



THE SOCIETY FOR FINANCIAL AWARENESS  
DC Metropolitan Chapter [www.dcsdfa.org](http://www.dcsdfa.org)

# 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))



**Transfer...**

**Roth IRA**

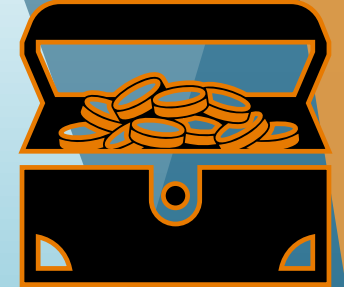
# What are the Benefits of a Roth Conversion

- ✓ 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

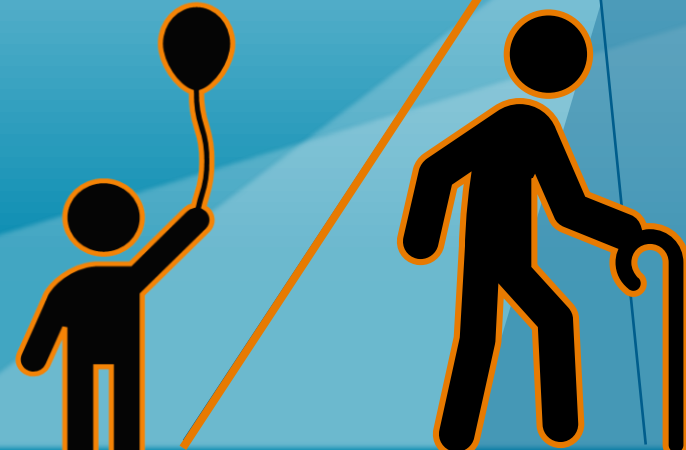
# What are the 6 Rules to a Roth Conversion



1. No limit to how much you can convert.



2. No age limit to doing a conversion.

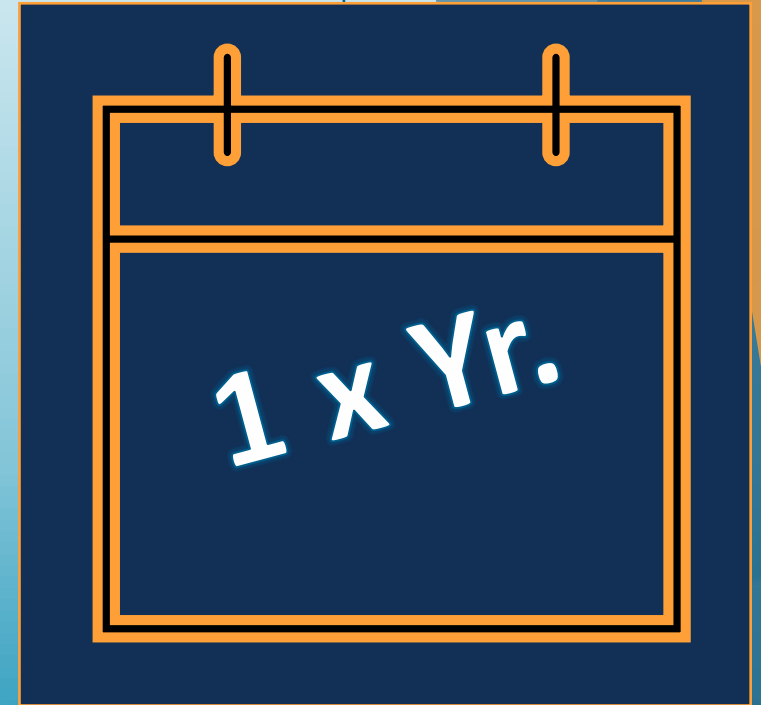


# ... More Rules to a Roth Conversion

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...



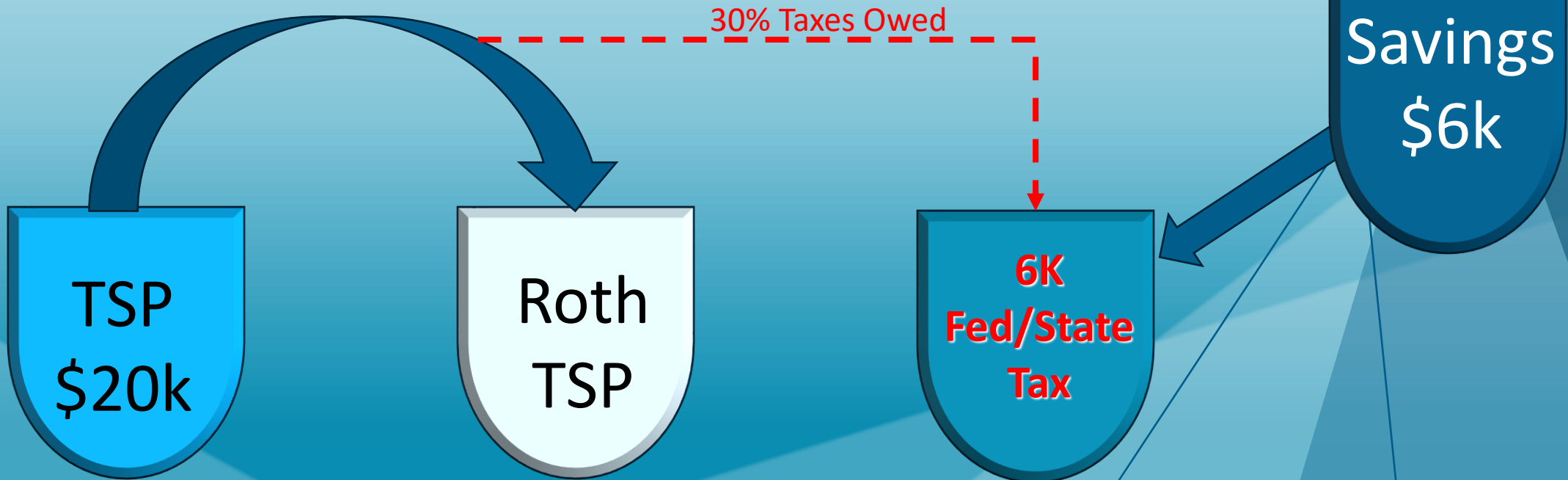
5. To receive tax-free growth on any Roth, you must own the Roth for 5 years.

\*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).

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

10



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

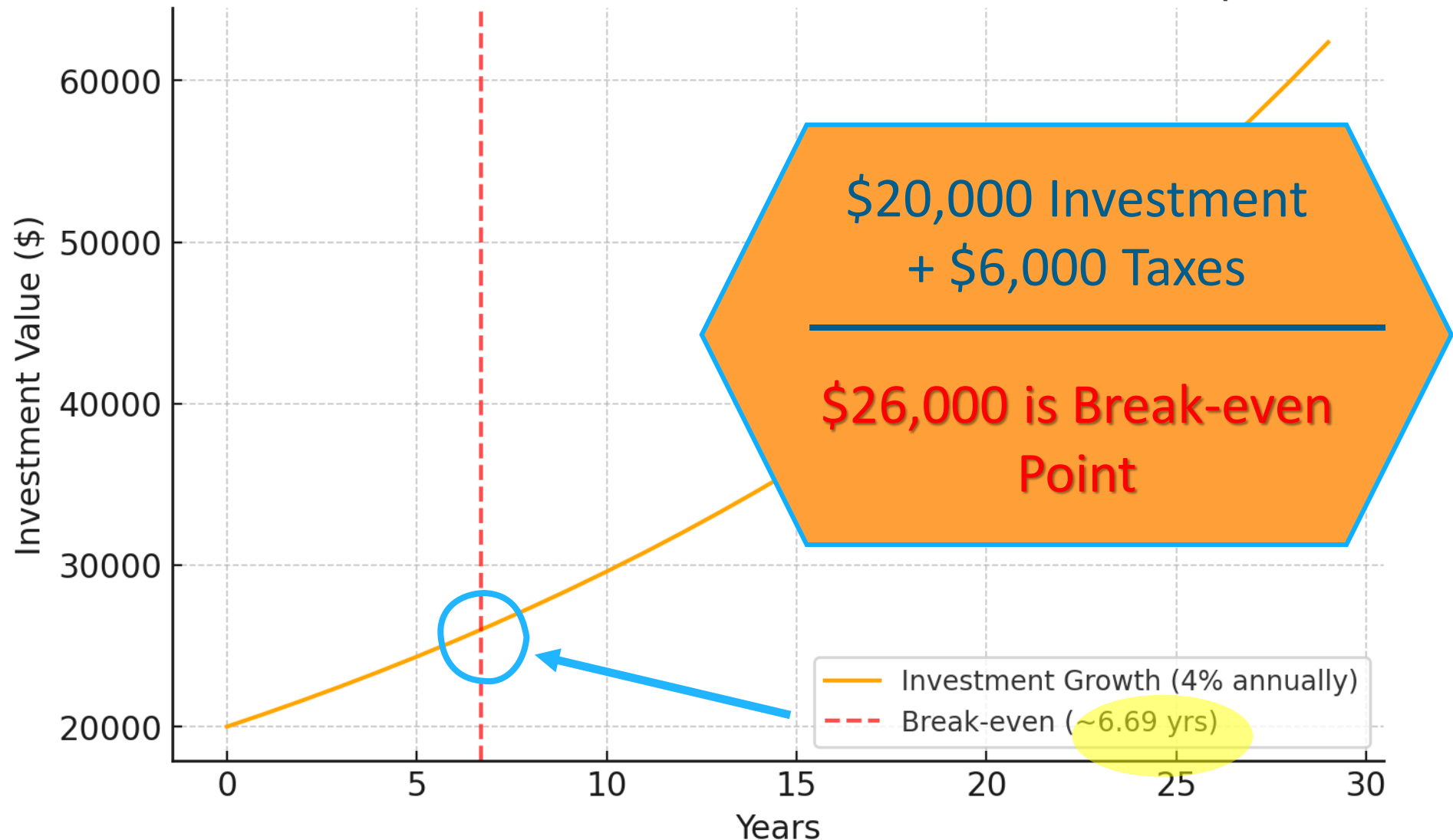
The conversion could impact Medicare Part B  
Premiums & tax credits w/ income phaseouts.





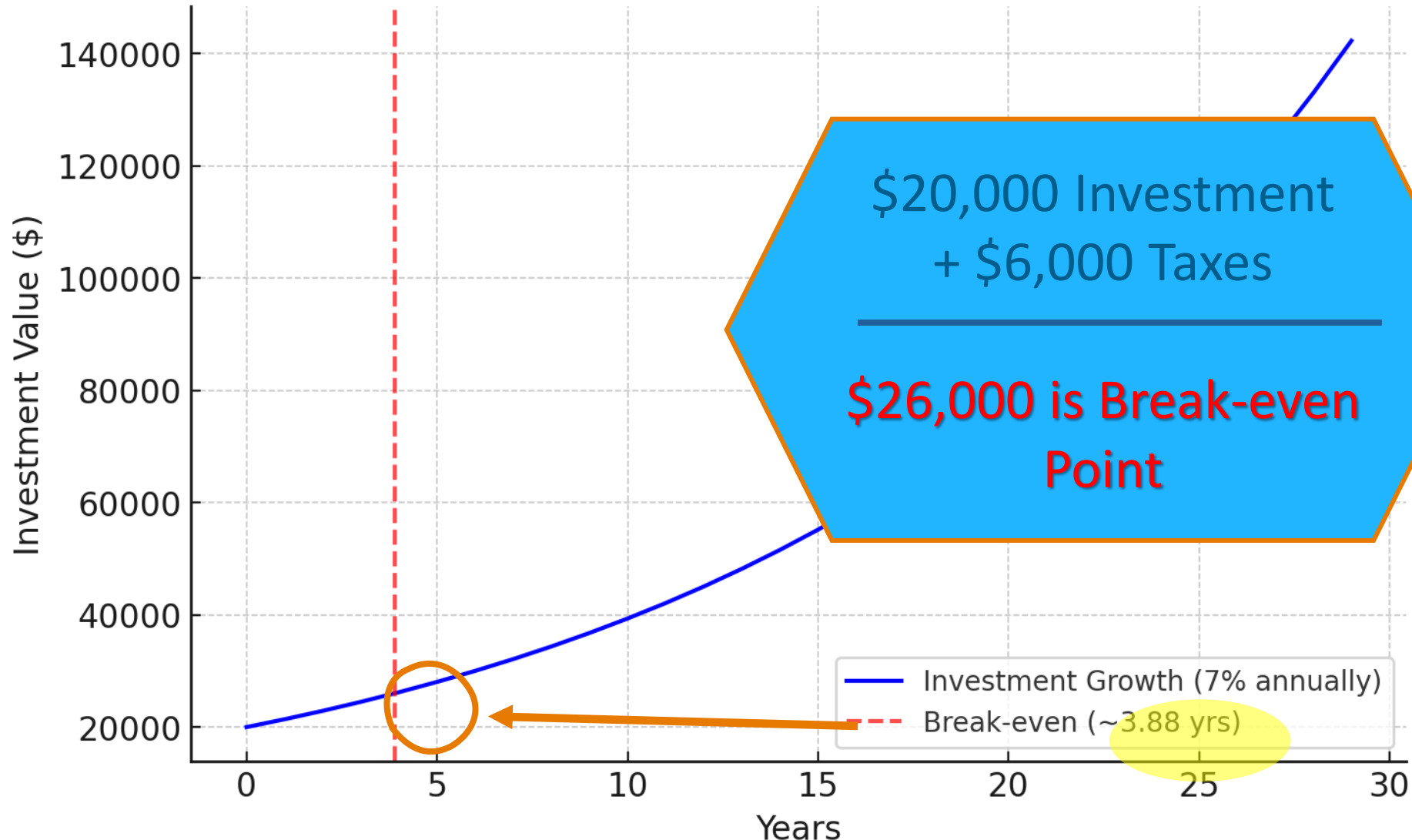
# Break-Even Point at 4% Return

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

	Roth TSP	Roth IRA	
Required Minimum Distributions	No	No	Phase Out!!!!
Income Limitation for Contributions	No	Yes	<b>Single/Head of Household:</b> <b>\$150,000-\$165,000</b> <b>Married Filing Joint:</b> <b>\$236,000 - \$246,000</b>
<b>Annual Maximum Contributions</b>	<b>\$23,500</b>	<b>\$7,000</b>	
Catch Up Provision 50+	\$7,500	\$1,000	
Total Potential Annual Contribution	\$31,000	\$8,000	

# Secure Act 2.0: Catch-Up Changes:

Catch-  
Up

## Increased Catch-up Limits at Age 60, 61, 62, and 63

- Higher Catch-up is \$11,250 instead of \$7,500. That's a difference of \$4,250 for 4 years.
- Effective date: Calendar years beginning after December 31, 2024
- Applicable plans: 401(k), 403(b), and governmental 457(b) but cannot be used in addition to 457(b) special catch-up



# Catch-Up Contributions: New Rules and Eligibility

01

## Affects High TSP Earners

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

02

## Age 50+ Earning >\$145K

**Applies to those eligible** for catch-up (age 50+ by Dec 31 next year) earning over \$145,000 in 2025.

03

## Threshold Adjusts

**\$145,000 threshold** called '*Roth catch-up wage threshold*'; **adjusts annually** by CPI.

04

## Implements Now

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

05

## Non-federal Can't Follow

**Non-federal 401(k)s may not follow** this rule yet; requires verification.





# High Earner Rule Details and Employer-Specific Income



## FICA Wages

2026 catch-up contribution **rule uses \$145,000 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**; other employers' income excluded.



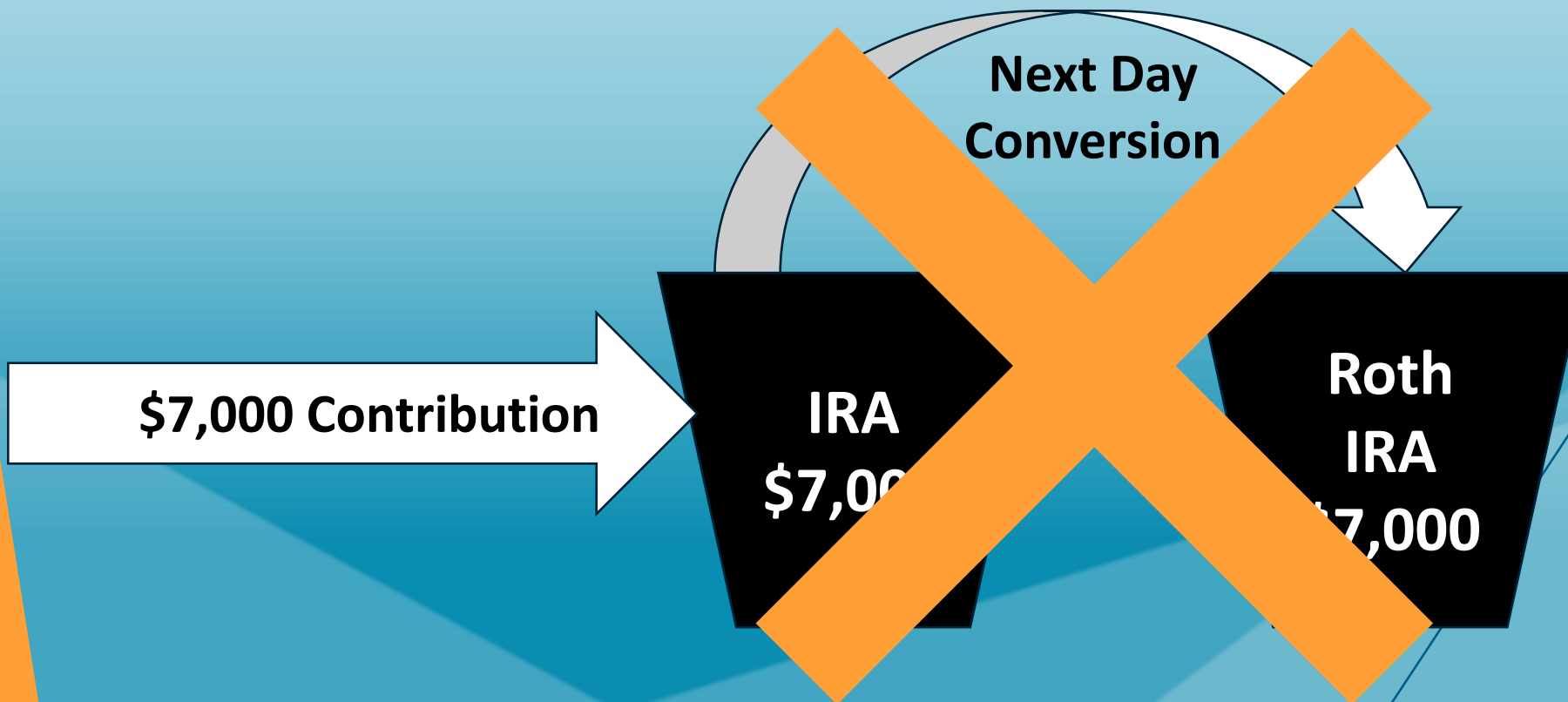
## CSRS Employees Not Subject

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

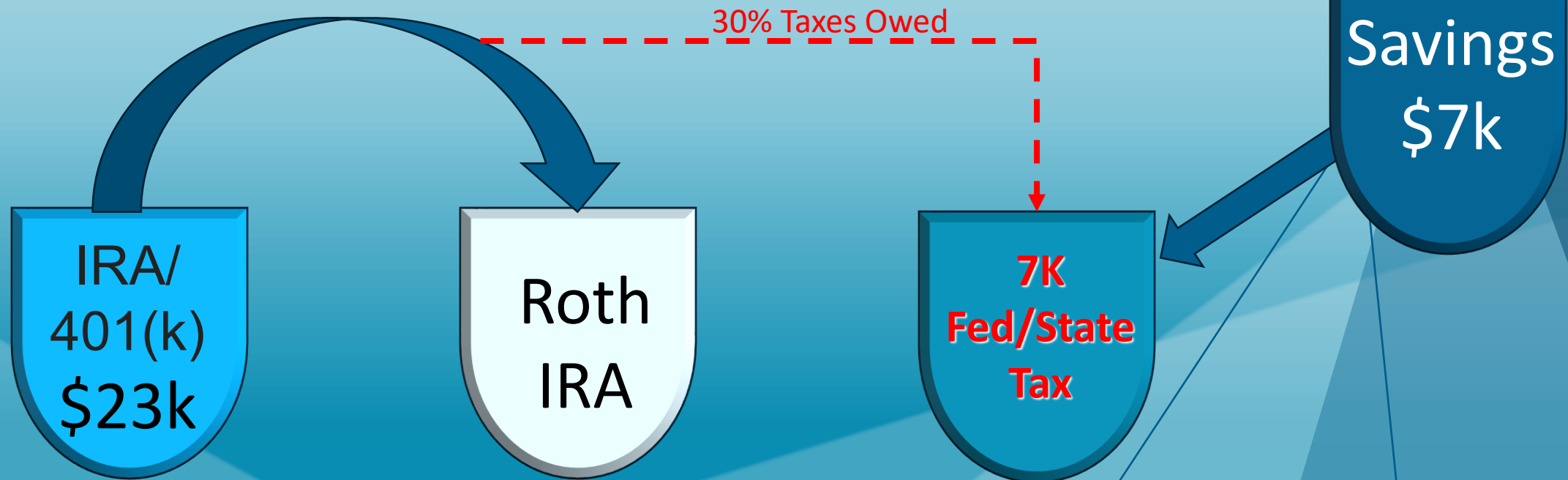


# Back Door Roth = Conversion

Phase Out – Income Limits Too High



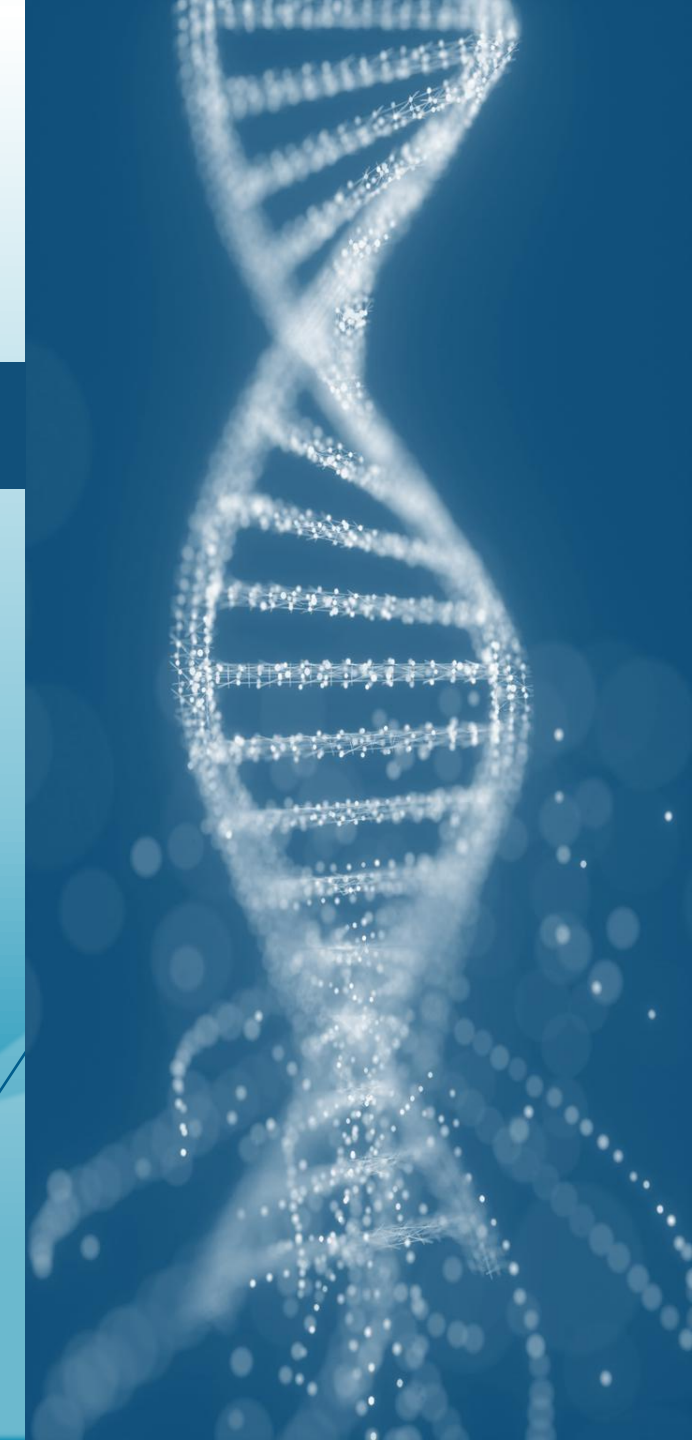
# What Makes More Sense...



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

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

# 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



# STEP #4: Understanding Your Tax Picture

**Will you  
be in a**



**TAX BRACKET  
when you retire?**

# IRS Form 1040

U.S. Form <b>1040</b> Department of the Treasury—Internal Revenue Service		<b>U.S. Individual Income Tax Return</b>		<b>2024</b>	OMB No. 1545-0074	IRS Use Only—Do not write or staple in this space.	
For the year Jan. 1–Dec. 31, 2024, or other tax year beginning _____, 2024, ending _____, 20					See separate instructions.		
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.	Presidential Election Campaign		
City, town, or post office. If you have a foreign address, also complete spaces below.				State	ZIP code	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.	
Foreign country name		Foreign province/state/county		Foreign postal code		<input type="checkbox"/> You <input type="checkbox"/> Spouse	
<b>Filing Status</b>		<input type="checkbox"/> Single <input type="checkbox"/> Head of household (HOH)					
Check only one box.		<input type="checkbox"/> Married filing jointly (even if only one had income)					
		<input type="checkbox"/> Married filing separately (MFS)					
		<input type="checkbox"/> Qualifying surviving spouse (QSS)					
		If you checked the MFS box, enter the name of your spouse. If you checked the HOH or QSS box, enter the child's name if the qualifying person is a child but not your dependent: _____					
		<input type="checkbox"/> 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): _____					
<b>Digital Assets</b>		At any time during 2024, 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.) <input type="checkbox"/> Yes <input type="checkbox"/> No					
<b>Standard Deduction</b>		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 or you were a dual-status alien					
<b>Age/Blindness</b>		You: <input type="checkbox"/> Were born before January 2, 1960 <input type="checkbox"/> Are blind Spouse: <input type="checkbox"/> Was born before January 2, 1960 <input type="checkbox"/> Is blind					
<b>Dependents</b> (see instructions):		(4) Check the box if qualifies for (see instructions):					
(1) First name Last name		(2) Social security number		(3) Relationship to you		Child tax credit	Credit for other dependents
If more than four dependents, see instructions and check here <input type="checkbox"/>						<input type="checkbox"/>	<input type="checkbox"/>
						<input type="checkbox"/>	<input type="checkbox"/>
						<input type="checkbox"/>	<input type="checkbox"/>
						<input type="checkbox"/>	<input type="checkbox"/>
						<input type="checkbox"/>	<input type="checkbox"/>
<b>Income</b>		1a Total amount from Form(s) W-2, box 1 (see instructions) 1a					
Attach Form(s) W-2 here. Also attach Forms W-2G and 1099-R if tax was withheld.		b Household employee wages not reported on Form(s) W-2 1b					
If you did not get a Form W-2, see instructions.		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 29 1f					
		g Wages from Form 8919, line 6 1g					
		h Other earned income (see instructions) 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			
		4a IRA distributions 4a		b Taxable amount 4b			
		5a Pensions and annuities 5a		b Taxable amount 5b			
		6a Social security benefits 6a		b Taxable amount 6b			
		c If you elect to use the lump-sum election method, check here (see instructions) <input type="checkbox"/>					
<b>Standard Deduction for—</b>		7 Capital gain or (loss). Attach Schedule D if required. If not required, check here <input type="checkbox"/>					
• Single or Married filing separately, \$14,600		8 Additional income from Schedule 1, line 10 8					
• Married filing jointly or Qualifying surviving spouse, \$29,200		9 Add lines 1z, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your <b>total income</b> 9					
• Head of household, \$21,900		10 Adjustments to income from Schedule 1, line 26 10					
• If you checked any box under Standard		11 Subtract line 10 from line 9. This is your <b>adjusted gross income</b> 11					
		12 <b>Standard deduction or itemized deductions</b> (from Schedule A) 12					
		13 Qualified business income deduction from Form 8995 or Form 8995-A 13					
		14 Add lines 12 and 13 14					
see instructions.		15 Subtract line 14 from line 11. If zero or less, enter -0-. This is your <b>taxable income</b> 15					

Taxable  
Income

# 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

# 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

# Medicare B Coverage for 2024

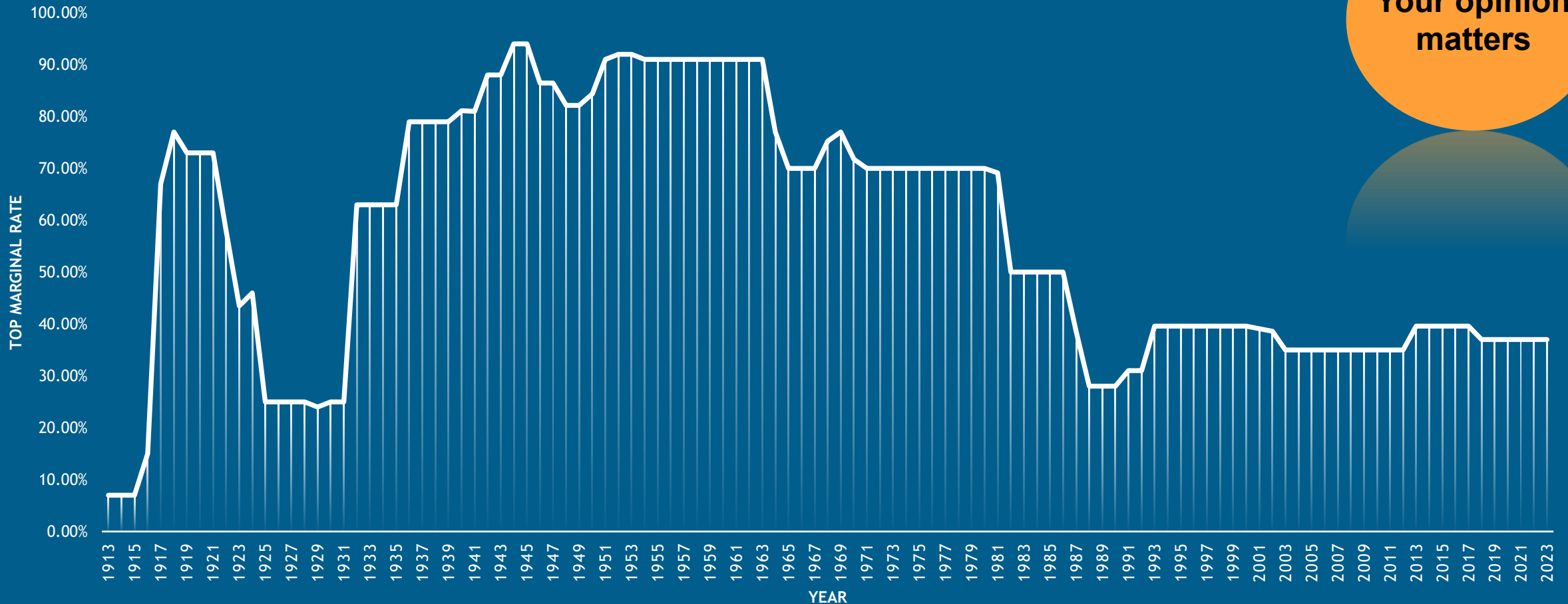
## Medicare 2024 Part B Premiums By Income

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?

HISTORICAL HIGHEST MARGINAL INCOME TAX RATES



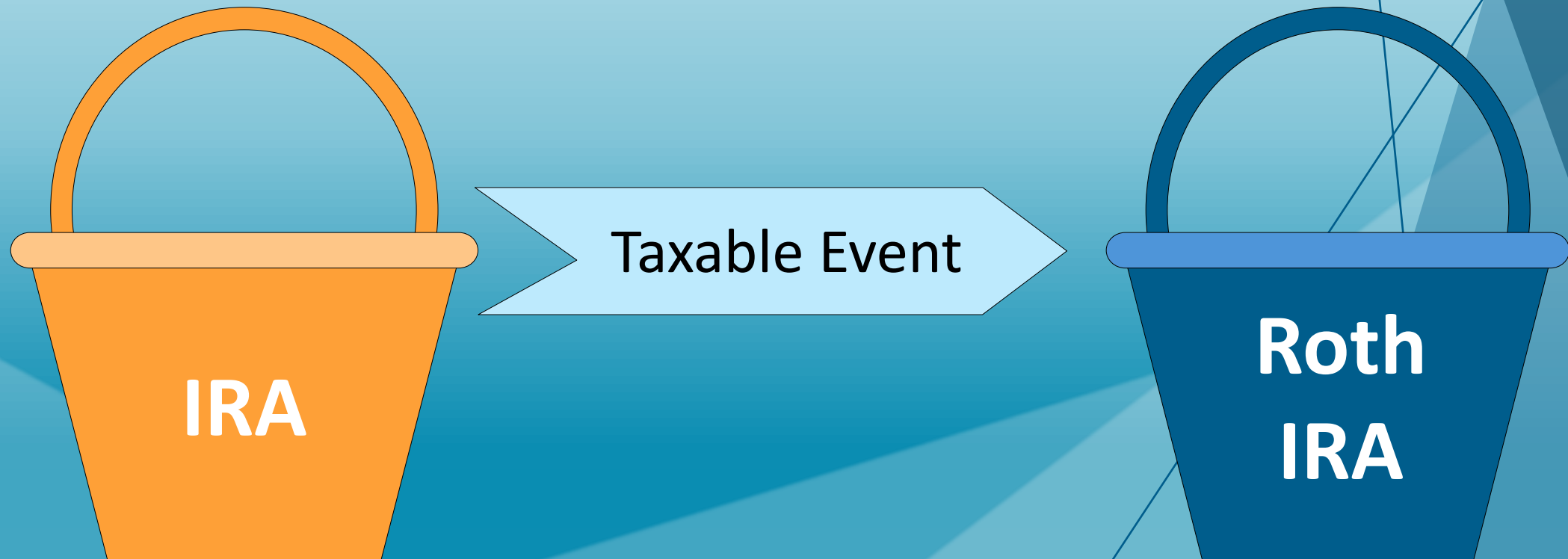
Your opinion matters

► 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
Total Gross Income	\$107,000
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
Total Payments	\$44,134
Target Retirement Income	\$62,866

PRESENT

0	2,360	0
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Employee	Match	Add.
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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

rust		Rate	Future Value
		5%	0
		5%	0
	25,000	5%	26,250

# Sue Retires

Total Income			\$107,000	
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
Employee	Match	Add.
0	0	0

			0	
			Rate	Future Value
Regular Savings	CD's	College Savings	1%	109,369
Savings 101,000			1%	0
			1%	0
Tax Deferred	Roth	401k & IRA		
		IRA 578,760	4%	0
	roth 68,640		4%	93,939
		TSP 347,880	4%	966,258
Tax Deferred	Roth	IRA		
			4%	0
	roth 22,880		4%	31,313
		IRA 318,760	4%	314,061
Savings Type Assets Total			1,514,938	
Government Bonds	Corporate Bonds	BoA Trust	Rate	Future Value
			5%	0
		26,250	5%	0
			5%	29,792

## RMD & SS

Total Income		\$107,000		
Additional Information				
Sue 70-100				
Bill 70-100				
Retirement Income Projections				
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
0% W/D Rate from Cash Assets		\$0		
		\$0		
Total Income at year # 30 = \$134,049				
0.0%	Target Retirement Income		\$62,866	

0	0	0
Employee	Match	Add.

Regular Savings	CD's	College Savings	Rate	Future Value
Savings 109,369			1%	147,412
			1%	0
			1%	0
Tax Deferred	Roth	401k & IRA		
		IRA 603,504	4%	0
			4%	304,680
	roth 93,939		4%	879,550
		TSP 362,753		
Tax Deferred	Roth	IRA		
			4%	0
			4%	101,560
	roth 31,313		4%	285,878
		IRA 314,061		

0	0	0
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Government Bonds	Corporate Bonds	BoA Trust	Rate	Future Value
			5%	0
			5%	0
		38,783	5%	167,610

Savings Type Assets Total 1,719,080

# 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

Total Income			\$107,000	
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
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
Tax Deferred	Roth	401k & IRA		
		IRA 578,760	4%	0
	roth 68,640		4%	93,939
		TSP 347,880	4%	966,258
Tax Deferred	Roth	IRA		
			4%	0
	roth 22,880		4%	31,313
		IRA 318,760	4%	314,061
Savings Type Assets Total				1,514,938
Government Bonds	Corporate Bonds	BoA Trust	Rate	Future Value
			5%	0
		26,250	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

Total Income		\$107,000		0			0			0			0		
Additional Information															
Sue 70-100															
Bill 70-100															
Retirement Income Projections															
Sue	COLA	0%	Pension	\$18,836	Sue	Regular Savings	CD's	College Savings	Rate	Future Value					
	WD	0%	Social Security	\$32,000		Savings	109,369		1%	147,412					
	0%	0%	Tax Deferred	\$0					1%	0					
	0%	0%	Roth	\$0					1%	0					
	4%	0%	401k & IRA	\$38,650											
TOTAL				\$89,486											
Bill	COLA	0%	Pension	\$0	Bill	Tax Deferred	Roth	401k & IRA							
	WD	0%	Social Security	\$32,000				IRA	603,504	4%	0				
	0%	0%	Tax Deferred	\$0					4%	304,680					
	0%	0%	Roth	\$0			roth	93,939	4%	879,550					
	4%	0%	IRA	\$12,562				TSP	362,753						
TOTAL				\$44,562											
0% W/D Rate from Cash Assets				\$0											
				\$0											
Total Income at year # 30 =				\$134,049											
0.0%	Target Retirement Income			\$62,866											
								Savings Type Assets Total			1,719,080				
		0	0	0	Government Bonds		Corporate Bonds	BoA Trust	Rate	Future Value					
								38,783	5%	0					
									5%	0					
									5%	1,67,610					

# What Tax Bracket Does it Fall into?

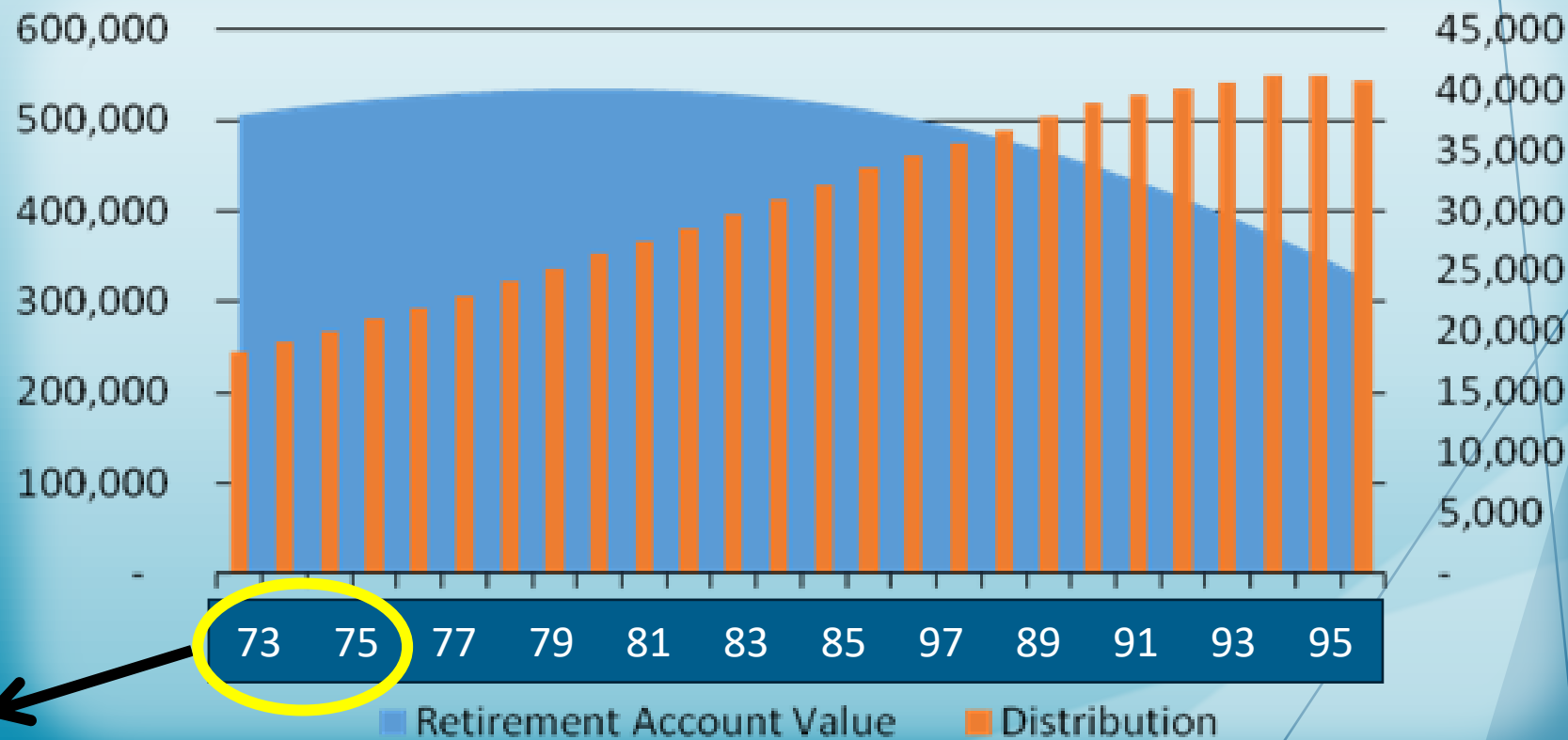
## Tax Bracket 2025

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	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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# 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

# Tax Shelter



Growth

Free

Tax

Surplus or Gap

Lower/Higher  
Brackets

RMD's Social Security =  
Reinvestment?

Roth IRA/  
Shadow Prevision

# 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)





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



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