



THE SOCIETY FOR FINANCIAL AWARENESS
DC Metropolitan Chapter 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

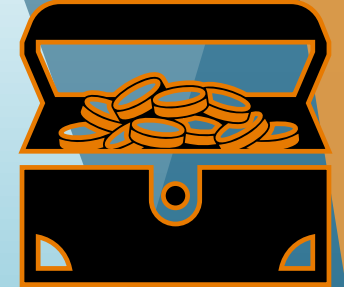
What are the Benefits of a Roth Conversion

- ✓ 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

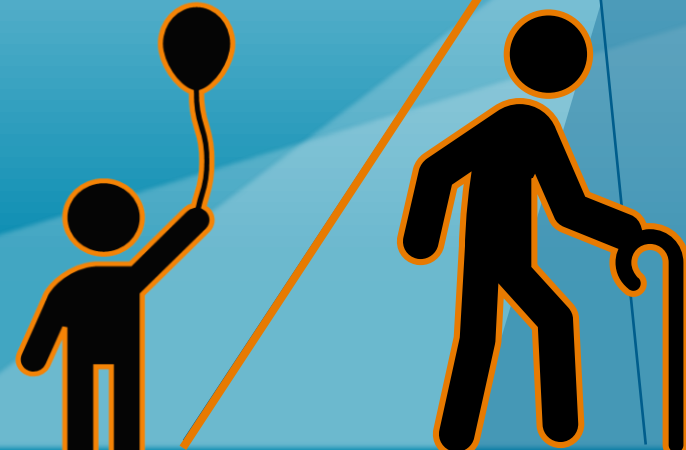
What are the 6 Rules to a Roth Conversion



1. No limit to how much you can convert.



2. No age limit to doing a conversion.

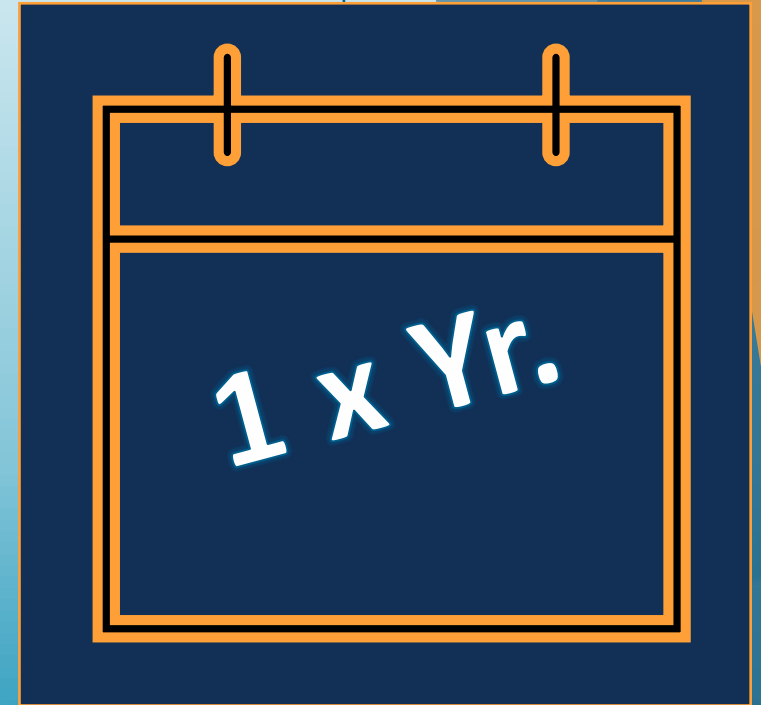


... More Rules to a Roth Conversion

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...

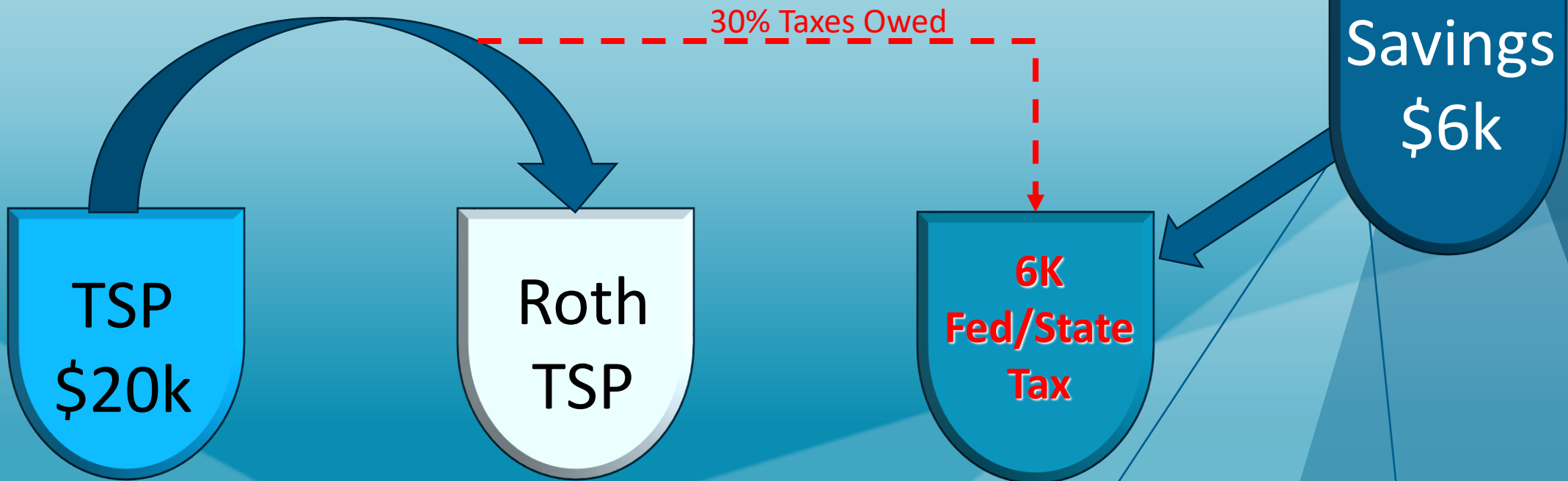


5. To receive tax-free growth on any Roth, you must own the Roth for 5 years.

*Each Conversion starts a new 5yr term.

And More...

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



TSP / Roth In-Plan Conversions



What's New

- Available in My Account on Jan 28, 2026
- Traditional → Roth conversion inside the TSP
- First conversion creates a Roth TSP balance (if needed)
- Irreversible once completed
- No stated age limit (working or retirement)



Key Rules

- \$500 minimum per conversion
- Up to 26 conversions/year per TSP account
- Conversion amount is taxable income that year
- Taxes must be paid from outside the TSP (no withholding)

TSP / Roth In-Plan Conversions

Five-year rules (two clocks)



1) Roth Earnings Qualification

Earnings can be tax-free if BOTH are true:

- 5 years since Jan 1 of first Roth TSP contribution (or first conversion if it creates Roth)
- AND age 59½, disability, or death condition is met



2) Converted Amount Penalty Clock

Each conversion starts its own 5-year clock (from Jan 1 of the conversion year).

Withdraw converted amounts within 5 years → 10% early withdrawal penalty may apply unless an exception applies (e.g., age 59½).

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



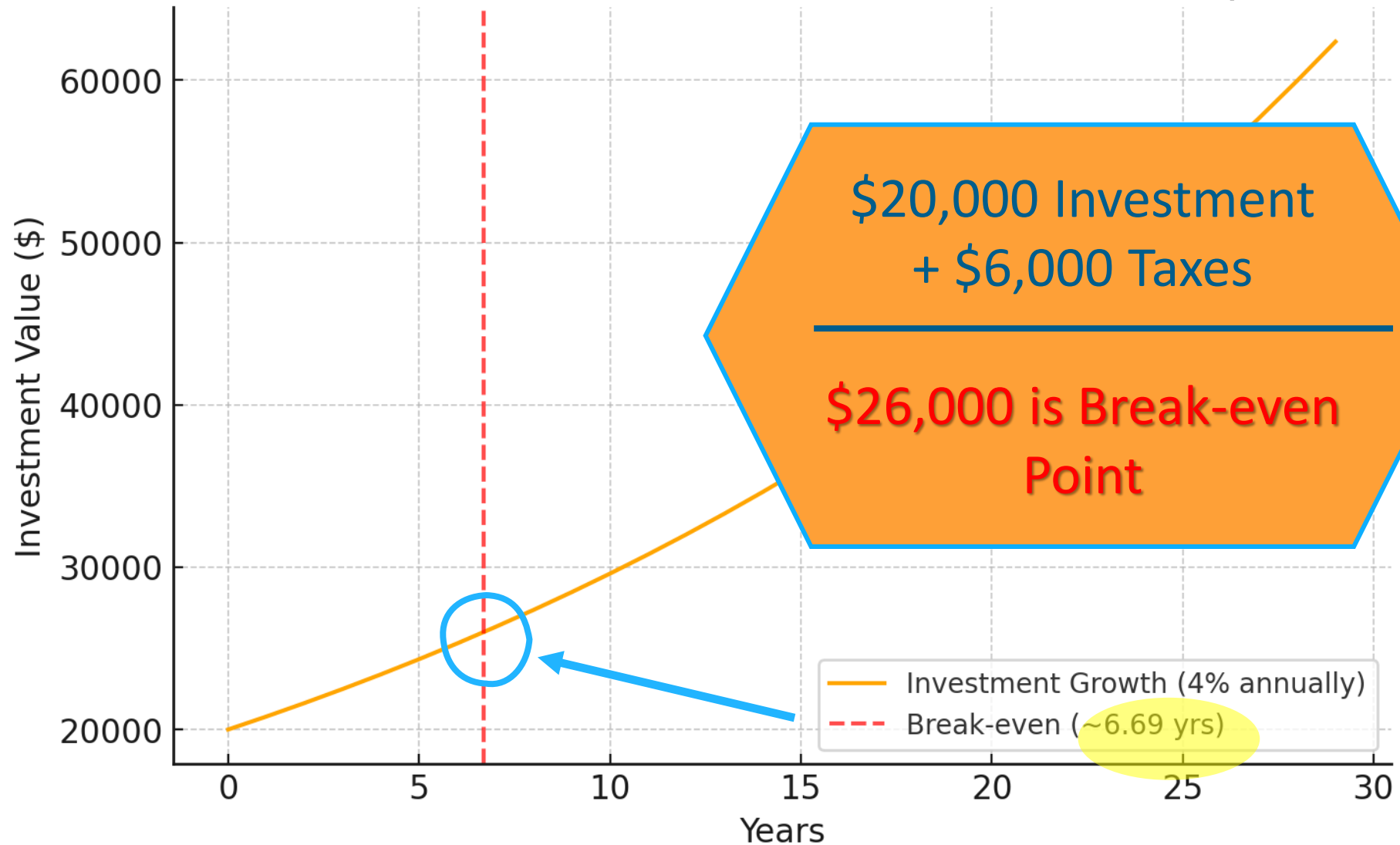
You have enough money from another source
to pay the tax for the conversion.

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



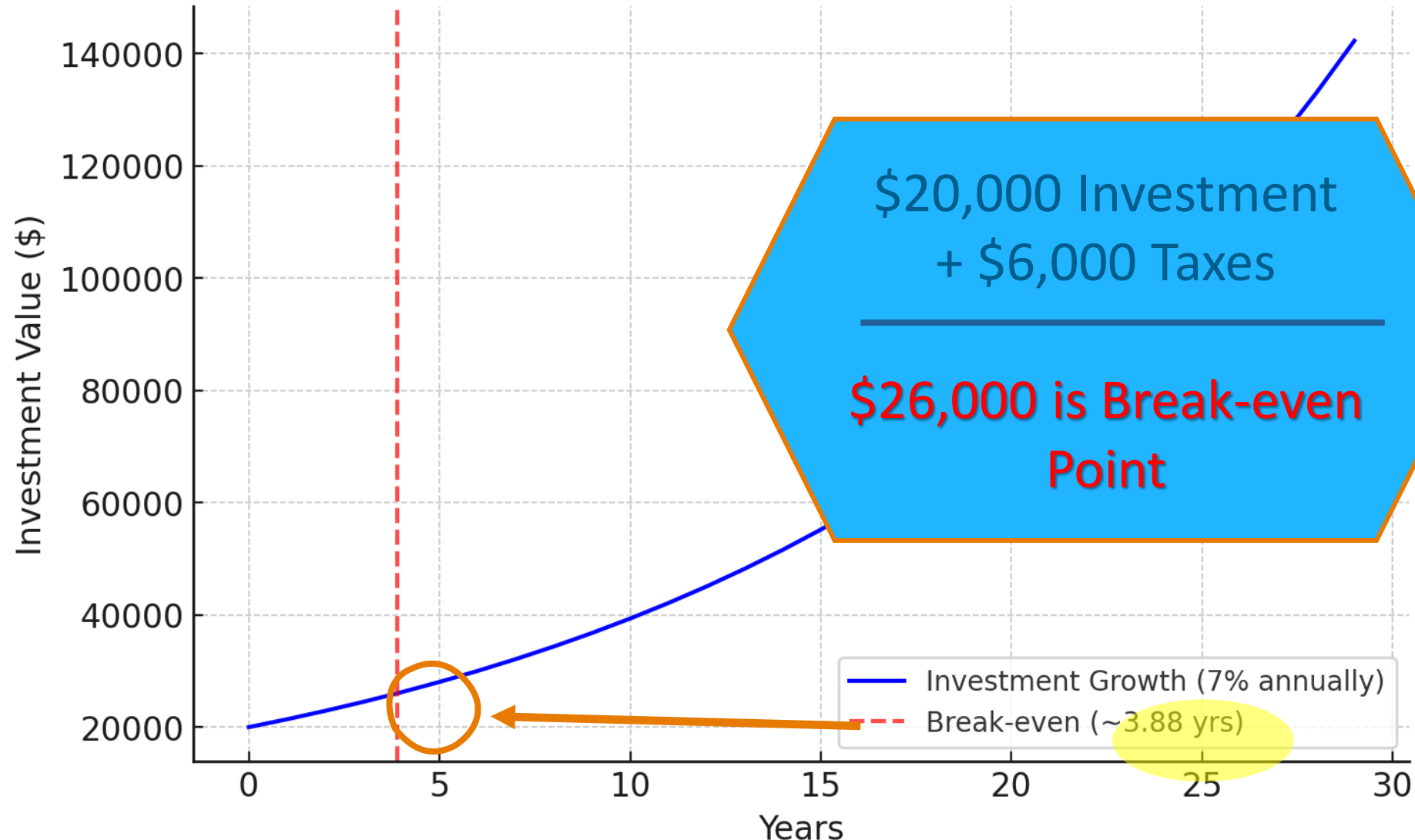
Break-Even Point at 4% Return

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 2026

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

Secure Act 2.0: Catch-Up Changes:

Catch-
Up

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**.



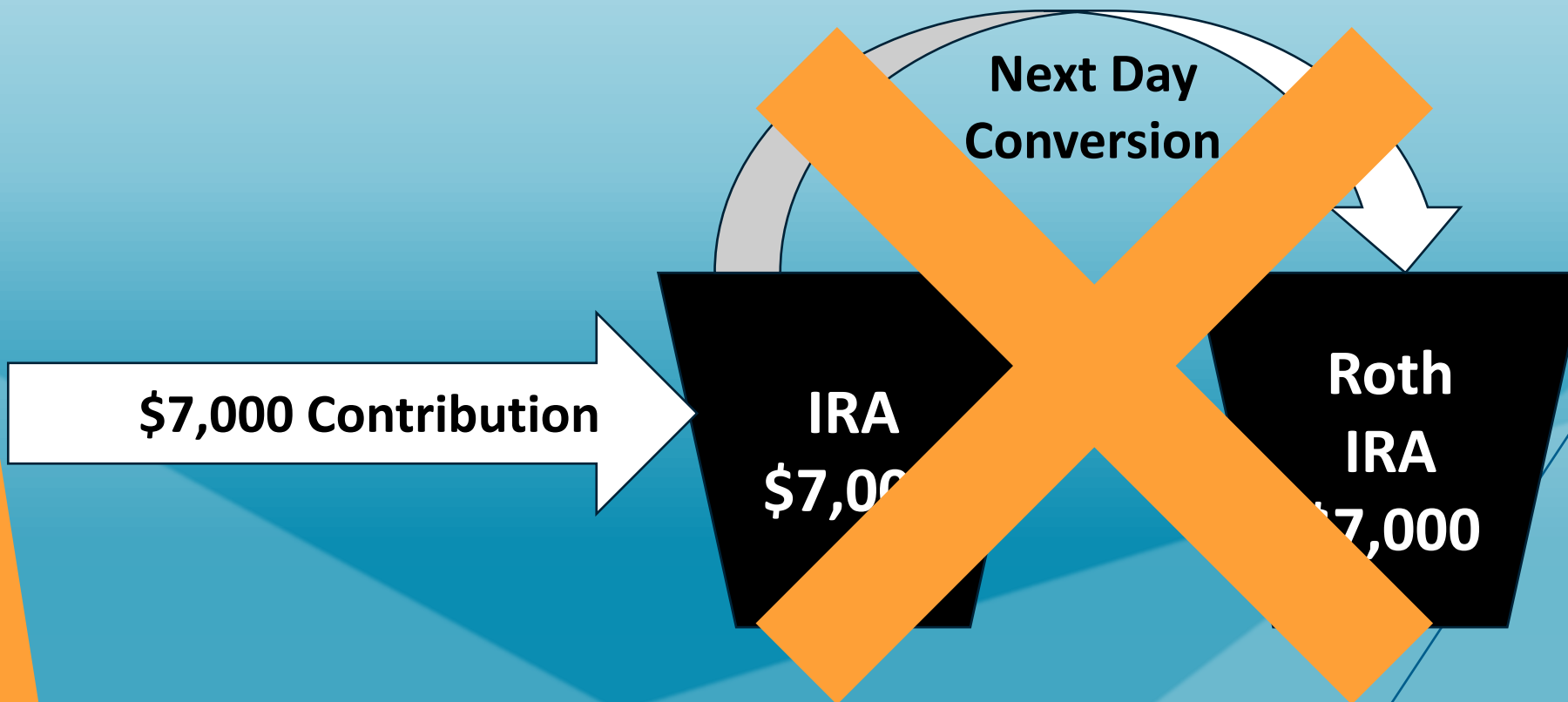
CSRS Employees Not Subject

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

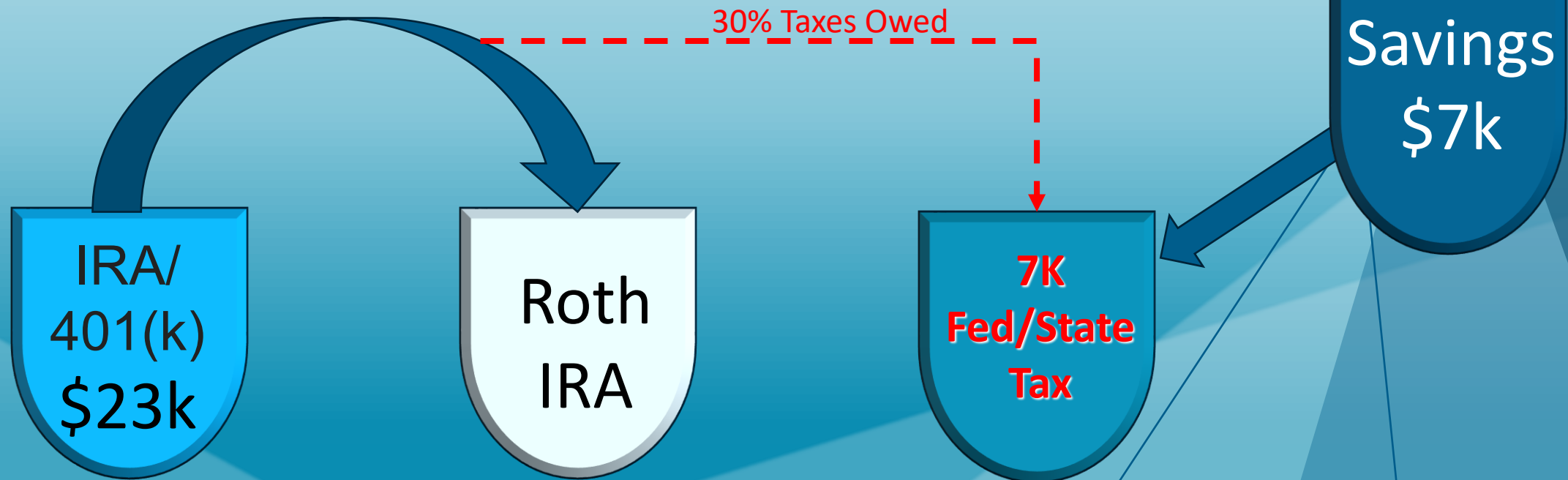


Back Door Roth = Conversion

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



| | |
|----------------------------------|------------------|
| 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 |

Step #2: Quantify Your Retirement Income Projections



Retirement Income Projections

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

Step #3: Compare and Analyze

| | |
|---------------------------|-----------|
| TOTAL Gross Income | \$107,000 |
| Less: | |
| TSP/401k | \$24,500 |
| IRA | \$6,500 |
| Social Security | \$6,634 |
| Savings | |
| Mortgage | |
| College | |
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| Debts | \$6,500 |
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GAP

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

SAME

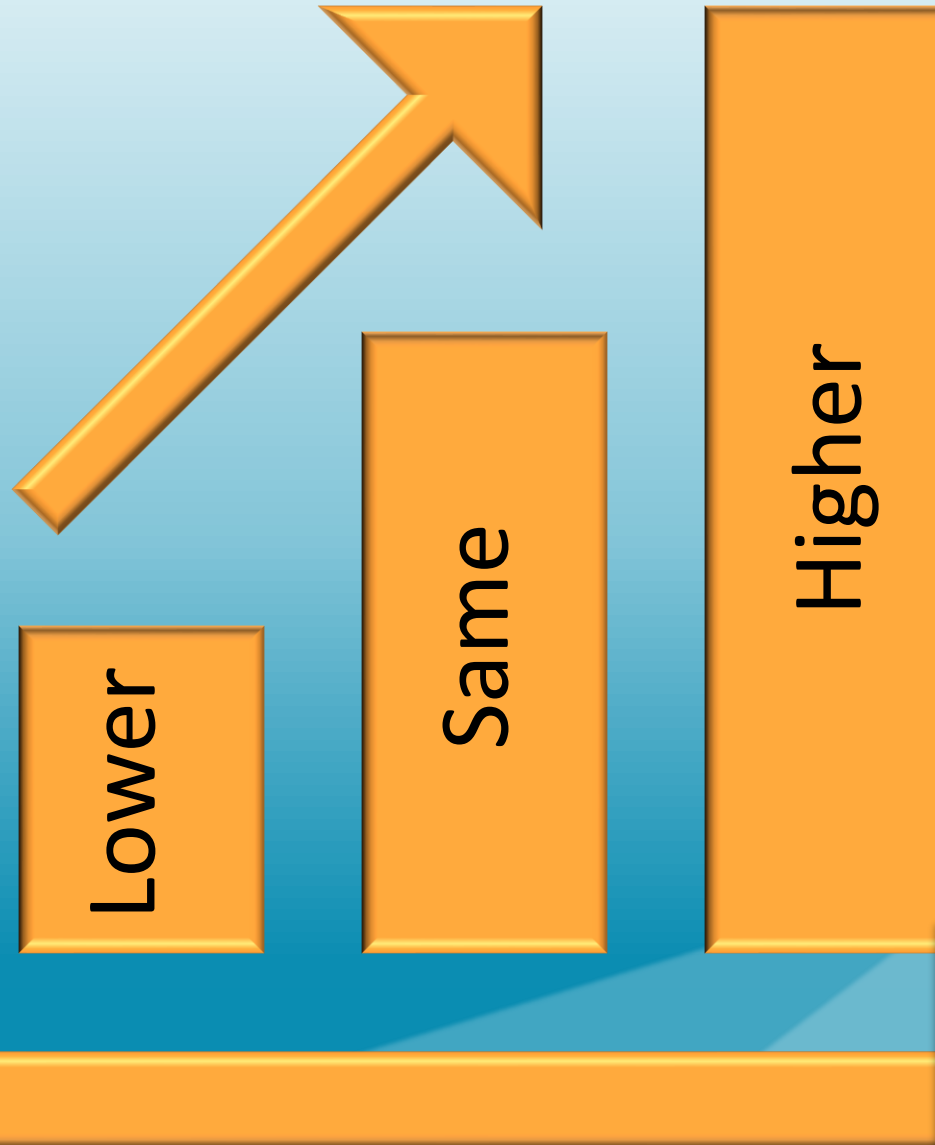
SURPLUS

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

| Retirement Income Projections | | |
|-------------------------------|---------------------------|----------|
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| 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

Taxable Income

Form 1040 (2025) Page 2

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

Standard deduction for—

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

Form 1040 U.S. Individual Income Tax Return 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 . . . , 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 . . .

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

Filing Status ☐ Single ☐ Head of household (HOH) ☐ Qualifying surviving spouse (QSS)

Check only one box. ☐ Married filing jointly (even if only one had income) ☐ Married filing separately (MFS). Enter spouse's SSN above and full name here: If you checked the HOH or QSS box, enter the child's name if the qualifying person is a child but not your dependent:

☐ If treating a nonresident alien or dual-status alien spouse as a U.S. resident for the entire tax year, check the box and enter their name (see instructions and attach statement if required):

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

Dependents (see instructions)

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

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

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

| | |
|--|---|
| 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) ti | |
| z Add lines 1a through 1h | 1z |
| 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 <input type="checkbox"/> Line 3a 2 <input type="checkbox"/> Line 3b | |
| 4a IRA distributions 4a | b Taxable amount 4b |
| c Check if (see instructions): 2 <input type="checkbox"/> QCD 3 <input type="checkbox"/> | |
| 5a Pensions and annuities 5a | b Taxable amount 5b |
| c Check if (see instructions): 1 <input type="checkbox"/> Rollover 2 <input type="checkbox"/> PSO 3 <input type="checkbox"/> | |
| 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"/> | |
| d If you are married filing separately and lived apart from your spouse the entire year (see inst.), check here <input type="checkbox"/> | |
| 7a Capital gain or (loss). Attach Schedule D if required | 7a |
| b Check if: <input type="checkbox"/> Schedule D not required <input type="checkbox"/> Includes child's capital gain or (loss) | |
| 8 Additional income from Schedule 1, line 10 | 8 |
| 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 |

What is Your Tax Bracket?

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

Tax Bracket 2026

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

| 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

| | |
|---------------------------|-----------|
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| Less: | |
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| 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 |

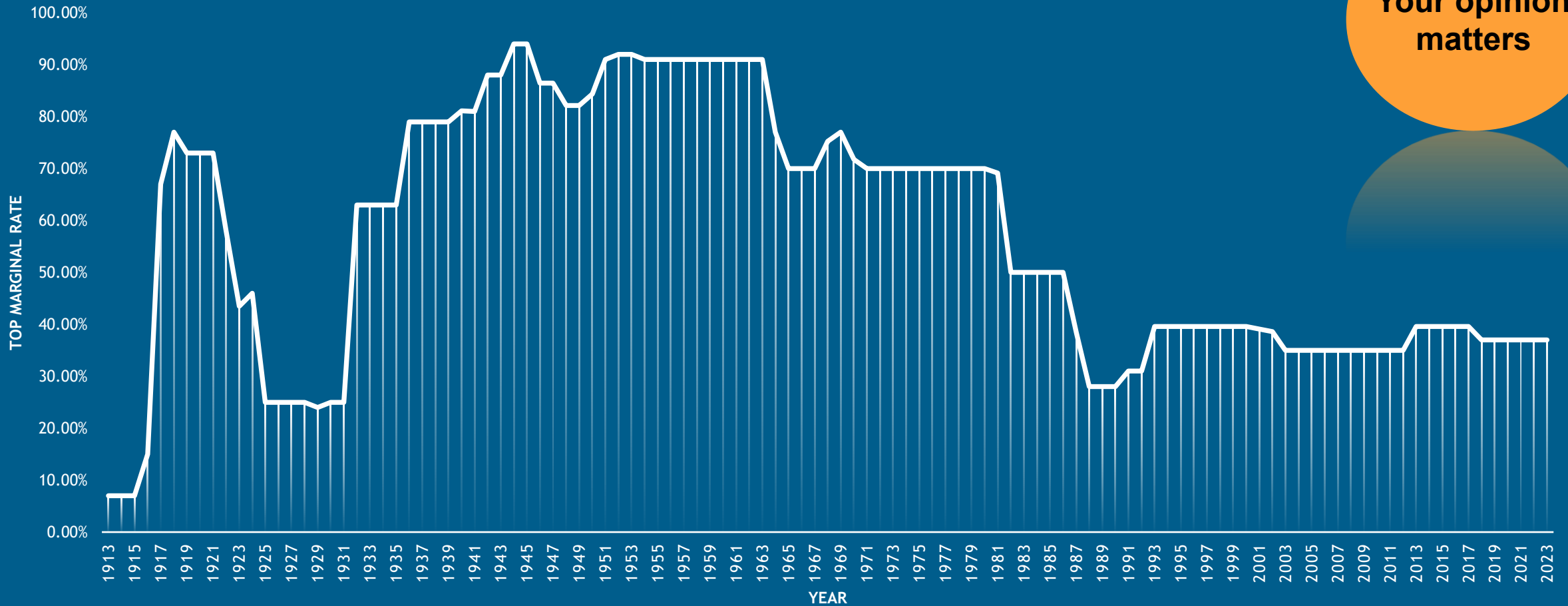
Medicare B Coverage for 2026

If Your Yearly Income in 2024 was:

| File Individual Tax Return | File Joint Tax Return | File Married & Separate Tax Return | Part B Premium You Pay Each Month (in 2026): |
|----------------------------|------------------------|------------------------------------|--|
| \$109,000 or less | \$218,000 or less | \$109,000 or less | \$202.90 |
| \$109,001 to \$137,000 | \$218,001 to \$274,000 | N/A | \$284.10 |
| \$137,001 to \$171,000 | \$274,001 to \$342,000 | N/A | \$405.80 |
| \$171,001 to \$205,000 | \$342,001 to \$410,000 | N/A | \$527.50 |
| \$205,001 to \$499,000 | \$410,001 to \$749,999 | \$109,001 to \$390,999 | \$649.20 |
| \$500,000+ | \$750,000+ | \$391,000+ | \$689.90 |

Where do you think taxes will be in your future?

HISTORICAL HIGHEST MARGINAL INCOME TAX RATES



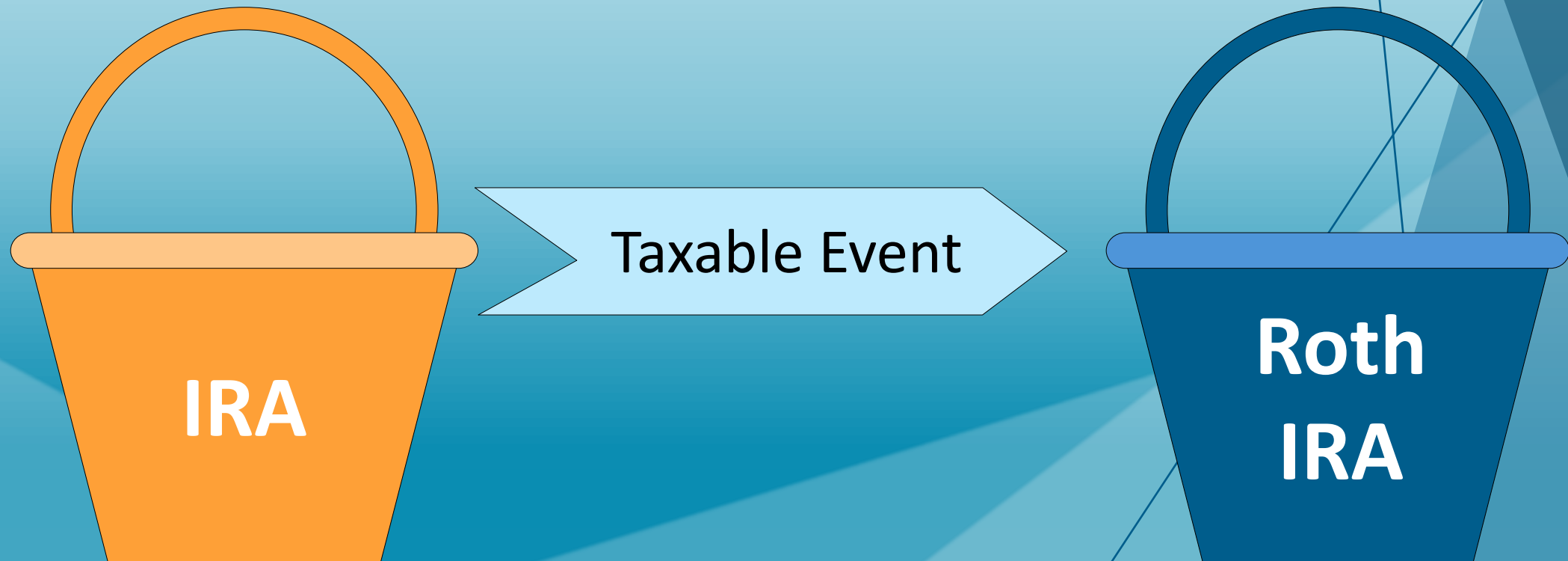
Your opinion matters

► 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 Position Financial Model

| | | | | | | | | |
|-------------------------------|------|----|-----------------|---------|-------|-----|---|--|
| Income | | | | PRESENT | | | | |
| | | | | 0 | 2,360 | 0 | | |
| Total Income | | | | | | | 0 | |
| Additional Information | | | | | | | | |
| Sue 61-62; | | | | | | | | |
| Bill 61-62 | | | | | | | | |
| Retirement Income Projections | | | | | | | | |
| Sue | COLA | 0% | Pension | | | \$0 | | |
| | WD | 0% | Social Security | | | \$0 | | |
| | 0% | 0% | Tax Deferred | | | \$0 | | |
| | 0% | 0% | Roth | | | \$0 | | |
| | 0% | 0% | 401k & IRA | | | \$0 | | |
| | | | TOTAL | | | \$0 | | |
| Bill | COLA | 0% | Pension | | | \$0 | | |
| | WD | 0% | Social Security | | | \$0 | | |
| | 0% | 0% | Tax Deferred | | | \$0 | | |
| | 0% | 0% | Roth | | | \$0 | | |
| | 0% | 0% | IRA | | | \$0 | | |
| | | | TOTAL | | | \$0 | | |
| W/D Rate from Cash Assets | | | | | | | | |
| | | | | | | | | |
| Total Income at year # 1 = | | | | | | | | |
| 0.0% Target Retirement Income | | | | | | | | |
| | | | | | | | | |
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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 |

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 | 4% | 0 |
| | | roth | 93,939 | 4% | 304,680 |
| | | | TSP | 4% | 879,550 |
| Tax Deferred | | Roth | IRA | | |
| | | | | 4% | 0 |
| | | roth | 31,313 | 4% | 101,560 |
| | | | IRA | 4% | 285,878 |

| | | |
|---|---|---|
| 0 | 0 | 0 |
|---|---|---|

| | | | |
|---------------------------|--|--|-----------|
| Savings Type Assets Total | | | 1,719,080 |
|---------------------------|--|--|-----------|

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

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 2026

If Your Yearly Income in 2024 was:

| File Individual Tax Return | File Joint Tax Return | File Married & Separate Tax Return | Part B Premium You Pay Each Month (in 2026): |
|-----------------------------------|------------------------------|---|---|
| \$109,000 or less | \$218,000 or less | \$109,000 or less | \$202.90 |
| \$109,001 to \$137,000 | \$218,001 to \$274,000 | N/A | \$284.10 |
| \$137,001 to \$171,000 | \$274,001 to \$342,000 | N/A | \$405.80 |
| \$171,001 to \$205,000 | \$342,001 to \$410,000 | N/A | \$527.50 |
| \$205,001 to \$499,000 | \$410,001 to \$749,999 | \$109,001 to \$390,999 | \$649.20 |
| \$500,000+ | \$750,000+ | \$391,000+ | \$689.90 |

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. |
| | | |

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|-----------------|---------|------|-----------------|------------|--------------|
| 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 |
| | | roth | 93,939 | 4% 304,680 | |
| | | | TSP | 362,753 | 4% 879,550 |
| Tax Deferred | | Roth | IRA | | |
| | | | | 4% | 0 |
| | | roth | 31,313 | 4% | 101,560 |
| | | | IRA | 314,061 | 4% 285,878 |

| | | |
|---|---|---|
| 0 | 0 | 0 |
|---|---|---|

| | | | |
|---------------------------|--|--|-----------|
| Savings Type Assets Total | | | 1,719,080 |
|---------------------------|--|--|-----------|

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

What Tax Bracket Does it Fall into?

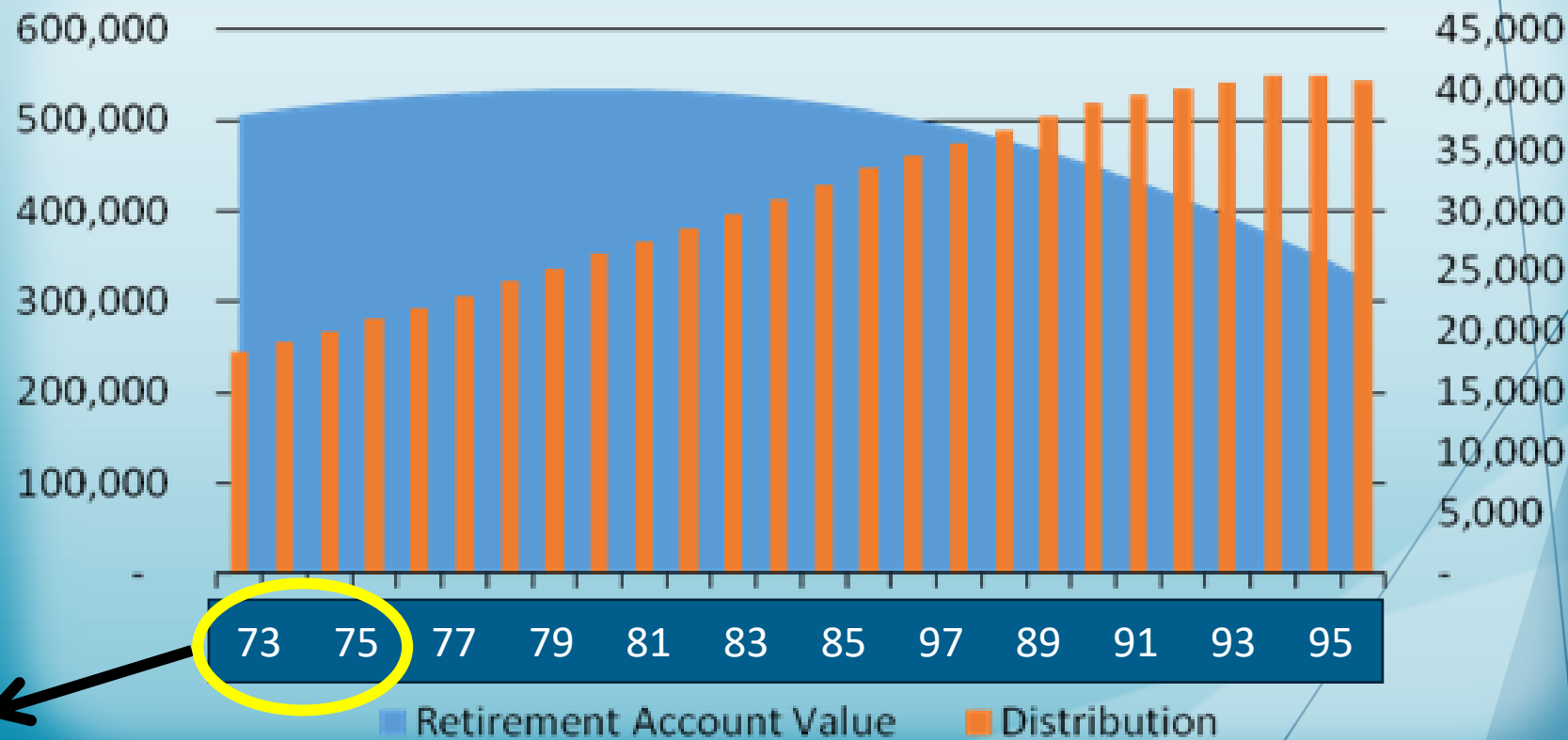
Tax Bracket 2025

| 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

0 0 0

| 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 |

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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