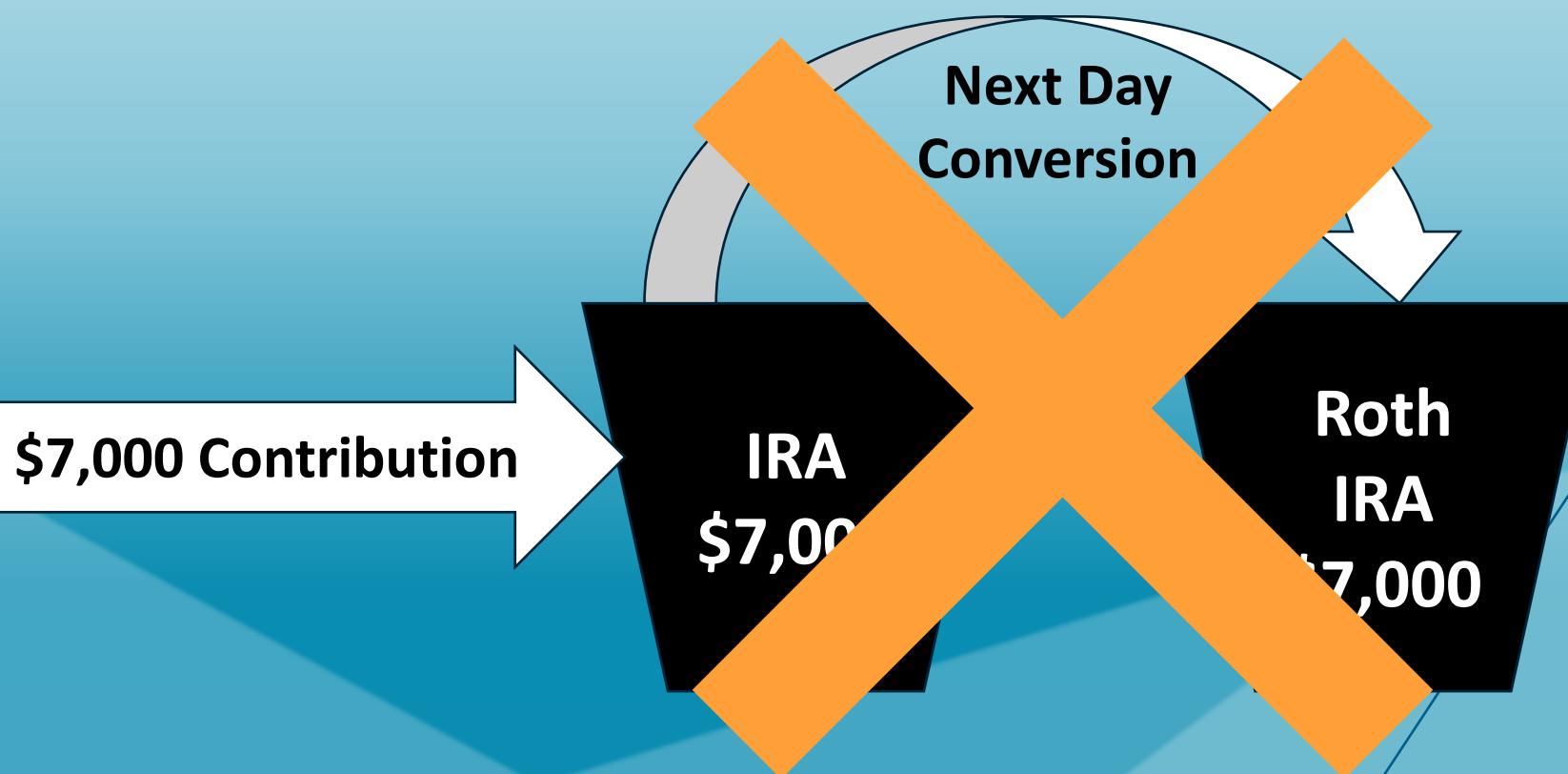
## CSRS Employees Not Subject

CSRS employees (non-offset) are not subject to this rule due to lack of FICA income.

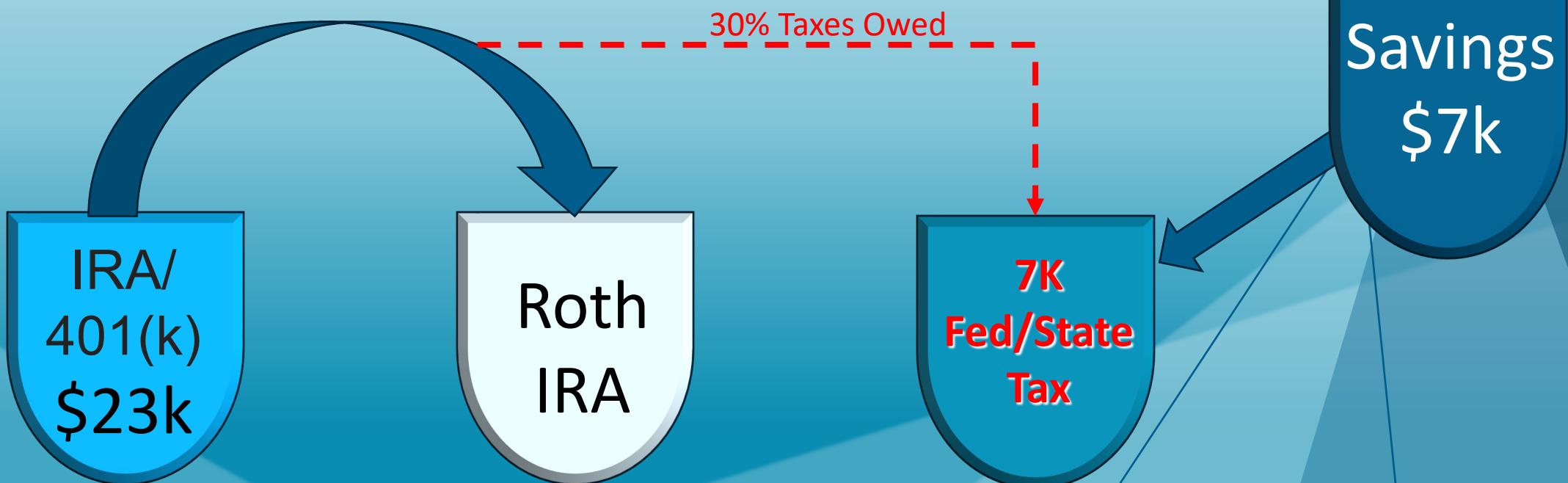


# Back Door Roth = Conversion

Phase Out – Income Limits Too High



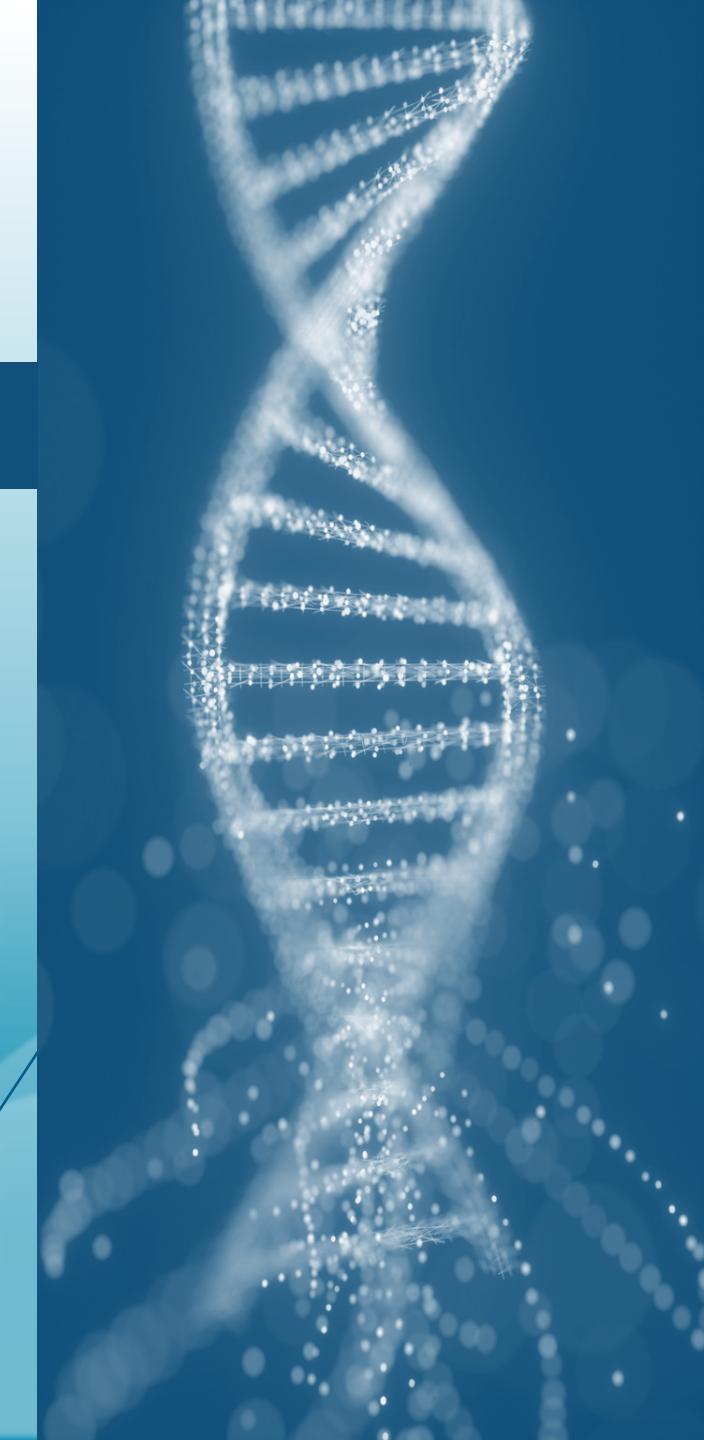
# What Makes More Sense...



# Does a Roth Conversion Make Sense for You?

## Understanding Your Financial Anatomy

1. Target Retirement Income
2. Retirement Projections
3. Discover: Higher, Same, Lower Tax Bracket
4. Understanding Your Tax Bracket & Medicare B Part B
5. Establish Your Opinion of the Future of Taxes
6. Must see yourself on a Financial Model to VERIFY and dispel sales hype and hearsay



# Step #1: Understanding Your Target Retirement Income



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

# Step #2: Quantify Your Retirement Income Projections

## Retirement Income Stool

Social Security

Pension

Savings/Investments

### 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
	<b>Total Income at year #2</b>	<b>\$62,500</b>

# Step #3: Compare and Analyze

<b>TOTAL Gross Income</b>	<b>\$107,000</b>
<b>Less:</b>	
<b>TSP/401k</b>	<b>\$24,500</b>
<b>IRA</b>	<b>\$6,500</b>
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**GAP**  
*(Less money in retirement than what you're living on today)*

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Retirement Income Projections		
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	Social Security	\$25,000
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0% W/D	Tax Free	\$0
2.5% W/D	TSP/401(k)	\$500,000
	TOTAL	\$12,500
	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
	<b>Total Income at year #2</b>	<b>\$62,500</b>

# STEP #4: Understanding Your Tax Picture

Will you  
be in a



Higher

TAX BRACKET  
when you retire?

# IRS Form 1040

Form 1040 (2025)

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

**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.

## Taxable Income

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  2026 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.

City, town, or post office. If you have a foreign address, also complete spaces below.  State  ZIP code

Foreign country name  Foreign province/state/county  Foreign postal 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

**Filing Status**  Single  Head of household (HOH)  
 Married filing jointly (even if only one had income)  Qualifying surviving spouse (QSS)  
 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**  Dependent 1  Dependent 2  Dependent 3  Dependent 4

(see instructions)  First name  Last name  SSN  Relationship

If more than four dependents, see instructions and check here

Check if lived with you more than half of 2025  (a) Yes  (b) And in the U.S.  (a) Yes  (b) And in the U.S.  (a) Yes  (b) And in the U.S.  (a) Yes  (b) And in the U.S.

Check if  Full-time student  Permanently and totally disabled  Credit for other dependents  Credit for other dependents

Credits  Child tax credit  Credit for other dependents  Child tax credit  Credit for other dependents  Child tax credit  Credit for other dependents  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**

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

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions. Cat. No. 11320B 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 2026

Tax Rate	For Single Filers	For Married Individuals Filing Joint Returns	For Heads of Households
10%	\$0 to \$12,400	\$0 to \$24,800	\$0 to \$17,700
12%	\$12,401 to \$50,400	\$24,801 to \$100,800	\$17,701 to \$67,450
22%	\$50,401 to \$105,700	\$100,801 to \$211,400	\$67,451 to \$105,700
24%	\$105,701 to \$201,775	\$211,401 to \$403,550	\$105,701 to \$201,775
32%	\$201,776 to \$256,225	\$403,551 to \$512,450	\$201,776 to \$256,200
35%	\$256,226 to \$640,600	\$512,451 to \$768,700	\$256,201 to \$640,600
37%	\$640,601 or more	\$768,701 or more	\$640,601 or more

# Step #3: Compare and Analyze

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



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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
	TOTAL	\$12,500
	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
	<b>Total Income at year #2</b>	<b>\$62,500</b>

# Medicare B Coverage for 2024

## Medicare 2024 Part B Premiums By Income

If Your Filing Status and Yearly Income in 2022 was:

Individual Tax Return	Joint Tax Return	Married & Separate Tax Return	PART B Premium + IRMAA
\$103,000 or Less	\$206,000 or Less	\$103,000 or Less	\$174.70
\$103,001 to \$129,000	\$206,001 to \$258,000	N/A	\$244.60 (\$174.70 + \$69.90)
\$129,001 to \$161,000	\$258,001 to \$322,000	N/A	\$349.40 (\$174.70 + \$174.70)
\$161,001 to \$193,000	\$322,001 to \$386,000	N/A	\$454.20 (\$174.70 + \$279.50)
\$193,001 to \$499,999	\$386,001 to \$749,999	\$103,001 to \$396,999	\$559.00 (\$174.70 + \$384.30)
\$500,000+	\$750,000+	\$397,000+	\$594.00 (\$174.70 + \$419.30)

# Where do you think taxes will be in your 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 Conversion Solutions

## On a Financial Model

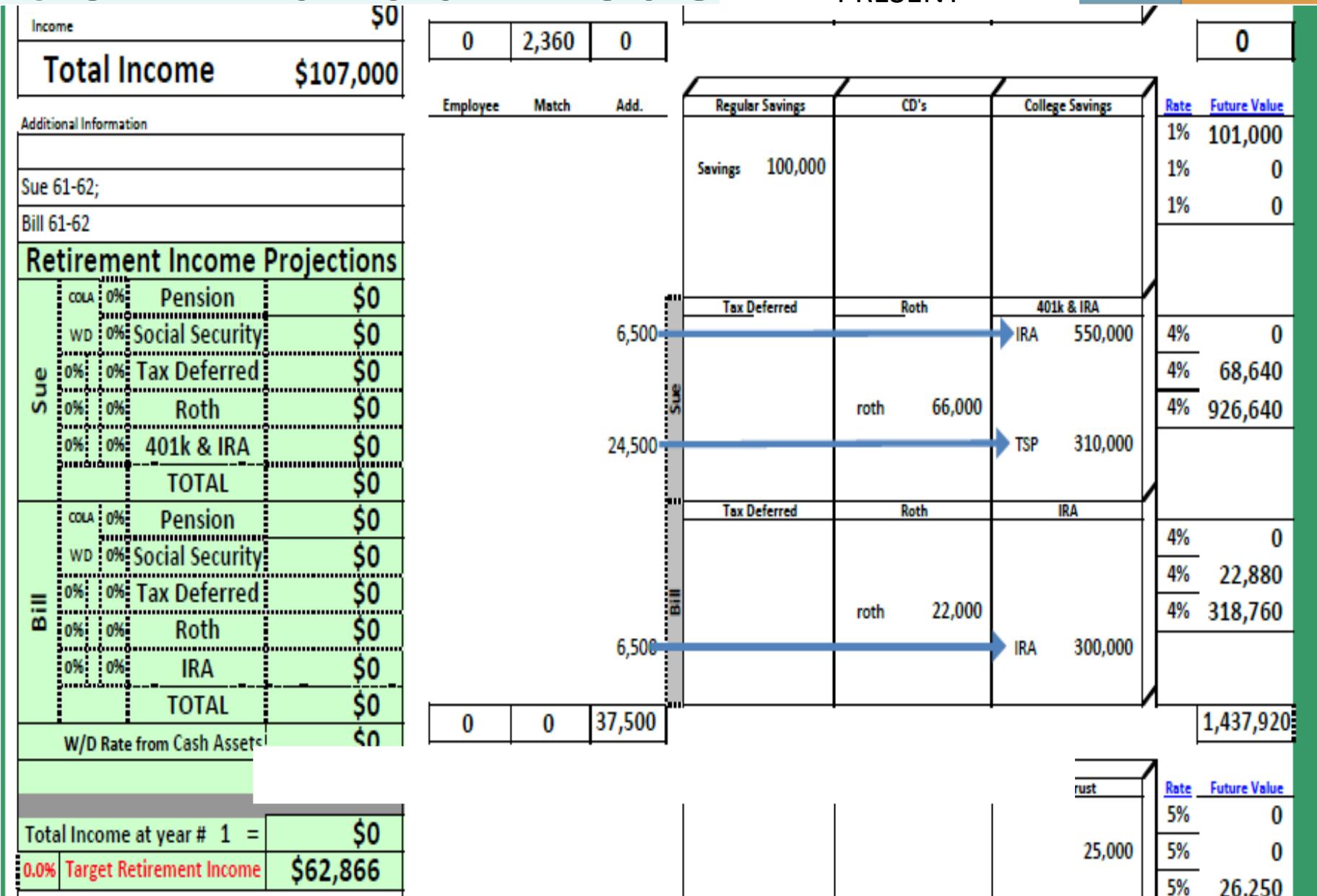


# Target Retirement Income



Gross Income - Sue	\$107,000
Gross Income - Bill	\$0
<b>Total Gross Income</b>	<b>\$107,000</b>
Less	
TSP/401(k)	\$24,500
IRA	\$6,500
Social Security	\$6,634
IRA	\$6,500
Mortgage	\$0
College	\$0
Credit Cards	\$0
Debts	\$0
Tax Equivalent	\$0
Non/Qualified IRA	\$0
Roth	\$0
<b>Total Payments</b>	<b>\$44,134</b>
<b>Target Retirement Income</b>	<b>\$62,866</b>

# Present Position Financial Model



# Sue Retires

<b>Total Income</b> <b>\$107,000</b>			0	0	0	0
	Employee	Match	Add.			
Additional Information						
Sue 62-70						
Bill 62-70						
<b>Retirement Income Projections</b>						
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			
			<b>TOTAL</b>	<b>\$50,342</b>		
Bill	COLA 0%	Pension	\$0			
	WD 0%	Social Security	\$0			
	0% 0%	Tax Deferred	\$0			
	0% 0%	Roth	\$0			
	4% 0%	IRA	\$12,750			
			<b>TOTAL</b>	<b>\$12,750</b>		
	0% W/D Rate from Cash Assets			\$0		
				\$0		
	<b>Total Income at year # 8 =</b> <b>\$63,092</b>					
	<b>0.0% Target Retirement Income</b> <b>\$62,866</b>					
	0	0	0			
			<b>Savings Type Assets Total</b> <b>1,514,938</b>			
			Government Bonds	Corporate Bonds	BoA Trust	
					26,250	
			Rate	Future Value		
			5%	0		
			5%	0		
			5%	29,792		

# RMD and Social Security Tab on Financial Model

RMD & SS

# 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

# Sue Retires

<b>Total Income</b>		<b>\$107,000</b>	0	0	0
			Employee	Match	Add.
Additional Information					
Sue 62-70					
Bill 62-70					
<b>Retirement Income Projections</b>					
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	
			<b>TOTAL</b>	<b>\$50,342</b>	←
Bill	COLA	0%	Pension	\$0	
	WD	0%	Social Security	\$0	
	0%	0%	Tax Deferred	\$0	
	0%	0%	Roth	\$0	
	4%	0%	IRA	\$12,750	←
			<b>TOTAL</b>	<b>\$12,750</b>	←
0% W/D Rate from Cash Assets		\$0	0	0	0
		\$0			
Total Income at year # 8 =			\$63,092		
0.0% Target Retirement Income		\$62,866			

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
	roth 68,640		4%	93,939
			4%	966,258
		TSP 347,880		
Tax Deferred	Roth	IRA		
			4%	0
	roth 22,880		4%	31,313
			4%	314,061
		IRA 318,760		
<b>Savings Type Assets Total</b>				<b>1,514,938</b>
Government Bonds	Corporate Bonds	BoA Trust	Rate	Future Value
		26,250	5%	0
			5%	0
			5%	29,792

# Medicare B Coverage for 2024

## Medicare 2024 Part B Premiums By Income

If Your Filing Status and Yearly Income in 2022 was:

Individual Tax Return	Joint Tax Return	Married & Separate Tax Return	PART B Premium + IRMAA
\$103,000 or Less	\$206,000 or Less	\$103,000 or Less	\$174.70
\$103,001 to \$129,000	\$206,001 to \$258,000	N/A	\$244.60 (\$174.70 + \$69.90)
\$129,001 to \$161,000	\$258,001 to \$322,000	N/A	\$349.40 (\$174.70 + \$174.70)
\$161,001 to \$193,000	\$322,001 to \$386,000	N/A	\$454.20 (\$174.70 + \$279.50)
\$193,001 to \$499,999	\$386,001 to \$749,999	\$103,001 to \$396,999	\$559.00 (\$174.70 + \$384.30)
\$500,000+	\$750,000+	\$397,000+	\$594.00 (\$174.70 + \$419.30)

# RMD and Social Security Tab on Financial Model

RMD & SS

# What Tax Bracket Does it Fall into?

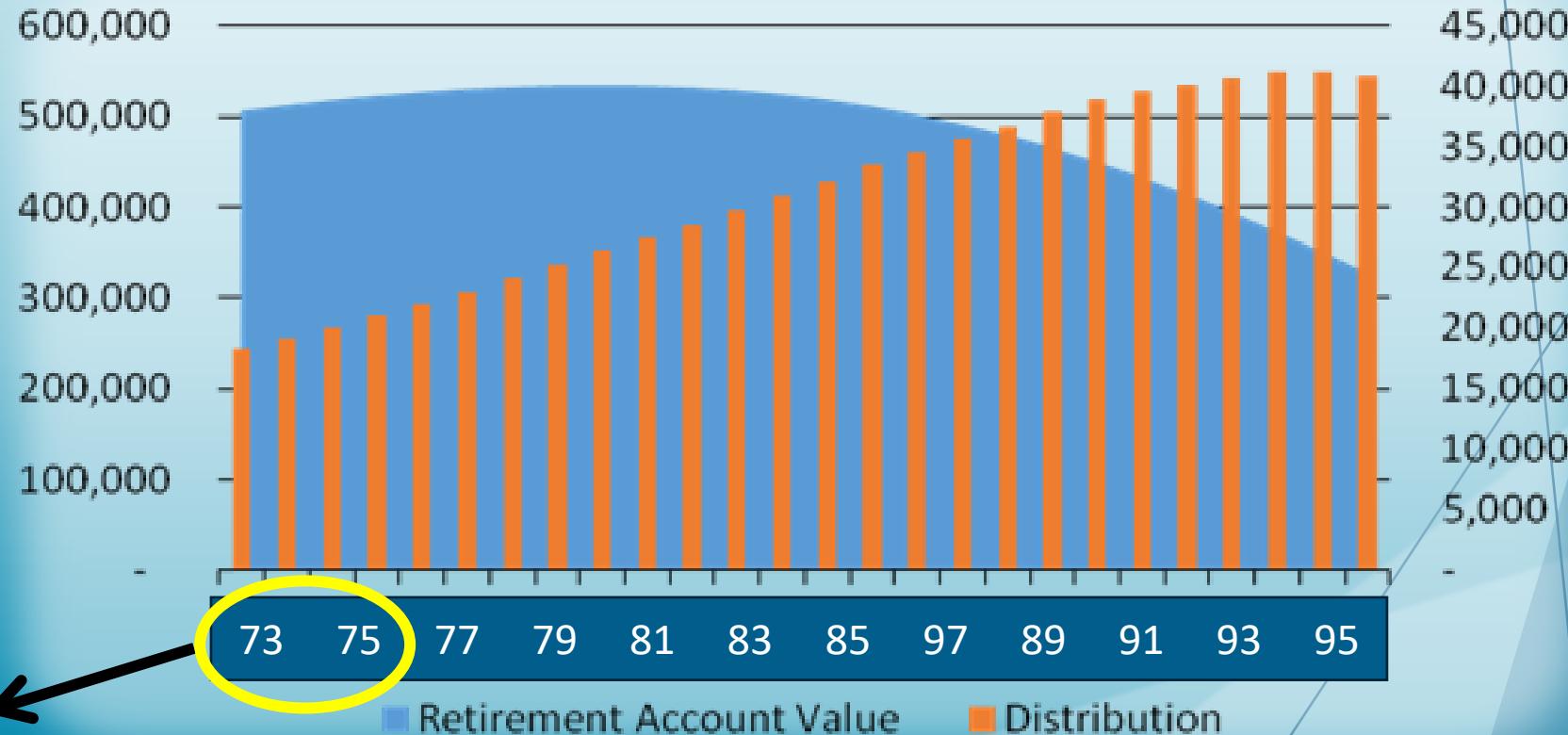
Tax Bracket 2025

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

# RMDs Increase...

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

## Effect of RMDs



AGE 73...75

NOTE:

The age for withdrawing from retirement accounts was increased in 2020 to 72 from 70.5. (Note that the SECURE 2.0 Act will raise the age for RMDs to 73 for those who turn 72 in 2023.) Therefore, your first RMD must be taken by April 1 of the year after which you turn 72 (73 in 2023). After that your RMDs must be taken by December 31 of each year.

# Sue and Bill Model Inflation

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	
	Roth 105,668	
	TSP 408,048	
Bill		
Tax Deferred	Tax Free	Tax Deductible
	Roth 43,228	
	IRA 353,275	
Savings Type Assets Total		1,080,083
0	0	0

# Wealth Transfer: Pre-Tax Retirement Accounts

Ret. Age	To Age	Pre-Tax Accounts		Level B.o.Y. Withdrawals	Rate of Return (Avg. Annual)	Total of All Fees	Federal+State Income Tax %
		Initial Balance					
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

# Tax Shelter

Tax

Surplus or Gap

Lower/Higher  
Brackets

Fr ee

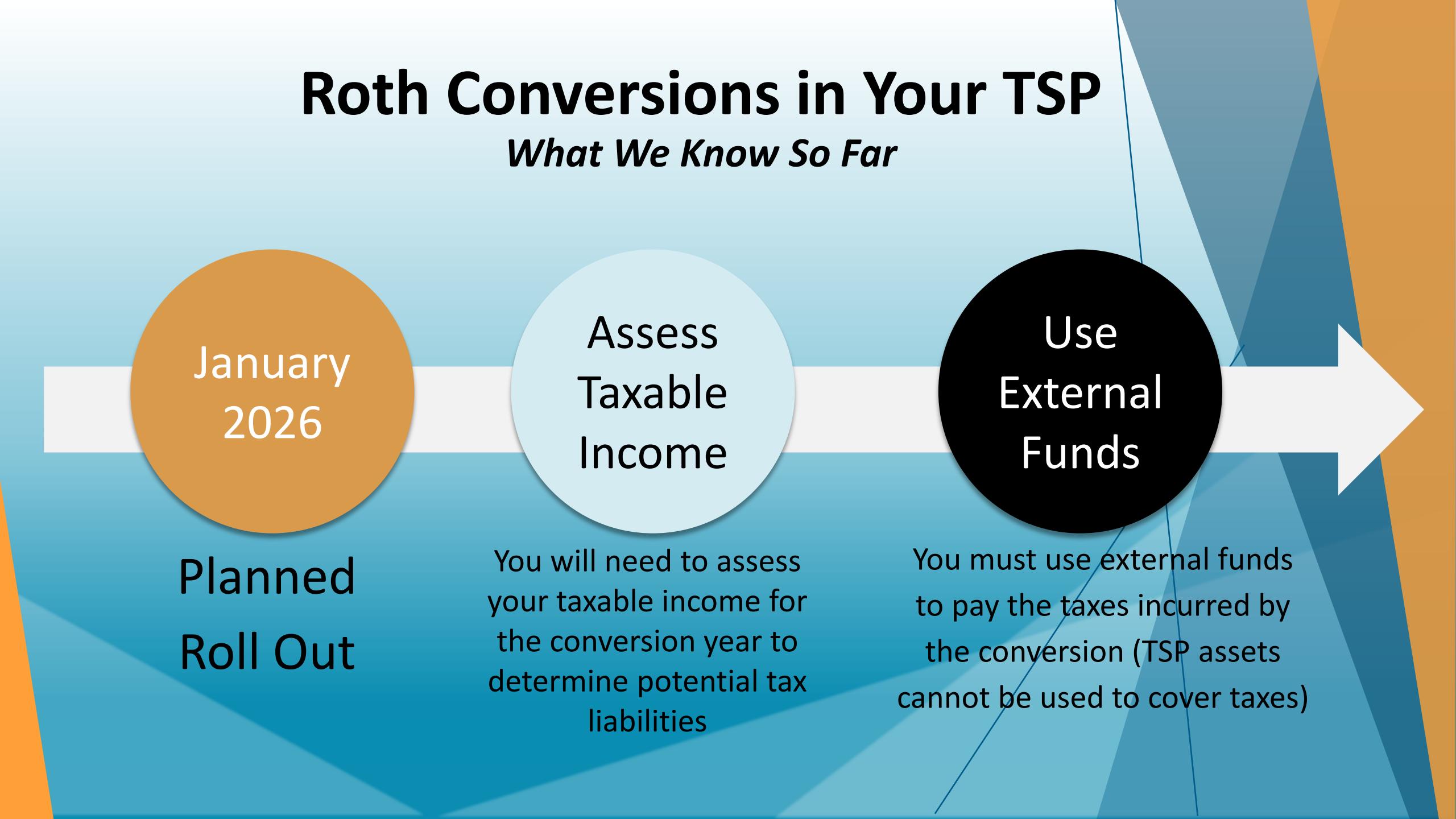
Growth

RMD's Social Security =  
Reinvestment?

Roth IRA/  
Shadow Provision

# Roth Conversions in Your TSP

## *What We Know So Far*



January  
2026

Planned  
Roll Out

Assess  
Taxable  
Income

You will need to assess  
your taxable income for  
the conversion year to  
determine potential tax  
liabilities

Use  
External  
Funds

You must use external funds  
to pay the taxes incurred by  
the conversion (TSP assets  
cannot be used to cover taxes)



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