



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))



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

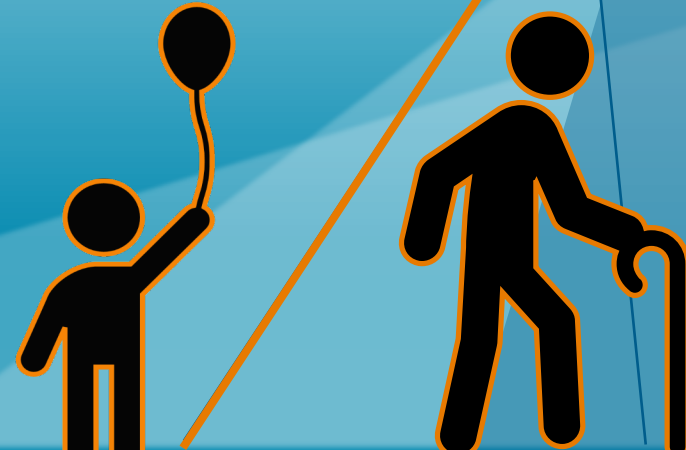
What are the 6 Rules to a Roth Conversion



1. No limit to how much you can convert.

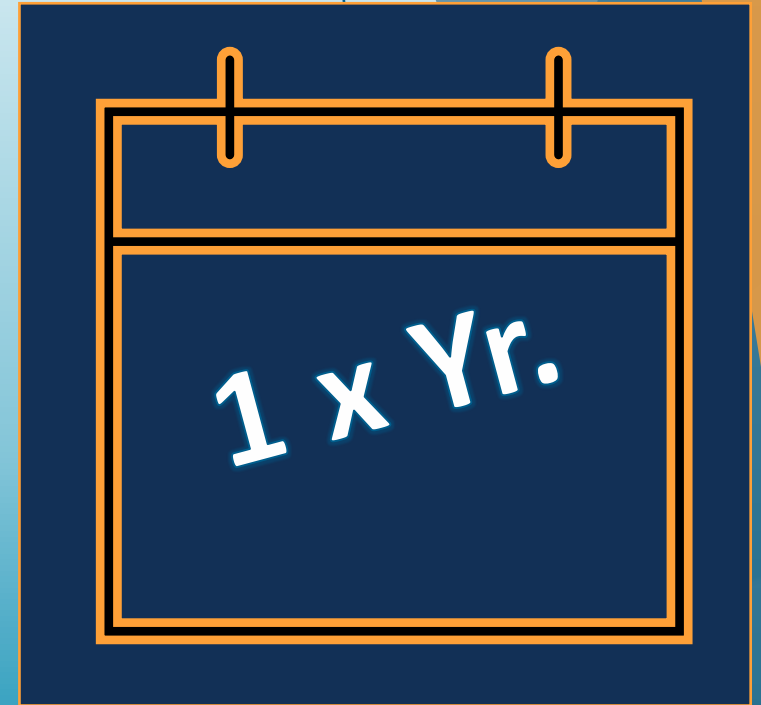


2. No age limit to doing a conversion.



... 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...

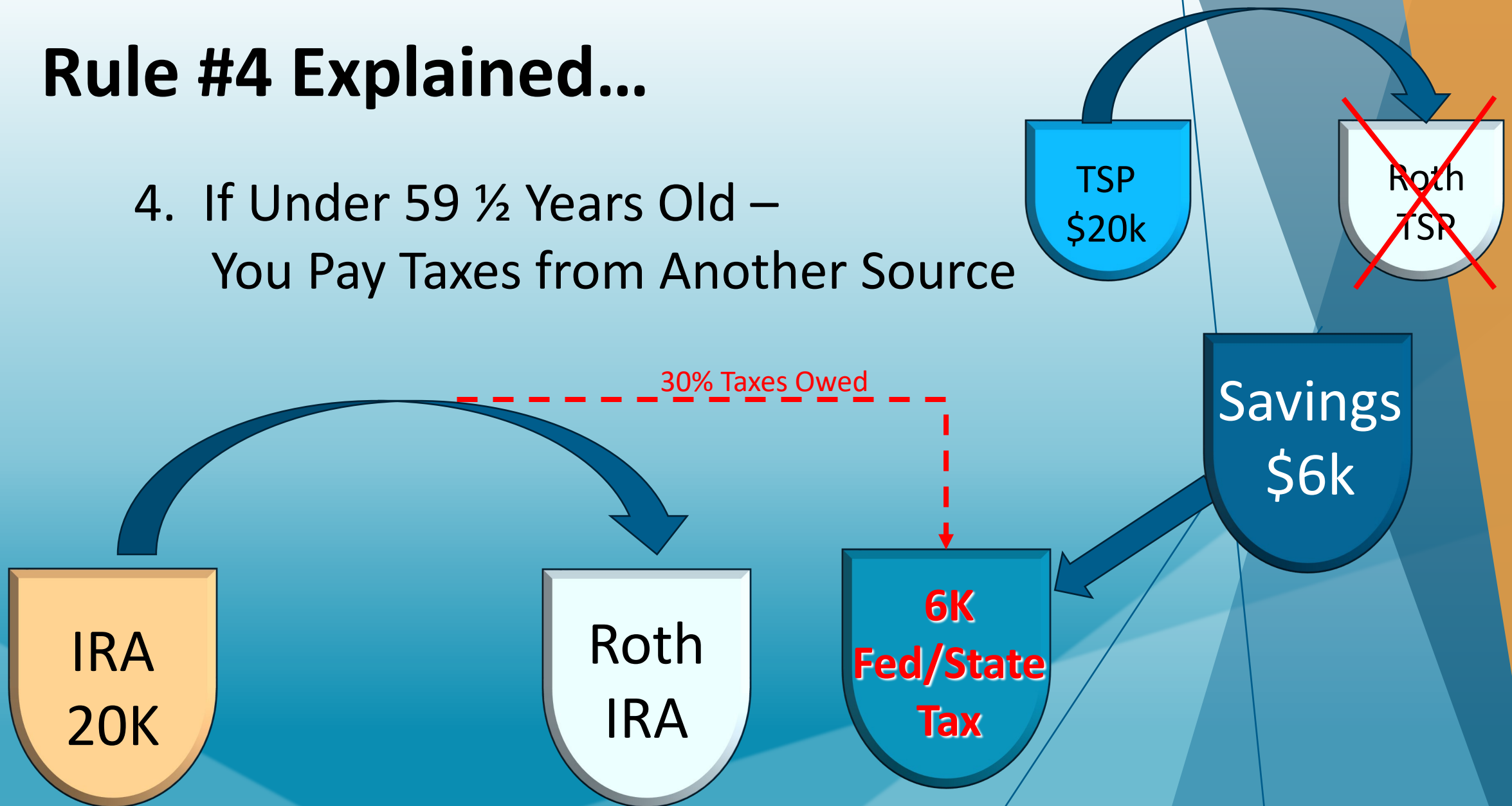


5. To receive tax-free growth on any Roth, you must own the Roth for 5 years.

*Each Conversion starts a new 5yr term.

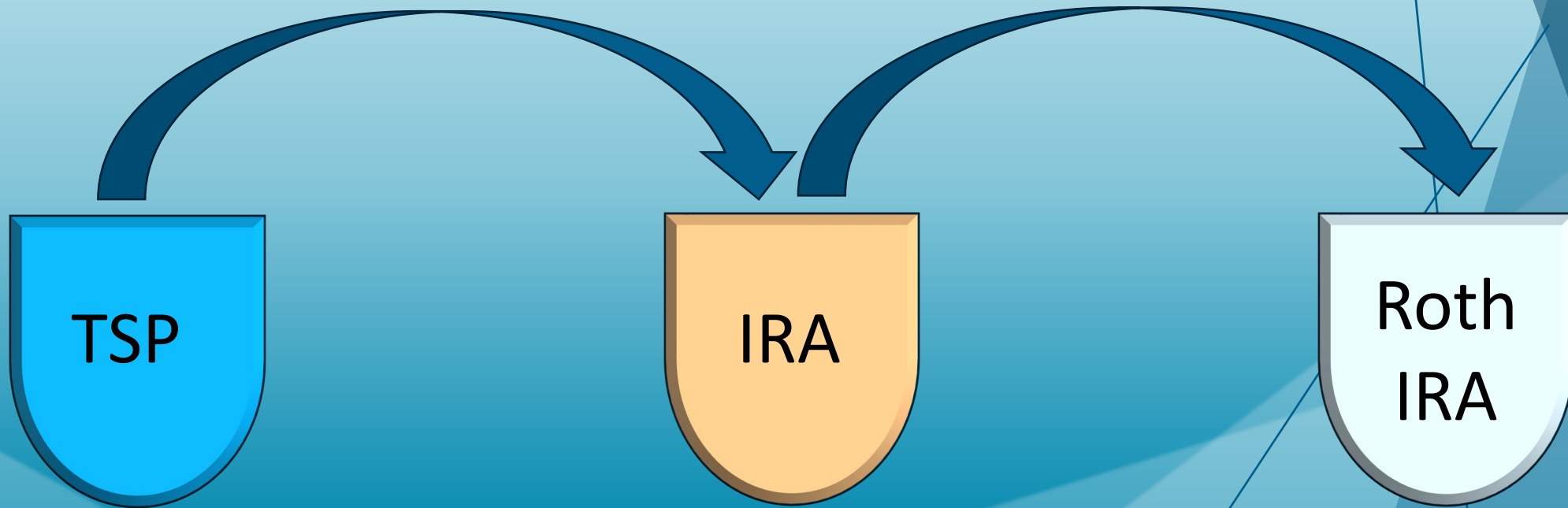
Rule #4 Explained...

4. If Under 59 ½ Years Old –
You Pay Taxes from Another Source



Rule #4 Explained...

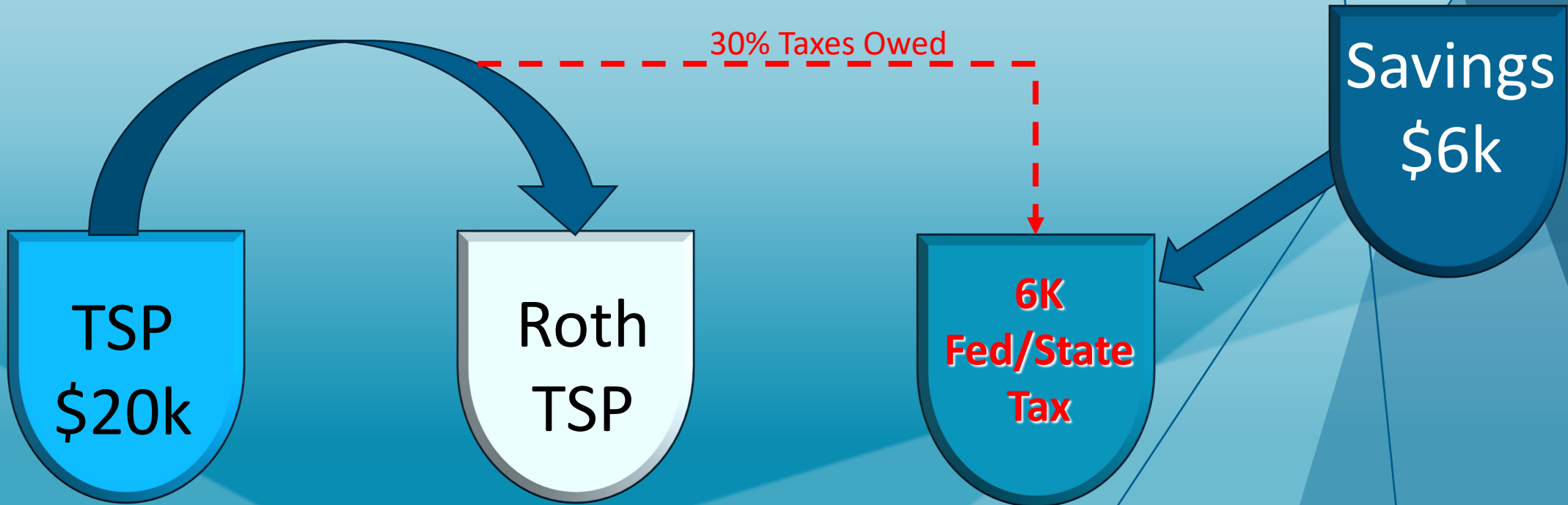
4. If Over 59 ½ Years Old...



Can't Move Until 59 ½ Years Old - While Working

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



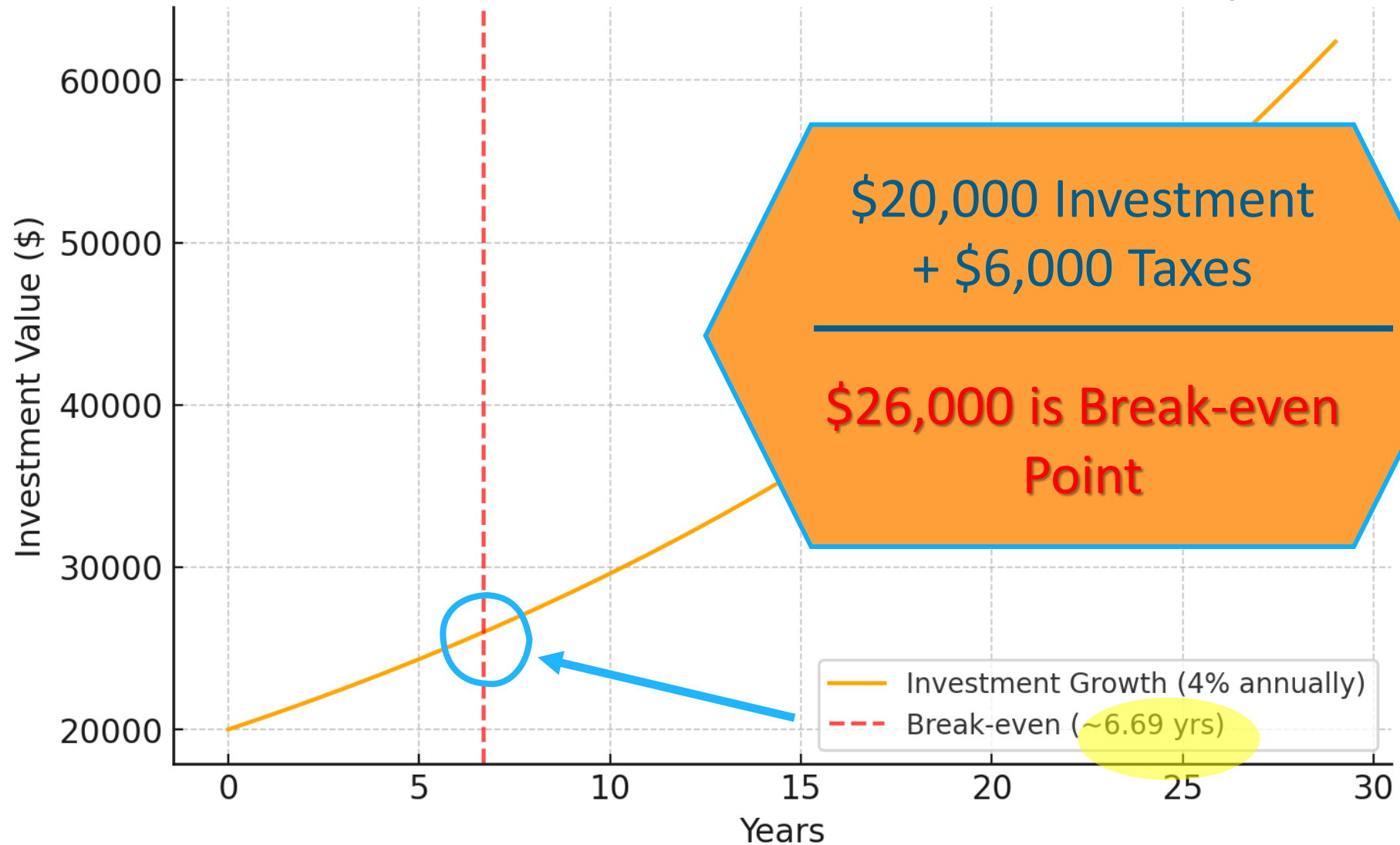
You have enough money from another source
to pay the tax for the conversion.

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



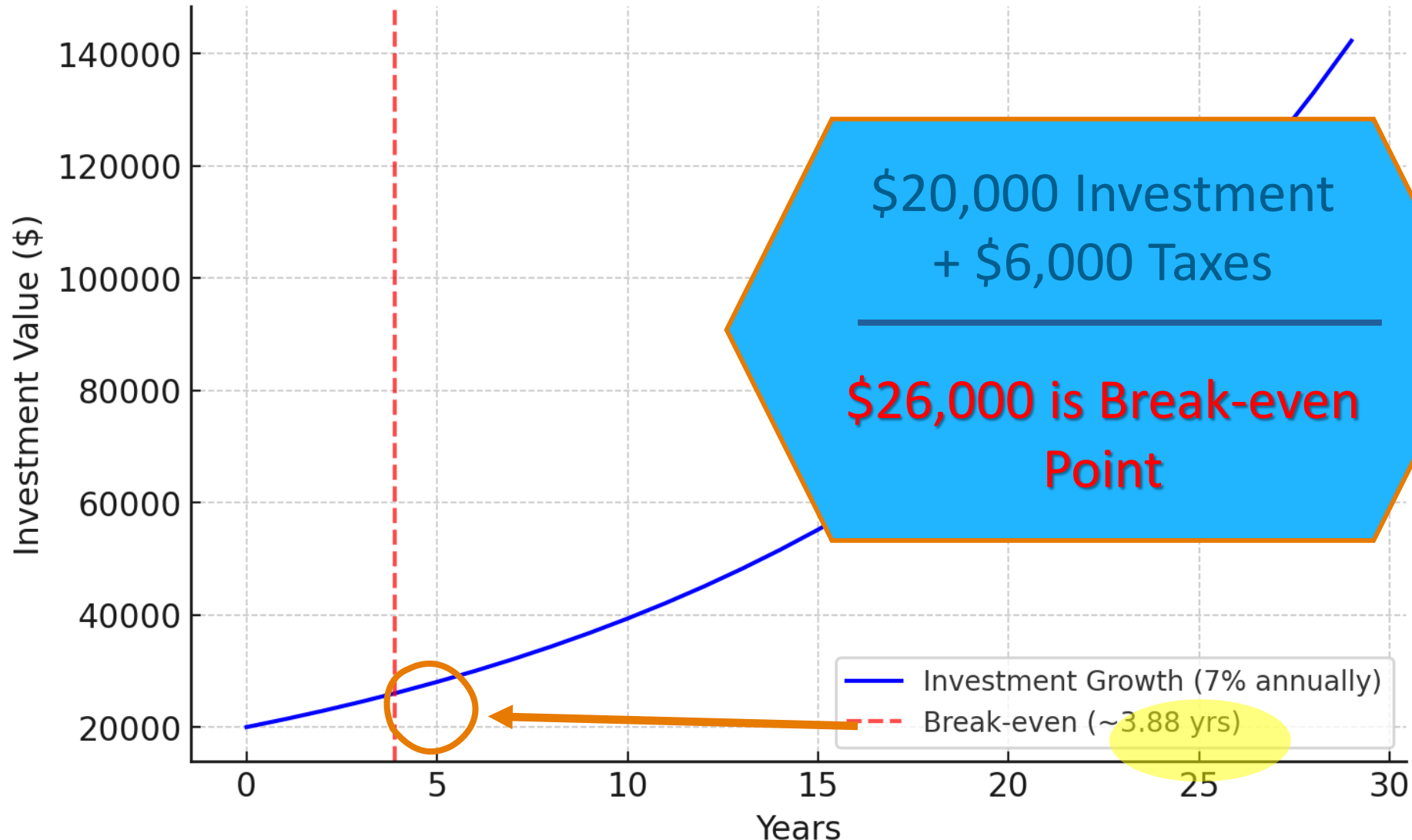
Break-Even Point at 4% Return

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	Single/Head of Household: \$146,000-\$161,000 Married Filing Joint: \$230,000 - \$240,000
Annual Maximum Contributions	\$23,500	\$7,000	
Catch Up Provision 50+	\$7,500	\$1,000	
Total Potential Annual Contribution* <i>*Ages 60-63 add'l higher catch up limit \$11,250</i>	\$31,000	\$8,000	

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	Single/Head of Household: \$150,000-\$165,000 Married Filing Joint: \$236,000 - \$246,000
Annual Maximum Contributions	\$23,500	\$7,000	
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

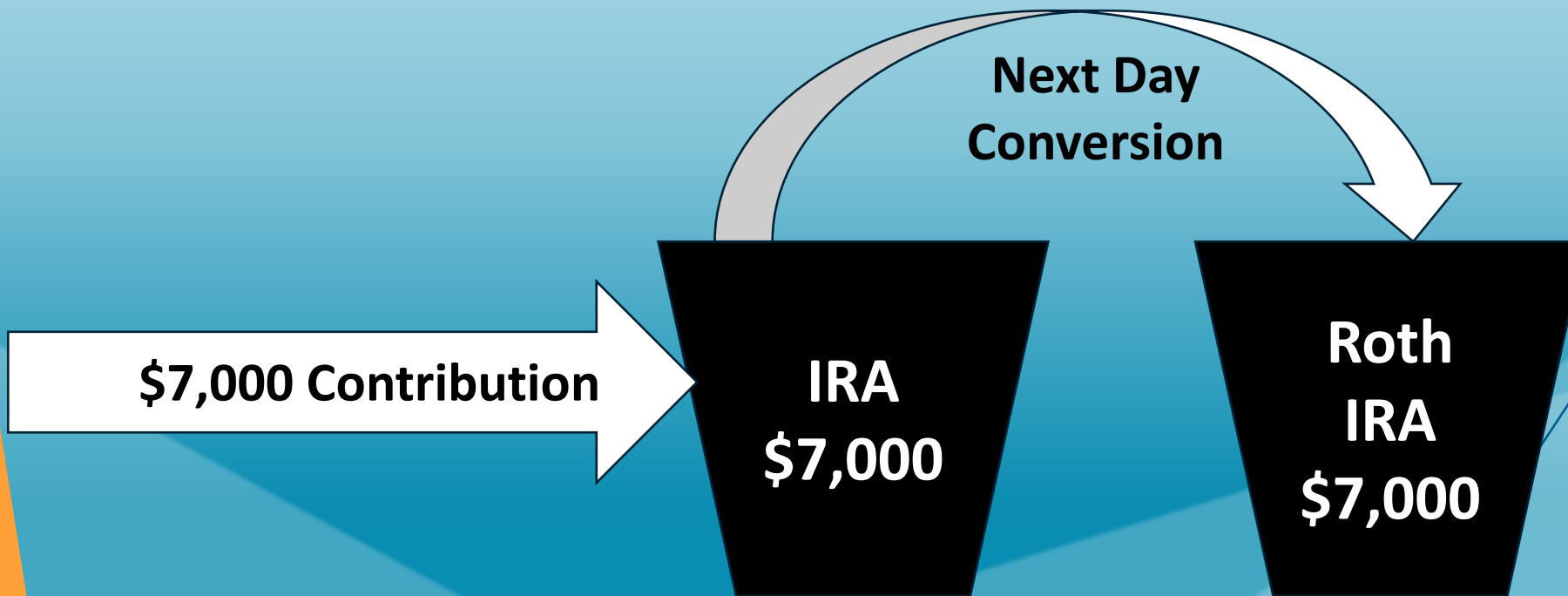
Age 50+ Catch-up for Certain Highly-paid Employees

- If a participant's wages were more than \$145,000, the participant may only contribute the Age 50+ Catch-up as a Roth contribution.
- Effective date: Tax years after December 31, 2023



Back Door Roth = Conversion

Phase Out – Income Limits Too High



Back Door Roth = Conversion

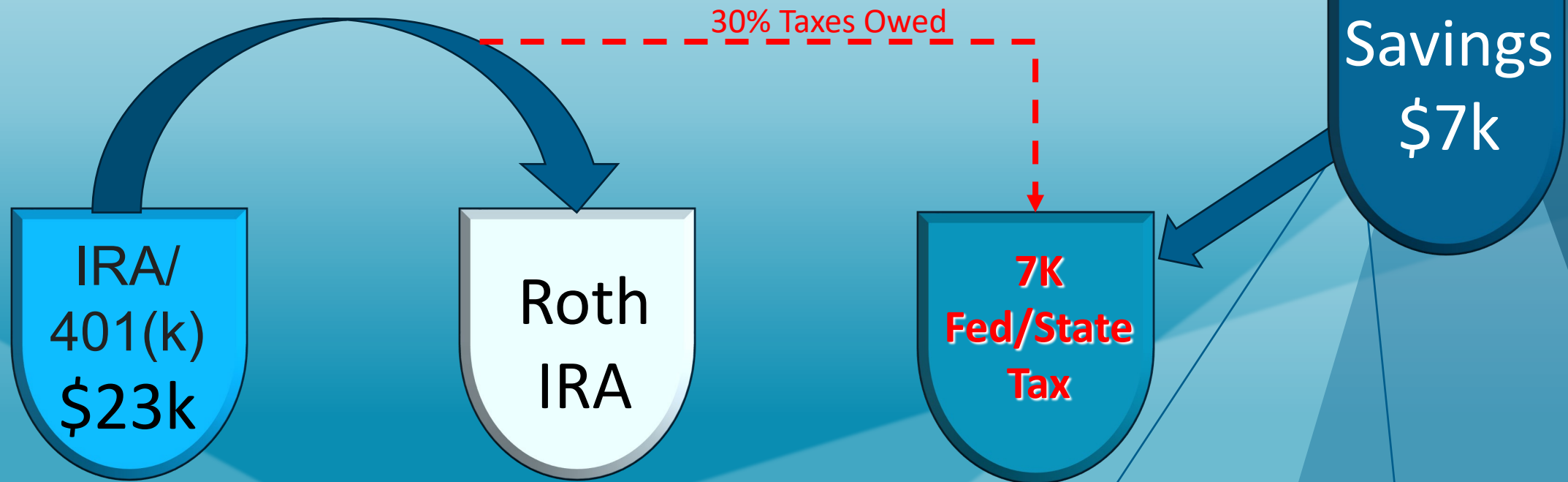
Phase One Income Limits Too High



The diagram illustrates a Back Door Roth conversion process. It features two black trapezoidal shapes representing IRAs. A white arrow labeled "\$7,000 Contribution" points into the left IRA. A curved grey arrow points from the left IRA to the right IRA. A white arrow points from the right IRA to the right. A large orange 'X' is superimposed over the entire diagram, indicating that this process is no longer valid due to income limits.

\$7,000 Contribution

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 Savings	\$6,634
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	
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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 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

Department of the Treasury—Internal Revenue Service

Form 1040 U.S. Individual Income Tax Return 2024 OMB No. 1545-0047 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 _____, 2024, 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
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

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

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

Filing Status ☐ Single ☐ Head of household (HOH) ☐ Married filing jointly (even if only one had income) ☐ Married filing separately (MFS) ☐ Qualifying surviving spouse (QSS)

Check only one box. 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: _____

☐ 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 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.) ☐ Yes ☐ No

Standard Deduction Someone can claim: ☐ You as a dependent ☐ Your spouse as a dependent ☐ Spouse itemizes on a separate return or you were a dual-status alien

Age/Blindness You: ☐ Were born before January 2, 1960 ☐ Are blind Spouse: ☐ Was born before January 2, 1960 ☐ Is blind

Dependents (see instructions):

(1) First name	Last name	(2) Social security number	(3) Relationship to you	(4) Check the box if qualifies for (see instructions):
				Child tax credit
				Credit for other dependents
				<input type="checkbox"/>
				<input type="checkbox"/>
				<input type="checkbox"/>
				<input type="checkbox"/>

If more than four dependents, see instructions and check here ☐

Income

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 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 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.

2a	Tax-exempt interest	2a
3a	Qualified dividends	3a
4a	IRA distributions	4a
5a	Pensions and annuities	5a
6a	Social security benefits	6a
c	If you elect to use the lump-sum election method, check here (see instructions)	
7	Capital gain or (loss). Attach Schedule D if required. If not required, check here	7
8	Additional income from Schedule 1, line 10	8
9	Add lines 1z, 2b, 3b, 4b, 5b, 6b, 7, 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
12	Standard deduction or itemized deductions (from Schedule A)	12
13	Qualified business income deduction from Form 8995 or Form 8995-A	13
14	Add lines 12 and 13	14
15	Subtract line 14 from line 11. If zero or less, enter -0-. This is your taxable income	15

see instructions.

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



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Retirement Income Projections		
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	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

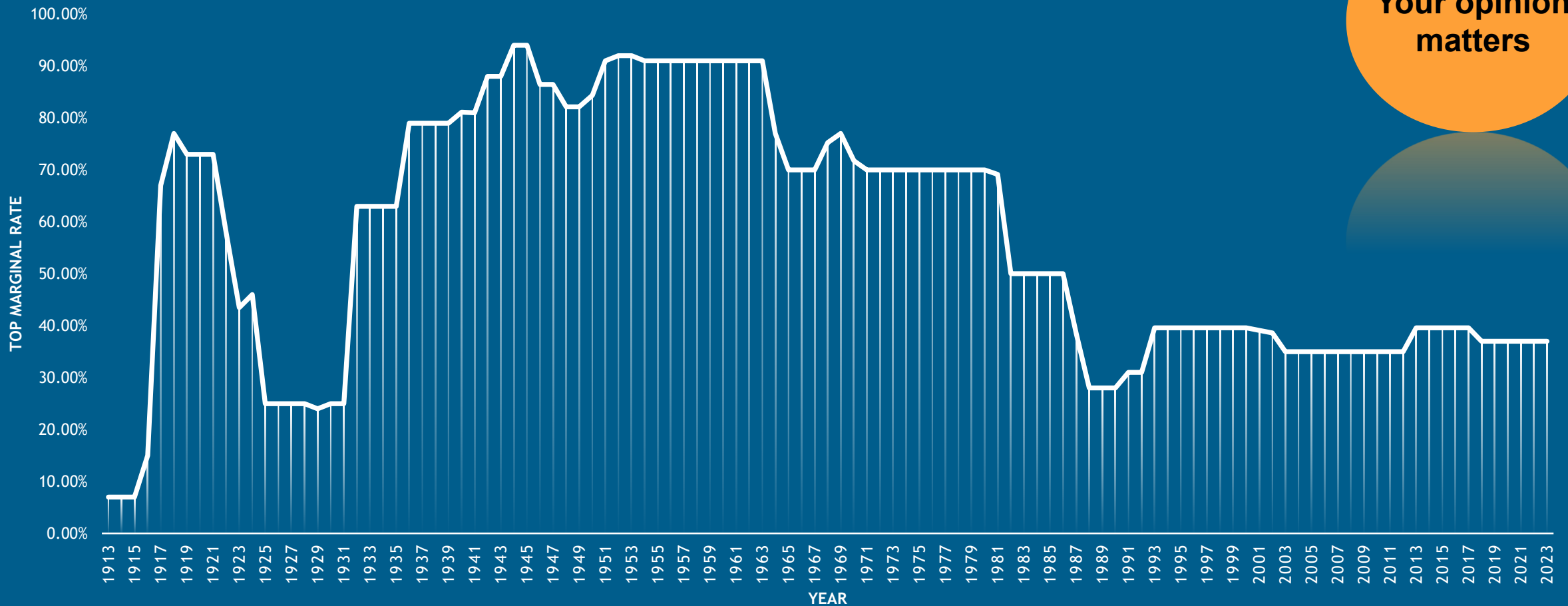
Medicare 2024 Part B Premiums By Income

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 Position Financial Model

Income			\$0		
Total Income			\$107,000		
Additional Information					
Sue 61-62;					
Bill 61-62					
Retirement Income Projections					
Sue	COLA	0%	Pension	\$0	
	WD	0%	Social Security	\$0	
	0%	0%	Tax Deferred	\$0	
	0%	0%	Roth	\$0	
	0%	0%	401k & IRA	\$0	
			TOTAL	\$0	
Bill	COLA	0%	Pension	\$0	
	WD	0%	Social Security	\$0	
	0%	0%	Tax Deferred	\$0	
	0%	0%	Roth	\$0	
	0%	0%	IRA	\$0	
			TOTAL	\$0	
W/D Rate from Cash Assets			\$0		
Total Income at year # 1 = \$0					
0.0%	Target Retirement Income		\$62,866		

0	2,360	0
Employee	Match	Add.
Regular Savings		
Savings 100,000		
Tax Deferred		
CD's		
College Savings		
Rate		
Future Value		
1% 101,000		
1% 0		
1% 0		
4% 0		
4% 68,640		
4% 926,640		
4% 0		
4% 22,880		
4% 318,760		
1,437,920		

0	0	37,500
Employee	Match	Add.
Regular Savings		
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1% 0		
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Employee	Match	Add.
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Regular Savings		
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Tax Deferred		
CD's		
College Savings		
Rate		
Future Value		
1% 101,000		
1% 0		
1% 0		
4% 0		

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 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	Tax Deferred		Roth	401k & IRA			
Bill	COLA	0%	Pension	\$0	Bill			IRA	603,504	4%	0
	WD	0%	Social Security	\$32,000						4%	304,680
	0%	0%	Tax Deferred	\$0			roth	93,939		4%	879,550
	0%	0%	Roth	\$0				TSP	362,753		
	4%	0%	IRA	\$12,562							
TOTAL				\$44,562	Tax Deferred		Roth	IRA			
0% W/D Rate from Cash Assets				\$0					4%	0	
				\$0					4%	101,560	
Total Income at year # 30 =				\$134,049		roth	31,313		4%	285,878	
0.0%	Target Retirement Income			\$62,866				IRA	314,061		
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

						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 & 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
---	---	---

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

What Tax Bracket Does it Fall into?

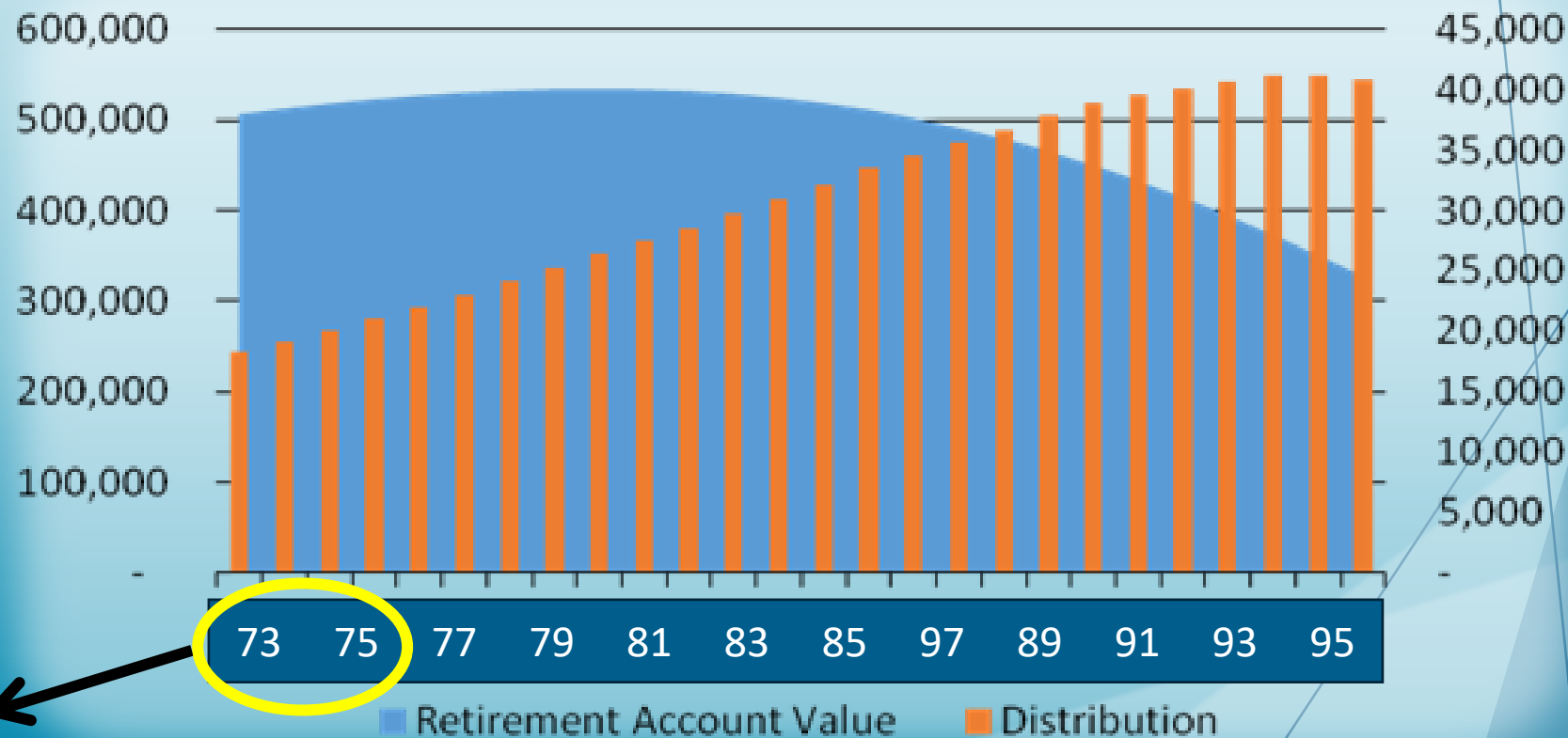
Tax Bracket 2025

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
	Roth 105,668		4%	205,831
		TSP 408,048	4%	316,718
Bill				
Tax Deferred	Tax Free	Tax Deductible		
	Roth 43,228		4%	0
		IRA 353,275	4%	84,204
			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)



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<https://www.surveymonkey.com/r/DCSOFASURVEY>



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