SOFA
THE SOCIETY FOR FINANCIAL AWARENESS

DC Metropolitan Chapter www.dcsofa.org

Social Security and Taxes in Retirement

The Desire

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

01 Long Term Wealth

02 Retirement Income

03 Minimized Taxes

04 Lasting Legacy

05 Reduced Costs and Risk

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

Financial Decisions = Challenge

We tend to avoid revisiting these decisions, making things worse over time, and causing us to have a "financial junk drawer."

One at a Time

At Different Times

With Different People

Under Different Circumstances
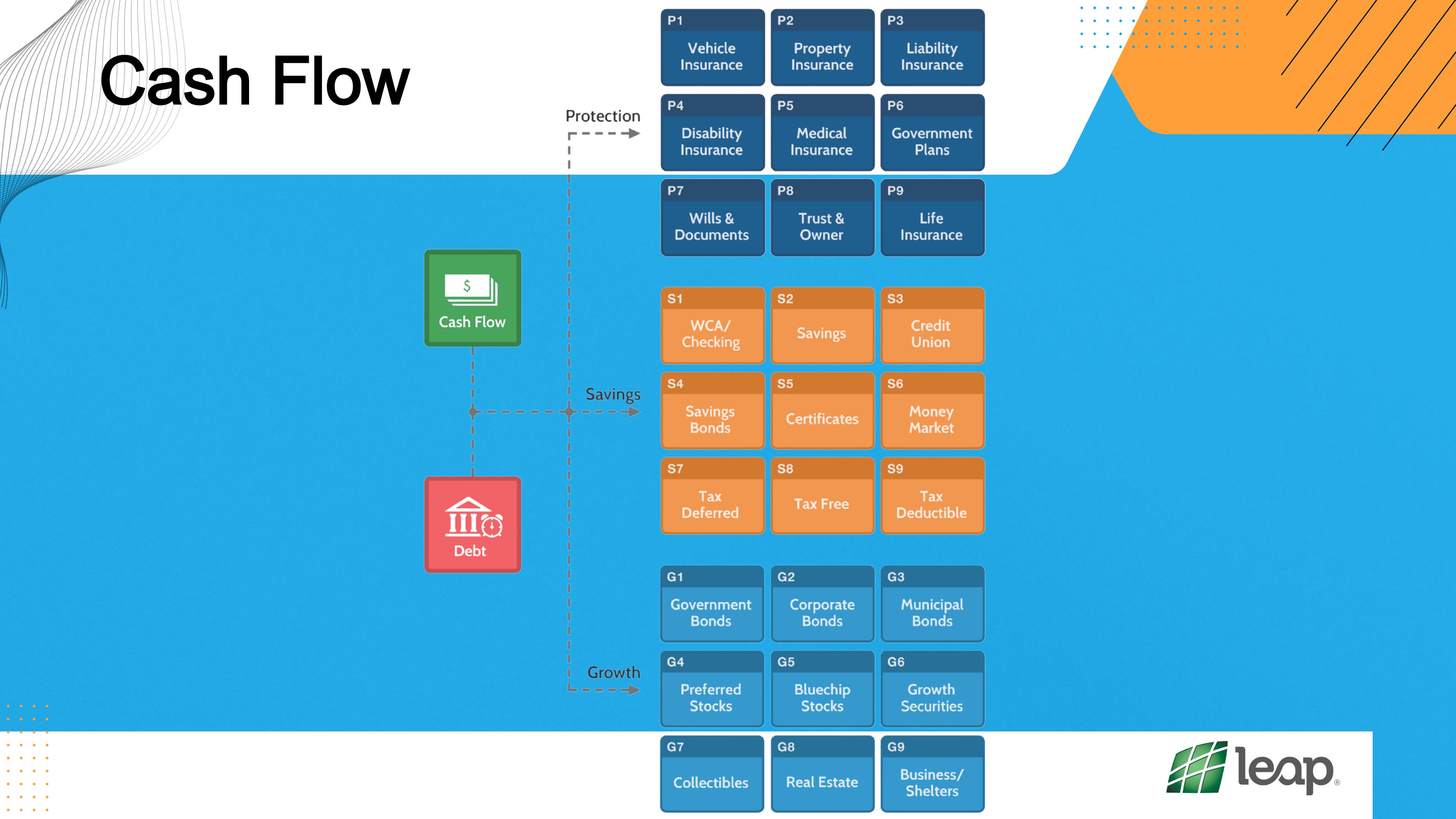
Junk Drawer

Undermines Financial Success

- ➢ Disorganized
- ➢ Uncoordinated
- ➢ Non-integrated
- ➢ Inefficient
- ➢ Ineffective
- ➢ Hard to Manage

Cash Flow

What is Your Financial Anatomy

▶ **TRI: Target Retirement Income**

Identify the amount of money you are living on today.

▶ **Retirement Income Projection**

❑ Gap
❑ Same
❑ Surplus

▶ **Tax Position**

What tax bracket will you be in when you retire?

❑ Lower
❑ Same
❑ Higher

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**

Target Retirement Income	**$62,866**

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
		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**

IRS Form 1040

Taxable Income

Form 1040 — U.S. Individual Income Tax Return — 2025 — Department of the Treasury—Internal Revenue Service — 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 , 20 — 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 Check only one box.
☐ Single
☐ Married filing jointly (even if only one had income)
☐ Married filing separately (MFS). Enter spouse's SSN above and full name here:
☐ Head of household (HOH)
☐ Qualifying surviving spouse (QSS)
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) If more than four dependents, see instructions and check here ☐

	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) ☐ 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.
(6) Check if	☐ Full-time student ☐ Permanently and totally disabled	☐ Full-time student ☐ Permanently and totally disabled	☐ Full-time student ☐ Permanently and totally disabled	☐ Full-time student ☐ Permanently and totally disabled
(7) Credits	☐ Child tax credit ☐ Credit for other dependents	☐ Child tax credit ☐ Credit for other dependents	☐ Child tax credit ☐ Credit for other dependents	☐ Child tax credit ☐ 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-2G 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 — b Taxable interest — 2b
3a Qualified dividends — 3a — b Ordinary dividends — 3b
4a IRA distributions — 4a — b Taxable amount — 4b
c Check if (see instructions) ☐ 1 Rollover 2 ☐ QCD 3 ☐
5a Pensions and annuities — 5a — b Taxable amount — 5b
c Check if (see instructions) ☐ 1 Rollover 2 ☐ PSO 3 ☐
6a Social security benefits — 6a — b Taxable amount — 6b
c If you elect to use the lump-sum election method, check here (see instructions) ☐
d If you are married filing separately and lived apart from your spouse the entire year (see inst.), check here ☐
7a Capital gain or (loss). Attach Schedule D if required — 7a
b Check if: ☐ Schedule D not required ☐ Includes child's capital gain or (loss)
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
11 Subtract line 10 from line 9. This is your **adjusted gross income** — 11

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions. — Cat. No. 11320B — Form 1040 (2025) Created 9/5/25

Form 1040 (2025) — Page 2

Tax and Credits

11b	Amount from line 11a (adjusted gross income)	11b
12a	Someone can claim ☐ You as a dependent ☐ Your spouse as a dependent	
b	☐ Spouse itemizes on a separate return	c ☐ You were a dual-status alien
d	You: ☐ Were born before January 2, 1961 ☐ Are blind	
	Spouse: ☐ Was born before January 2, 1961 ☐ Is blind	
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.		
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 ☐ 8814 2 ☐ 4972 3 ☐	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

Form 1040 (2025) Created 9/5/25

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 ☐ You as a dependent ☐ Your spouse as a dependent	
	b	☐ Spouse itemizes on a separate return c ☐ You were a dual-status alien	
	d	**You:** ☐ Were born before January 2, 1961 ☐ Are blind	
		Spouse: ☐ Was born before January 2, 1961 ☐ Is blind	
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.	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 ☐ 8814 2 ☐ 4972 3 ☐	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

Form **1040** Department of the Treasury—Internal Revenue Service

U.S. Individual Income Tax Return 20**25**

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 , 20 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
Check only one box.

☐ Single
☐ Married filing jointly (even if only one had income)
☐ Married filing separately (MFS). Enter spouse's SSN above and full name here:
☐ Head of household (HOH)
☐ Qualifying surviving spouse (QSS)
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)
If more than four dependents, see instructions and check here ☐

	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) ☐ 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.
(6) Check if	☐ Full-time student ☐ Permanently and totally disabled	☐ Full-time student ☐ Permanently and totally disabled	☐ Full-time student ☐ Permanently and totally disabled	☐ Full-time student ☐ Permanently and totally disabled
(7) Credits	☐ Child tax credit ☐ Credit for other dependents	☐ Child tax credit ☐ Credit for other dependents	☐ Child tax credit ☐ Credit for other dependents	☐ Child tax credit ☐ 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-2G and 1099-R if tax was withheld.
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1a	Total amount from Form(s) W-2, box 1 (see instructions)	1a
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d	Medicaid waiver payments not reported on Form(s) W-2 (see instructions)	1d
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f	Employer-provided adoption benefits from Form 8839, line 31	1f
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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

Attach Sch. B if required.

2a	Tax-exempt interest 2a	b Taxable interest	2b
3a	Qualified dividends 3a	b Ordinary dividends	3b
c	Check if your child's dividends are included in 1 ☐ Line 3a 2 ☐ Line 3b		
4a	IRA distributions 4a	b Taxable amount	4b
c	Check if (see instructions) 1 ☐ Rollover 2 ☐ QCD 3 ☐		
5a	Pensions and annuities 5a	b Taxable amount	5b
c	Check if (see instructions) 1 ☐ Rollover 2 ☐ PSO 3 ☐		
6a	Social security benefits 6a	b Taxable amount	6b
c	If you elect to use the lump-sum election method, check here (see instructions) ☐		
d	If you are married filing separately and lived apart from your spouse the entire year (see inst.), check here ☐		
7a	Capital gain or (loss). Attach Schedule D if required		7a
b	Check if: ☐ Schedule D not required ☐ Includes child's capital gain or (loss)		
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

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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

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
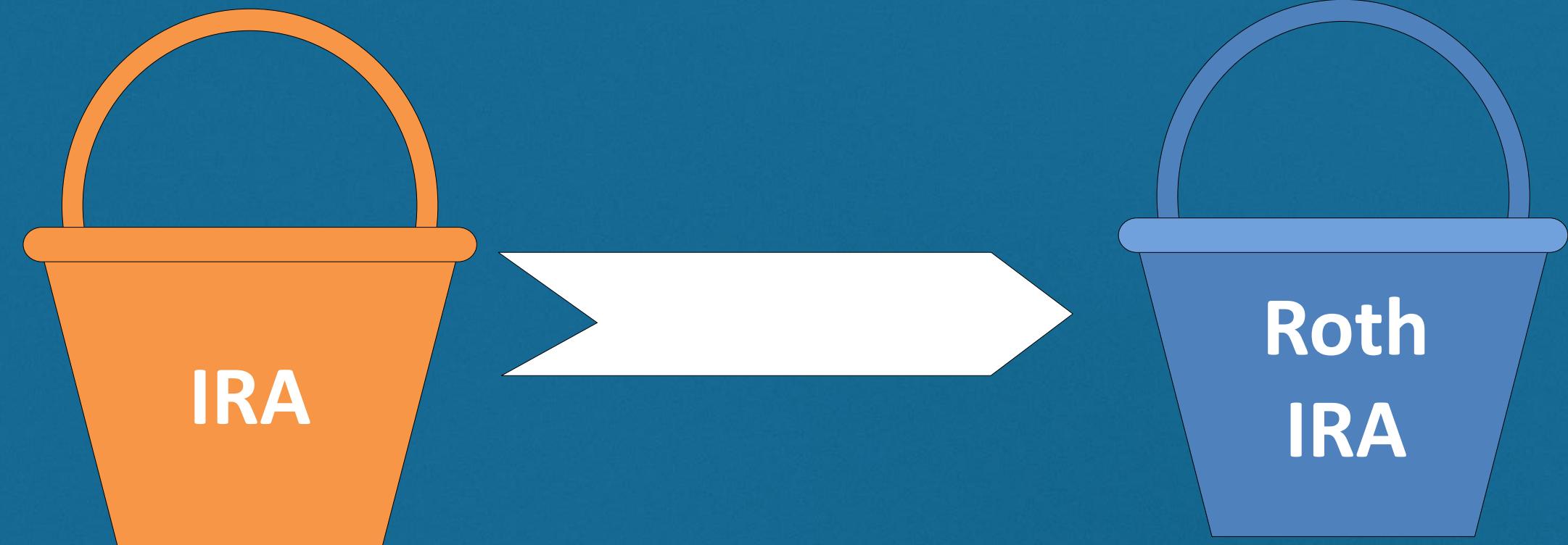
SURPLUS

(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
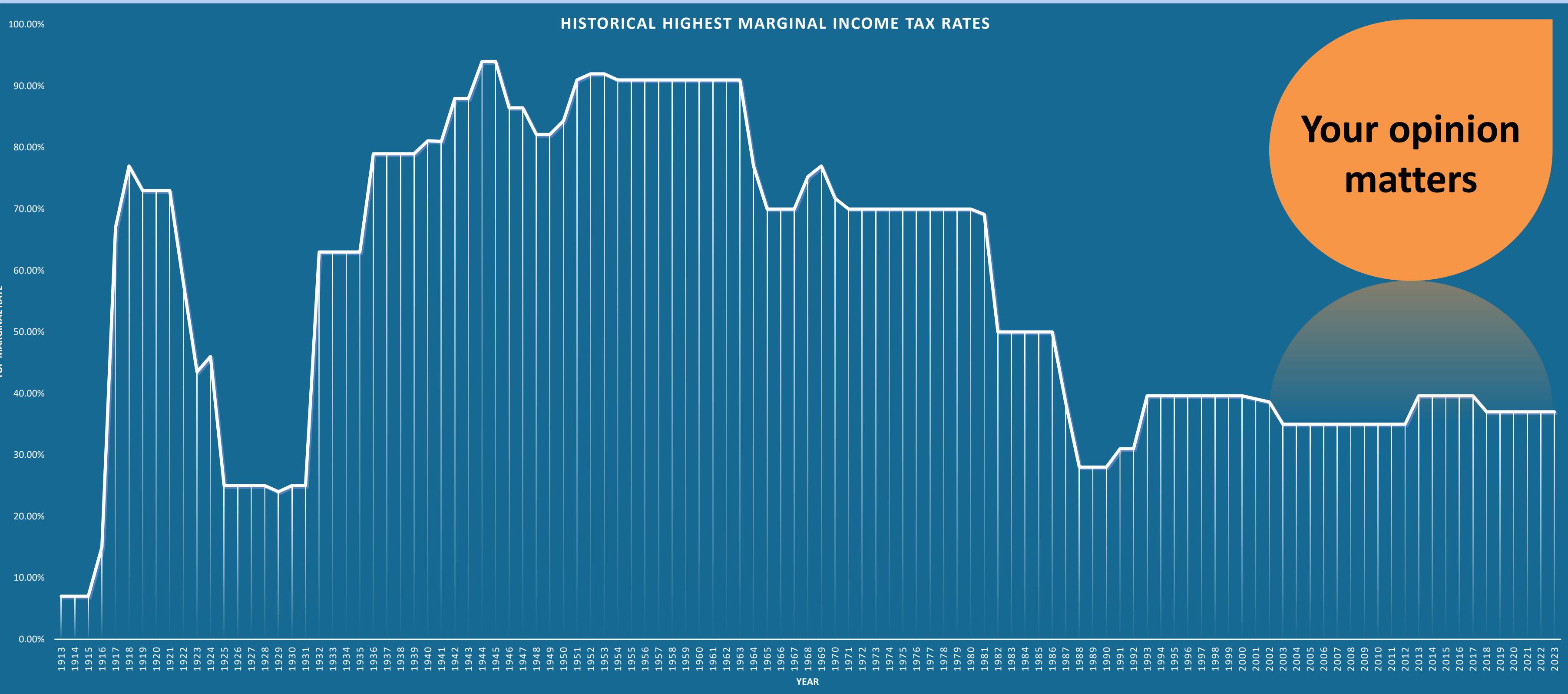
ROTH SOLUTIONS
2 Main Roth Strategies:
Roth contributions and Roth conversions

IRA → **Roth IRA**

Converting a traditional IRA or qualified plan assets to a Roth IRA is a taxable event and could result in additional impacts on your personal tax situation, including a need for additional tax withholding or estimated tax payments, the loss of certain tax deductions and credits, and higher taxes on Social Security benefits and Medicare premiums. Please consult with a qualified tax advisor before making any decisions regarding your IRA. It is generally preferable that you have funds to pay the taxes due upon conversion from funds outside of your IRA or qualified plan. If you elect to take a distribution from your IRA or qualified plan to pay the conversion taxes, please keep in mind the potential consequences, such as an assessment of product surrender charges or additional IRS penalties for premature distributions.

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

HISTORICAL HIGHEST MARGINAL INCOME TAX RATES

Your opinion matters

TOP MARGINAL RATE

100.00%
90.00%
80.00%
70.00%
60.00%
50.00%
40.00%
30.00%
20.00%
10.00%
0.00%

YEAR

1913 1914 1915 1916 1917 1918 1919 1920 1921 1922 1923 1924 1925 1926 1927 1928 1929 1930 1931 1932 1933 1934 1935 1936 1937 1938 1939 1940 1941 1942 1943 1944 1945 1946 1947 1948 1949 1950 1951 1952 1953 1954 1955 1956 1957 1958 1959 1960 1961 1962 1963 1964 1965 1966 1967 1968 1969 1970 1971 1972 1973 1974 1975 1976 1977 1978 1979 1980 1981 1982 1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021 2022 2023

▶ 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	Years ---> 1 -- 20
$18,000 @ 5% ROR → 401(k)	$18,000 x 25% Fed + 6% State = $12,420 @ 5% ROR → Roth
Accumulated: **$624,947** <u>X 4% W/D</u> $24,997	Accumulated: **$431,213** <u>X 4% W/D</u>
(taxes, *Fed 25% + State6%*) **-$7,749** **$17,248.00**	**$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..*
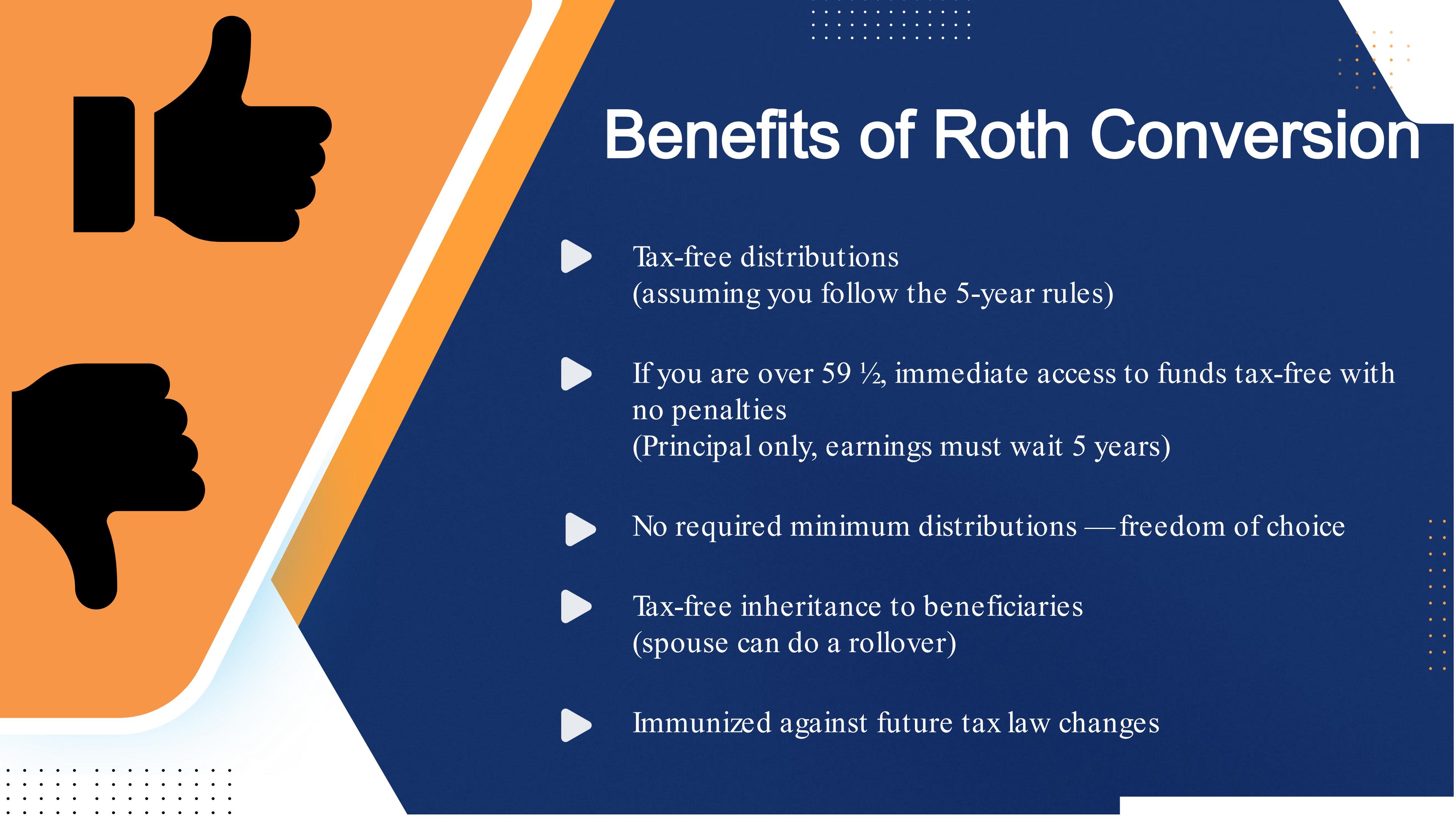
▶ ## Disadvantages of Roth TSP:

- 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
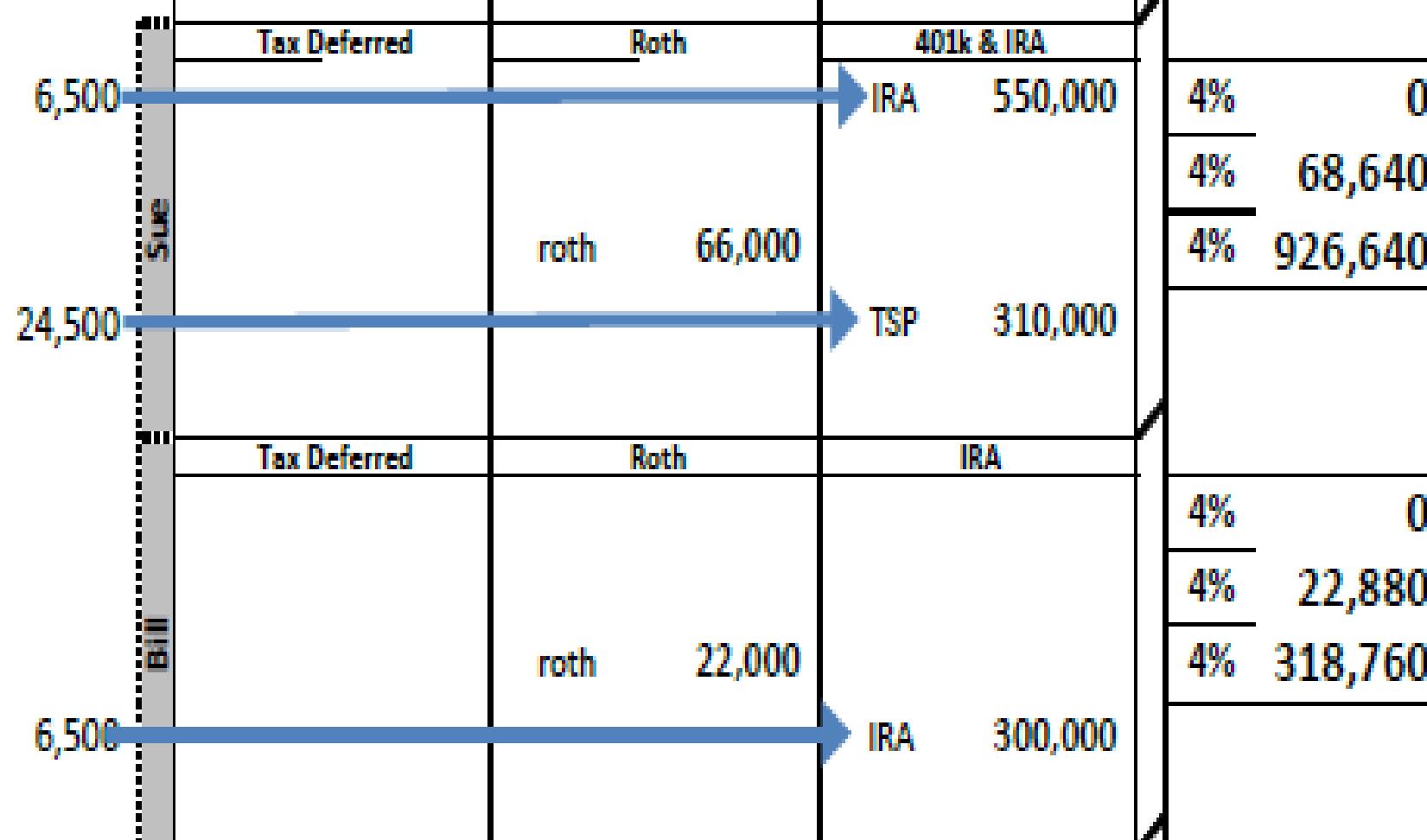
▷ Tax-free distributions
(assuming you follow the 5-year rules)

▷ 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

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**

Target Retirement Income	**$62,866**

Income				$0
Total Income				**$107,000**

0	2,360	0	0

Additional Information

Sue 61-62;

Bill 61-62

Retirement Income Projections

	COLA	0%	Pension	$0
	WD	0%	Social Security	$0
Sue	0%	0%	Tax Deferred	$0
	0%	0%	Roth	$0
	0%	0%	401k & IRA	$0
			TOTAL	$0
	COLA	0%	Pension	$0
	WD	0%	Social Security	$0
Bill	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

Employee	Match	Add.	Regular Savings	CD's	College Savings	Rate	Future Value
						1%	101,000
			Savings 100,000			1%	0
						1%	0

			Tax Deferred	Roth	401k & IRA	Rate	Future Value
6,500			Sue		IRA 550,000	4%	0
						4%	68,640
				roth 66,000		4%	926,640
24,500					TSP 310,000		

			Tax Deferred	Roth	IRA	Rate	Future Value
			Bill			4%	0
						4%	22,880
				roth 22,000		4%	318,760
6,500					IRA 300,000		

0	0	37,500			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?

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			0

Additional Information

Sue 62-70

Bill 62-70

Retirement Income Projections

					Employee	Match	Add.	Regular Savings	CD's	College Savings	Rate	Future Value
	COLA	0%	Pension	$18,836				Savings 101,000			1%	109,369
	WD	0%	Social Security	$0							1%	0
Sue	0%	0%	Tax Deferred	$0							1%	0
	0%	0%	Roth	$0								
	3%	0%	401k & IRA	$31,506								
			TOTAL	$50,342								

				Tax Deferred	Roth	401k & IRA	Rate	Future Value
Sue						IRA 578,760	4%	0
							4%	93,939
					roth 68,640		4%	966,258
						TSP 347,880		

						Employee	Match	Add.	Tax Deferred	Roth	IRA	Rate	Future Value
	COLA	0%	Pension	$0								4%	0
	WD	0%	Social Security	$0								4%	31,313
Bill	0%	0%	Tax Deferred	$0						roth 22,880		4%	314,061
	0%	0%	Roth	$0									
	4%	0%	IRA	$12,750							IRA 318,760		
			TOTAL	$12,750									

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

	0	0	0		Savings Type Assets Total	1,514,938

Total Income at year # 8 =	$63,092

0.0%	Target Retirement Income	$62,866

			Government Bonds	Corporate Bonds	BoA Trust	Rate	Future Value
						5%	0
					26,250	5%	0
						5%	38,792

| | | 0 | 0 | 0 | | | | | | 0 |

Total Income $107,000

Employee	Match	Add.		Regular Savings	CD's	College Savings	Rate	Future Value

							1%	147,412
			Savings 109,369				1%	0
							1%	0

Additional Information

Sue 70-100

Bill 70-100

Retirement Income Projections

		Tax Deferred	Roth	401k & IRA	Rate	Future Value

				IRA 603,504	4%	0
					4%	304,680
			roth 93,939		4%	879,550
				TSP 362,753		

Sue

	COLA	0%	Pension	$18,836
	WD	0%	Social Security	$32,000
	0%	0%	Tax Deferred	$0
	0%	0%	Roth	$0
	4%	0%	401k & IRA	$38,650
			TOTAL	$89,486

Bill

	COLA	0%	Pension	$0
	WD	0%	Social Security	$32,000
	0%	0%	Tax Deferred	$0
	0%	0%	Roth	$0
	4%	0%	IRA	$12,562
			TOTAL	$44,562

		Tax Deferred	Roth	IRA	Rate	Future Value
					4%	0
					4%	101,560
			roth 31,313		4%	285,878
				IRA 314,061		

0% W/D Rate from Cash Assets $0

$0

| | | 0 | 0 | 0 |

Savings Type Assets Total 1,719,080

Total Income at year # 30 = $134,049

0.0% Target Retirement Income $62,866

Government Bonds	Corporate Bonds	BoA Trust	Rate	Future Value
			5%	0
		38,783	5%	0

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
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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

0	0	0

Total Income   **$107,000**

	0

Sue Retires

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**

Employee	Match	Add.
0	0	0

Regular Savings	CD's	College Savings	Rate	Future Value
Savings 101,000			1%	109,369
			1%	0
			1%	0

Sue

Tax Deferred	Roth	401k & IRA	Rate	Future Value
		IRA 578,760	4%	0
			4%	93,939
	roth 68,640		4%	966,258
		TSP 347,880		

Bill

Tax Deferred	Roth	IRA	Rate	Future Value
			4%	0
			4%	31,313
	roth 22,880		4%	314,061
		IRA 318,760		
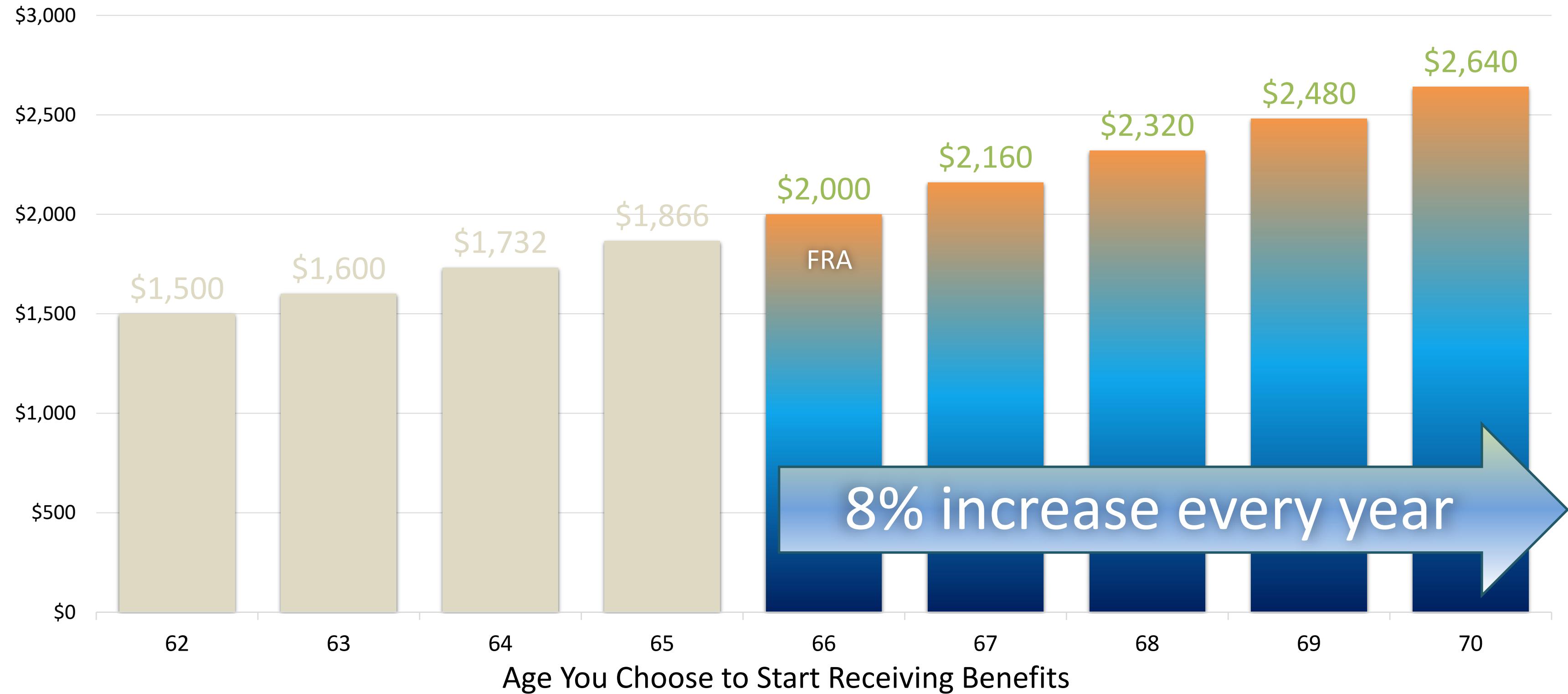
Savings Type Assets Total   1,514,938

Government Bonds	Corporate Bonds	BoA Trust	Rate	Future Value
			5%	0
		26,250	5%	0
			5%	28,792

Monthly Social Security Benefit Example

8% increase every year

Age You Choose to Start Receiving Benefits

FRA BENEFIT OF $2,000/MO AT AGE 66

What to Know about Social Security

▪ **How do I understand if I have a choice to delay SS given my planned retirement age?**

▪ **Social Security Strategies: Born before 1/1/1954**

▪ **Health Issues...**
   Passing on the highest income possible

▪ **Perfect Storm 1st Death**
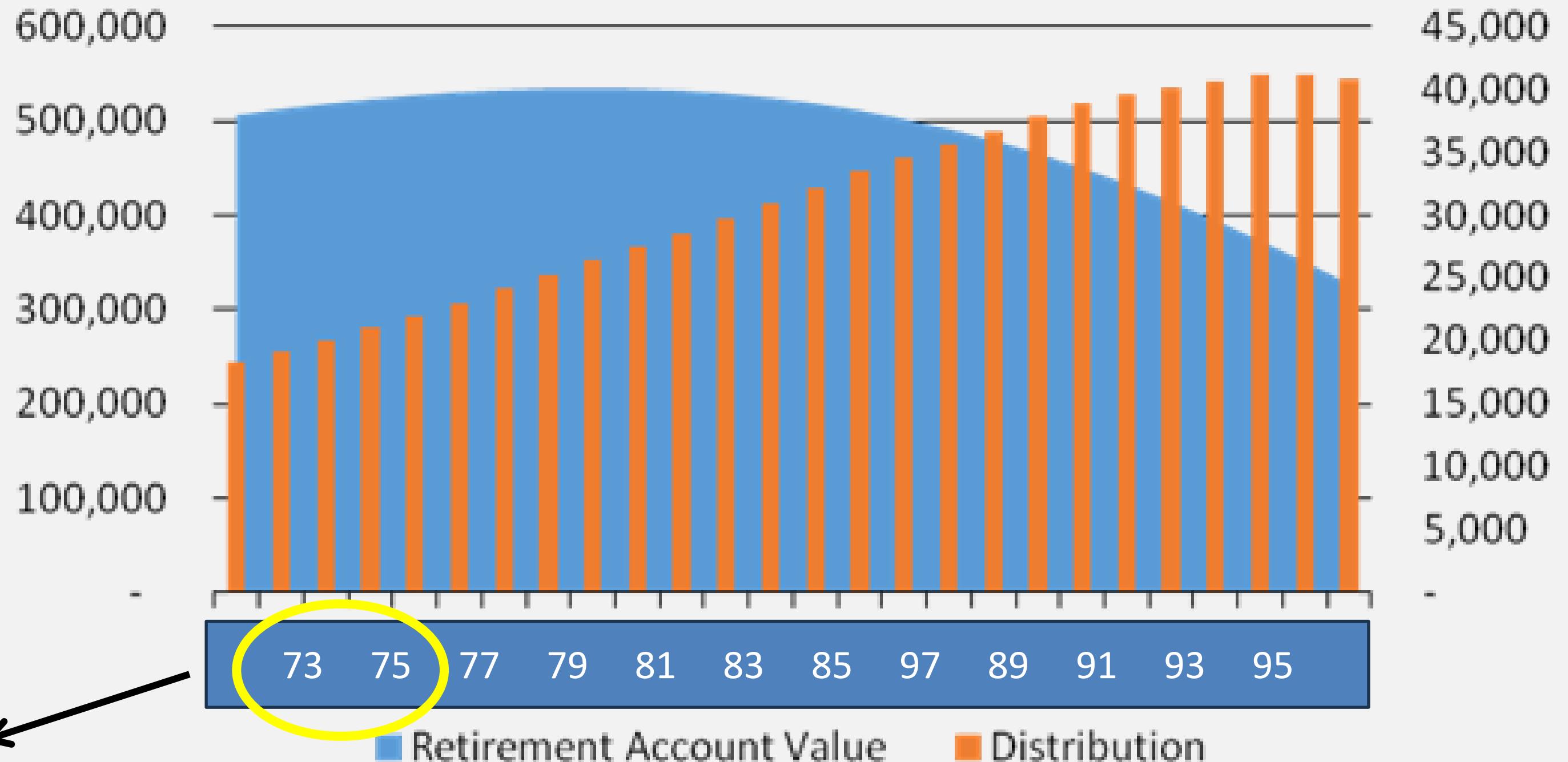
Medicare B Coverage for 2024

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)

Effect of RMDs

AGE 73...75

Retirement Account Value ▪ Distribution

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

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.

Which RMD to use?

NO RMD's for ROTH TSP/401(k)

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

What Tax Bracket Does it Fall into?
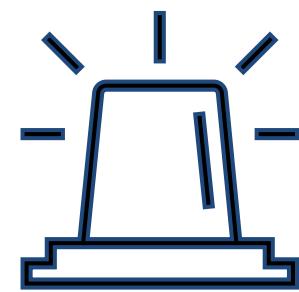
Tax Bracket 2025

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
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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

Wealth Transfer: Pre-Tax Retirement Accounts
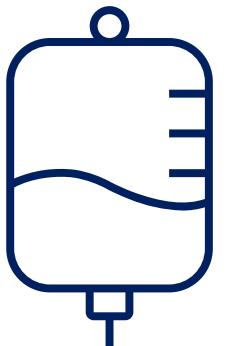
Ret. Age 72	To Age 100	Pre-Tax Accounts Initial Balance $1,000,000	Level B.o.Y. Withdrawals $0	Rate of Return (Avg. Annual) 5.00%	Total of All Fees 0.00%	Federal+State *Income* Tax % 24%
Age B.o.Y.	Year	Balance B.o.Y.	Gross Withdrawal B.o.Y. ☑ RMD	Balance Net of Fees E.o.Y.	All-Inclusive Tax Liability 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

# Purpose of Surplus

Emergency

Long Term Care of Health

Legacy

Life Insurance with LTC Rider
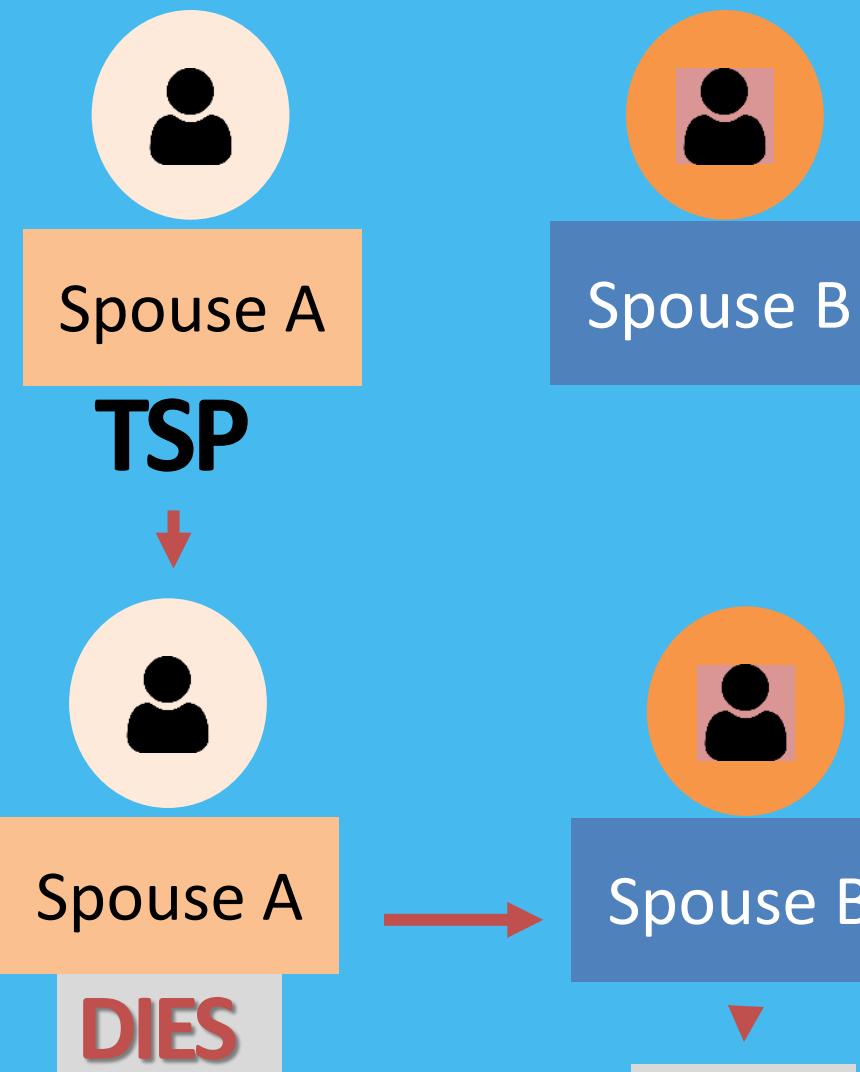
Year	Age End Year	Contract Prem for Grd Values	Guaranteed Cash Value End Year	Guaranteed Death Benefit End Year	Contract Premium	Net Dividend End Year	Cash Value of Additions End Year	Total Cash Value End Year	Paid-Up Additions End Year	Total Death Benefit End Year	Total Paid-Up Insurance End Year
1	60	10,000	0	229,197	10,000	1,494	1,494	1,494	3,482	232,679	3,481
2	61	10,379	676	229,197	10,000	1,680	3,221	3,897	7,277	236,474	8,805
3	62	10,379	6,310	229,197	10,000	1,772	5,092	11,402	11,160	240,357	24,988
4	63	10,379	12,037	229,197	10,000	1,963	7,211	19,249	15,334	244,531	40,931
5	64	10,379	17,848	229,197	10,000	2,197	9,626	27,474	19,870	249,067	56,712
6	65	10,379	23,816	229,197	10,000	2,386	12,297	36,113	24,654	253,851	72,398
7	66	10,379	29,890	229,197	10,000	2,633	15,289	45,179	29,782	258,979	88,004
8	67	10,379	36,053	229,197	10,000	2,912	18,641	54,694	35,296	264,493	103,559
9	68	10,379	42,312	229,197	10,000	3,204	22,373	64,685	41,194	270,391	119,099
10	69	10,379	48,665	229,197	10,000	3,472	26,472	75,138	47,413	276,610	134,575
11	70	10,379	55,110	229,197	10,000	3,837	31,039	86,149	54,100	283,297	150,156
12	71	10,379	61,629	229,197	10,000	4,197	36,078	97,706	61,222	290,419	165,803
13	72	10,379	68,191	229,197	10,000	4,597	41,633	109,823	68,821	298,018	181,544
14	73	10,379	74,778	229,197	10,000	5,060	47,772	122,550	76,975	306,172	197,463
15	74	10,379	81,365	229,197	10,000	5,558	54,534	135,899	85,711	314,908	213,590
16	75	10,379	87,934	229,197	10,000	6,016	61,884	149,818	94,940	324,137	229,845
17	76	10,379	94,484	229,197	10,000	6,432	69,786	164,270	104,580	333,777	246,171
18	77	10,379	101,023	229,197	10,000	6,857	78,253	179,276	114,624	343,821	262,602
19	78	10,379	107,560	229,197	10,000	7,258	87,268	194,828	125,022	354,219	279,115
20	79	10,379	114,106	229,197	10,000	7,633	96,811	210,917	135,723	364,920	295,692
21	80	10,379	120,207	229,197	10,000	8,113	106,986	227,193	146,860	376,057	311,868
22	81	10,379	126,255	229,197	10,000	8,348	117,548	243,803	158,088	387,285	327,886
23	82	10,379	132,233	229,197	10,000	8,645	128,547	260,780	169,487	398,684	343,832
24	83	10,379	138,139	229,197	10,000	9,033	140,073	278,213	181,170	410,367	359,838
25	84	10,379	143,894	229,197	10,000	9,512	152,184	296,078	193,249	422,446	375,972
26	85	10,379	149,469	229,197	10,000	10,052	164,920	314,388	205,792	434,989	392,303
27	86	10,379	154,820	229,197	10,000	10,568	178,231	333,051	218,763	447,960	408,792
28	87	10,379	159,906	229,197	10,000	11,109	192,112	352,018	232,190	461,387	425,456
29	88	10,379	164,694	229,197	10,000	11,642	206,524	371,218	246,061	475,258	442,284
30	89	10,379	169,154	229,197	10,000	12,192	221,447	390,602	260,398	489,595	459,304
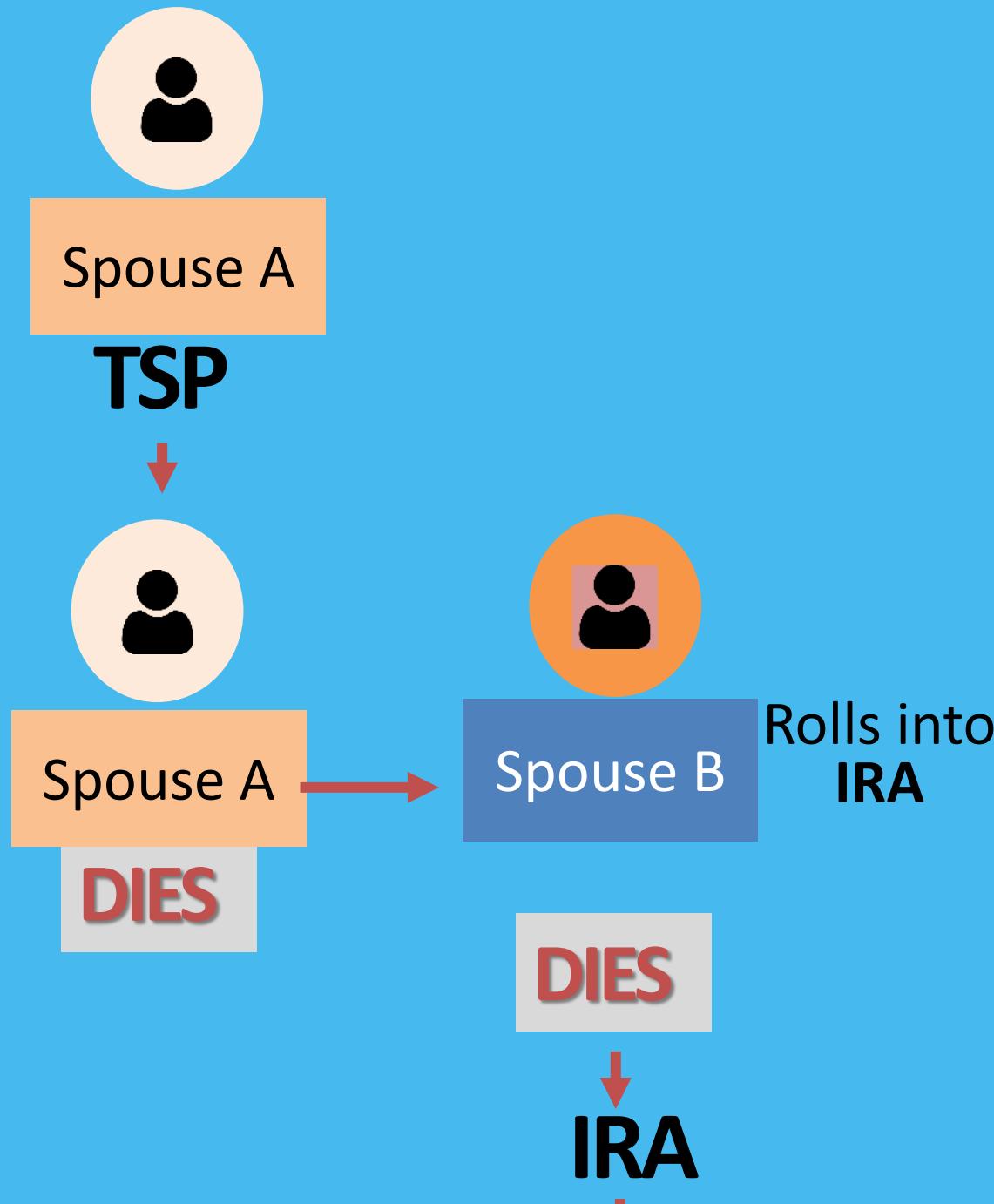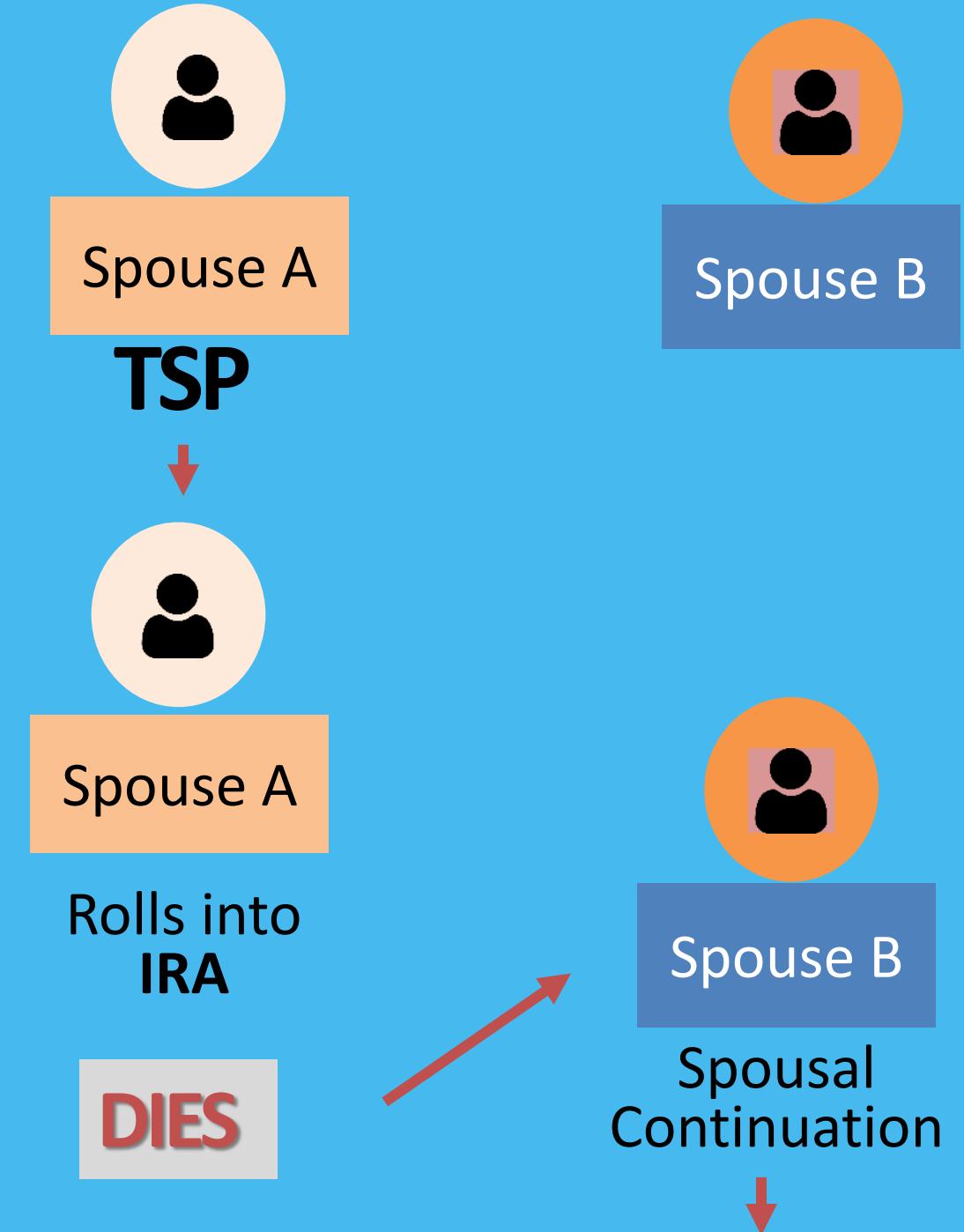
Is Long Term Care in Your Future?

Perfect Storm…

- **Less Social Security**
- **Reduce Pension**
- **TSP-Tax Deferred**
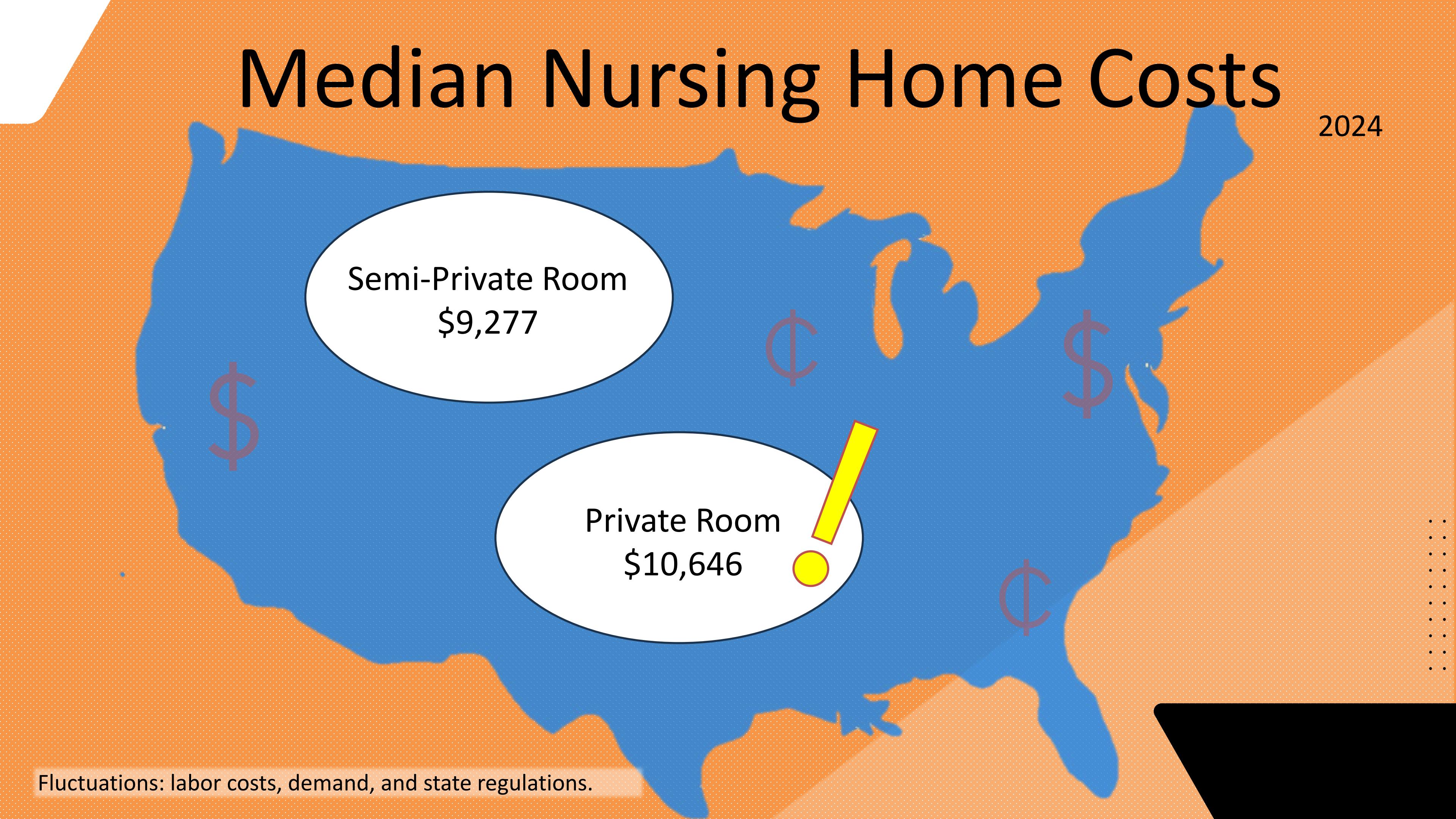
Statistically, 70% of people over age 65 will need long-term care

70%

Median Nursing Home Costs

2024
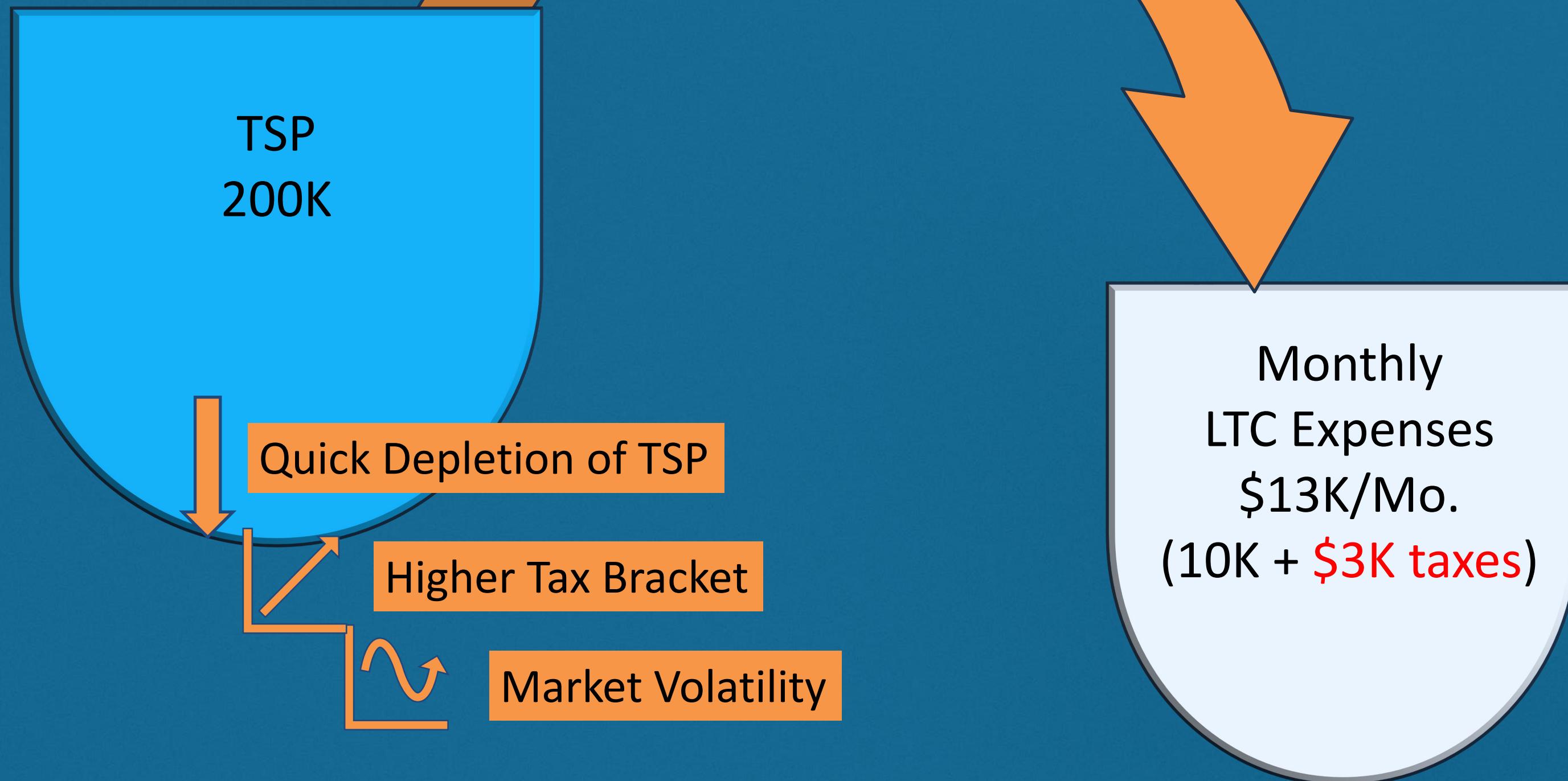
Semi-Private Room
$9,277

Private Room
$10,646

Fluctuations: labor costs, demand, and state regulations.

Paying for LTC: TSP

TSP
200K

Quick Depletion of TSP

Higher Tax Bracket

Market Volatility

Monthly
LTC Expenses
$13K/Mo.
(10K + $3K taxes)

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 In...	9.7	14.8	65.4	6,713	03/31/22
PA	John Hancock Life	7.5	12.7	59.1	4,760	05/09/22
TN	Genwo...	5.5	9.2	59.5	4,431	04/27/22
KY	Genworth L...	5.1	12.7	39.9	4,617	03/31/22
IA	...	5.0	10.6	47.4	2,612	02/18/22
NE	Mutual o...	4.9	4.6	107.1	2,383	01/01/22
AL	Genwo...	4.7	31.0	15.0	8,321	03/14/22
TX	Allianz Life Insu... ...th Ame...ca	4.6	7.5	62.2	2,821	01/29/22
NE	Ability Insurance ...	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 Filling 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 fillings; fillings where rate change was zero; fillings where data on the premium impacted was unavailable; fillings 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 fillings. Approved rate change reflects the calculated premium change divided by written premium.
Top 10 fillings 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 discrepancies between disposition table and correspondence from the state insurance regulators within the filling.
[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 Premium

Beginning Balance
$3,930

Gross Level ROR
11.00

Annual Additions or Withdrawals
$0

# of Years
20

Ord. Inc. Tax Rate%
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?

The story of
JIM…

But
Theresa…

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

SOFA
THE SOCIETY FOR FINANCIAL AWARENESS

DC Metropolitan Chapter www.dcsofa.org