



THE SOCIETY FOR FINANCIAL AWARENESS

DC Metropolitan Chapter [www.dcsofa.org](http://www.dcsofa.org)

# Social Security and Taxes in Retirement



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# The Desire

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

01

Long Term  
Wealth

02

Retirement  
Income

03

Minimized  
Taxes

04

Lasting Legacy

05

Reduced Costs  
and Risk

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





# Financial Decisions = Challenge

**One at a Time**

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**At Different Times**

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**With Different People**

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**Under Different Circumstances**

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

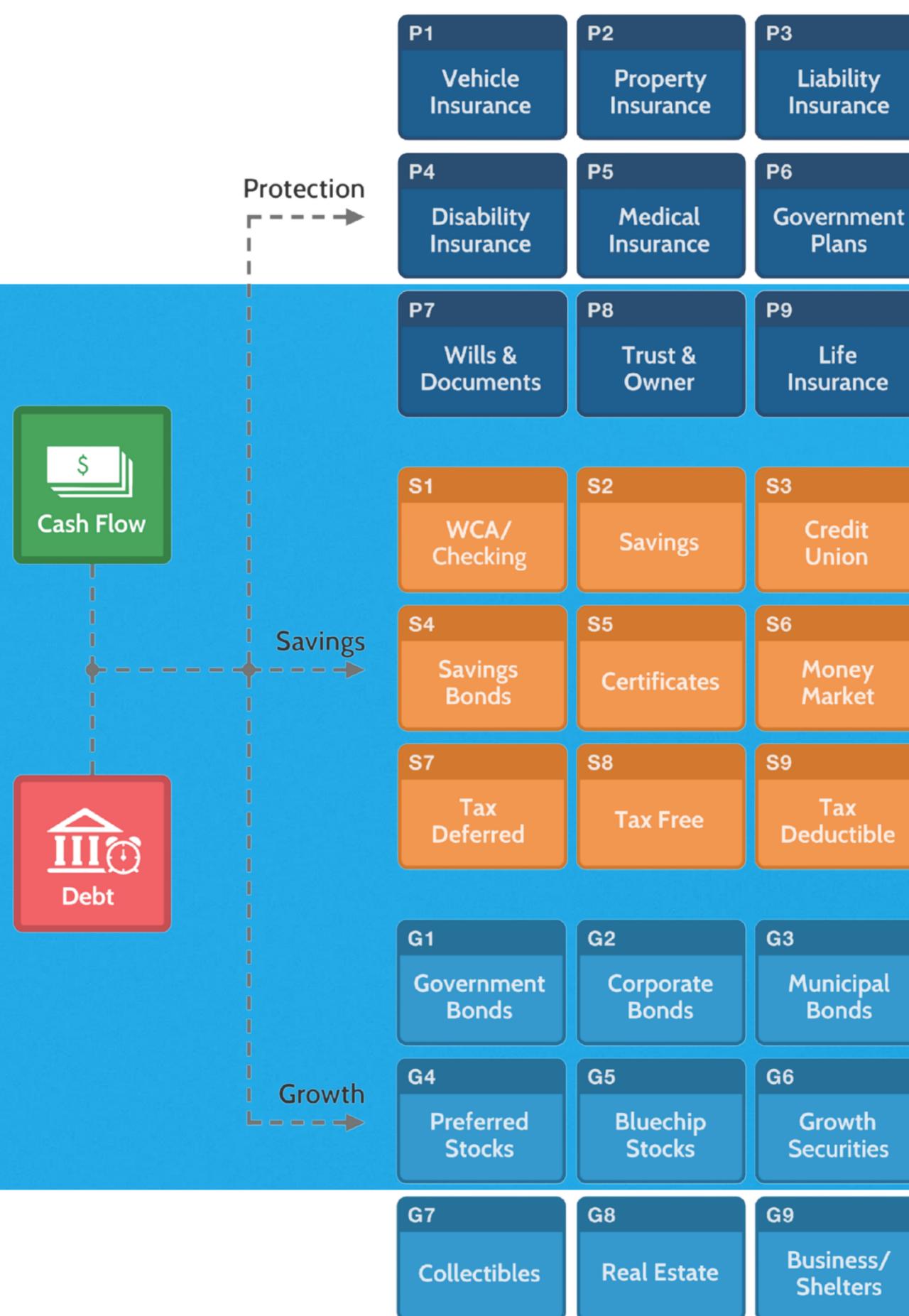
# Junk Drawer

Undermines Financial Success

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



# Cash Flow



# What is Your Financial Anatomy

## ▶ TRI: Target Retirement Income

Identify the amount of money you are living on today.

## ▶ Retirement Income Projection

- Gap
- Same
- Surplus

## ▶ Tax Position

What tax bracket will you be in when you retire?

- Lower
- Same
- Higher



# Step #1: Understanding Your Target Retirement Income



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

# Step #2: Quantify Your Retirement Income Projections



## Retirement Income Projections

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

# Step #3: Compare and Analyze



<b>TOTAL Gross Income</b>	<b>\$107,000</b>
<b>Less:</b>	
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
<b>TARGET RETIREMENT INCOME:</b>	<b>\$ 62,866</b>

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

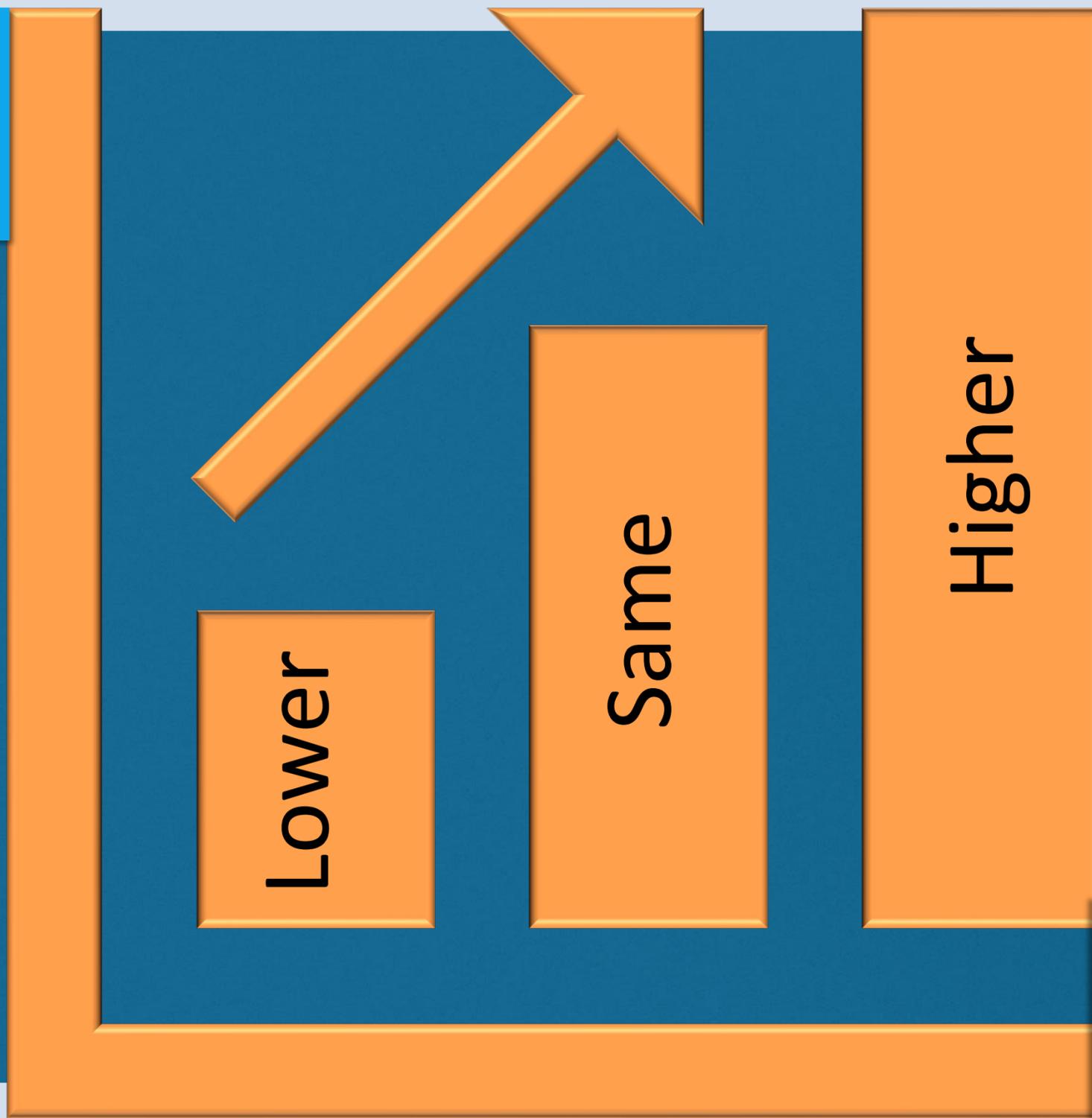
**SAME**

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

# Understanding Your Tax Picture

Will you be  
in a



TAX BRACKET when  
you retire?



# IRS Form 1040

**Taxable Income**

Form 1040 (2025) Page 2

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

**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** Department of the Treasury—Internal Revenue Service **2025** OMB No. 1545-0074 IRS Use Only—Do not write or staple in this space.

For the year Jan. 1–Dec. 31, 2025, or other tax year beginning , 2025, ending , 20 See separate instructions.

Filed pursuant to section 301.9100-2  Combat zone  Deceased MM / DD / YYYY Spouse MM / DD / YYYY

Other

Your first name and middle initial Last name Your social security number

If joint return, spouse's first name and middle initial Last name Spouse's social security number

Home address (number and street). If you have a P.O. box, see instructions. Apt. no. Check here if your main home, and your spouse's if filing a joint return, was in the U.S. for more than half of 2025.

City, town, or post office. If you have a foreign address, also complete spaces below. State ZIP code **Presidential Election Campaign** Check here if you, or your spouse if filing jointly, want \$3 to go to this fund. Checking a box below will not change your tax or refund.  You  Spouse

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

**Filing Status**  Single  Head of household (HOH)  Married filing jointly (even if only one had income)  Qualifying surviving spouse (QSS)  Married filing separately (MFS). Enter spouse's SSN above and full name here:  If you checked the HOH or QSS box, enter the child's name if the qualifying person is a child but not your dependent:  If treating a nonresident alien or dual-status alien spouse as a U.S. resident for the entire tax year, check the box and enter their name (see instructions and attach statement if required):

Check only one box.

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

Dependents	Dependent 1	Dependent 2	Dependent 3	Dependent 4
(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**

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

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.

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

# IRS Form 1040

**Taxable Income**

**Form 1040** Department of the Treasury—Internal Revenue Service **2025** U.S. Individual Income Tax Return 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 \_\_\_\_\_, 2025. 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 \_\_\_\_\_ Presidential Election Campaign Check here if you, or your spouse if filing jointly, want \$3 to go to this fund. Checking a box below will not change your tax or refund.  You  Spouse

**Filing Status** Check only one box.

Single  Head of household (HOH)  Married filing jointly (even if only one had income)  Qualifying surviving spouse (QSS)  Married filing separately (MFS). Enter spouse's SSN above and full name here: \_\_\_\_\_ If you checked the HOH or QSS box, enter the child's name if the qualifying person is a child but not your dependent: \_\_\_\_\_  If treating a nonresident alien or dual-status alien spouse as a U.S. resident for the entire tax year, check the box and enter their name (see instructions and attach statement if required): \_\_\_\_\_

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

Dependents	Dependent 1	Dependent 2	Dependent 3	Dependent 4
(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)	1i	
z	Add lines 1a through 1h	1z	
2a	Tax-exempt interest	2a	
3a	Qualified dividends	3a	
c	Check if your child's dividends are included in <input type="checkbox"/> Line 3a <input type="checkbox"/> Line 3b	2	<input type="checkbox"/> Line 3b
4a	IRA distributions	4a	
c	Check if (see instructions) <input type="checkbox"/> <input type="checkbox"/> 1 <input type="checkbox"/> Rollover	2	<input type="checkbox"/> QCD <input type="checkbox"/> 3 <input type="checkbox"/>
5a	Pensions and annuities	5a	
c	Check if (see instructions) <input type="checkbox"/> <input type="checkbox"/> 1 <input type="checkbox"/> Rollover	2	<input type="checkbox"/> PSO <input type="checkbox"/> 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	

Attach Sch. B if required.

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, \$23,825
- If you checked a box on line 12a, 12b, 12c, or 12d, see inst.

# What is Your Tax Bracket?

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

## 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

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

# Step #3: Compare and Analyze



<b>TOTAL Gross Income</b>	<b>\$107,000</b>
<b>Less:</b>	
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	
<b>Total Payments</b>	<b>\$44,134</b>
<b>TARGET RETIREMENT INCOME:</b>	<b>\$ 62,866</b>

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

**SAME**

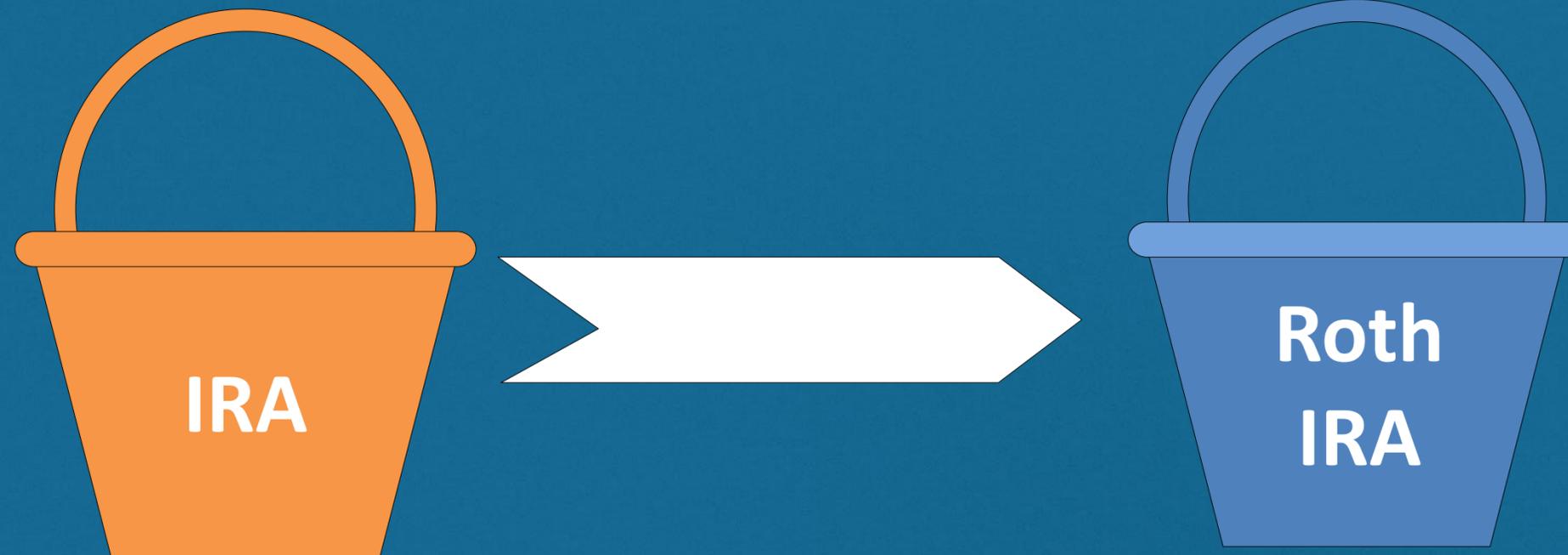
**SURPLUS**  
*(More income in retirement than you're living on today)*

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
	<b>TOTAL</b>	<b>\$0</b>
	Pension	\$0
	Social Security	\$0
3% W/D	Tax Deferred	\$0
3% W/D	Tax Free	\$0
0% W/D	TSP/401(k)	\$0
	<b>TOTAL</b>	<b>\$0</b>
	W/D Rate from Cash Assets	\$0
	<b>Total Income at year #2</b>	<b>\$62,500</b>

# ROTH SOLUTIONS

## 2 Main Roth Strategies:

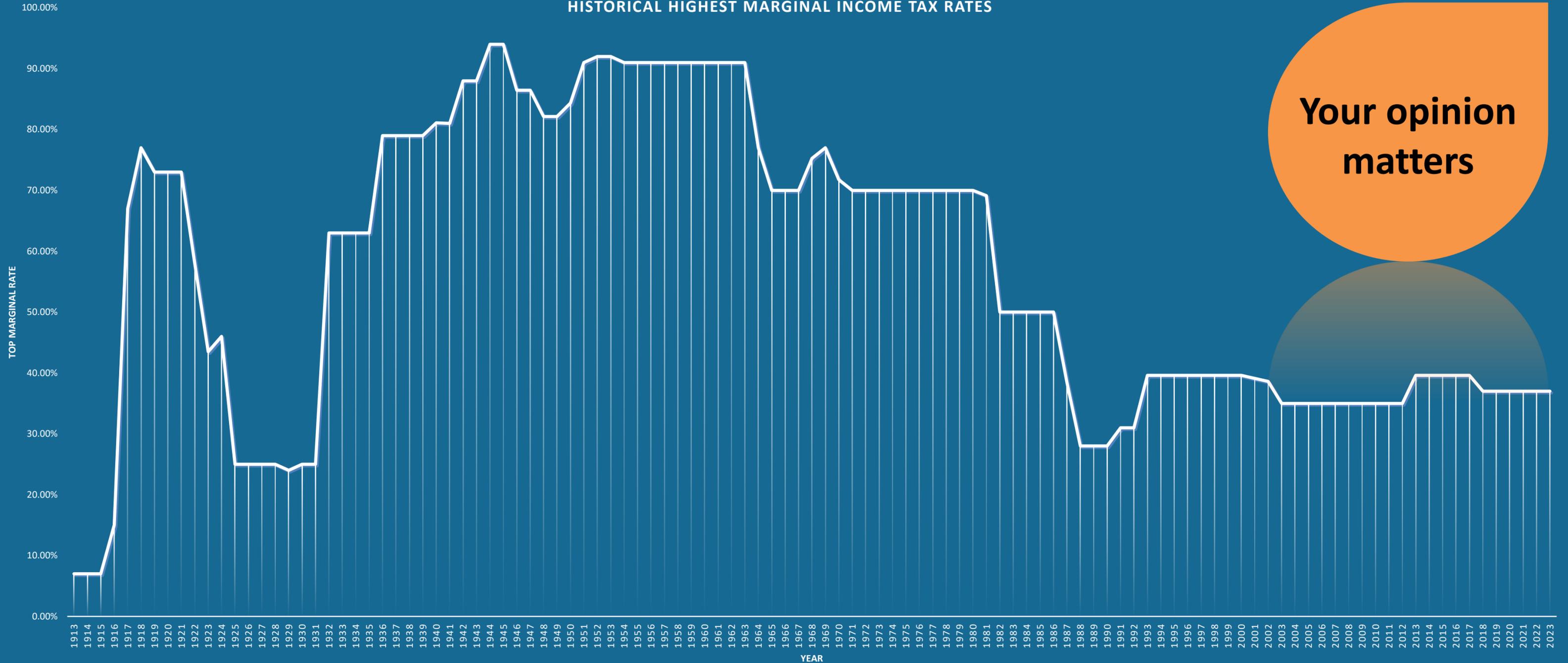
*Roth contributions and Roth conversions*



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

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

HISTORICAL HIGHEST MARGINAL INCOME TAX RATES



Your opinion matters

- ▶ The data referenced in this chart we created is from the Tax Policy Center: <https://taxpolicycenter.org/statistics/historical-highest-marginal-income-tax-rates>
- ▶ This table contains a number of simplifications and ignores a number of factors, such as the amount of income or types of income subject to the top rates, or the value of standard and itemized deductions. Sources: IRS Revenue Procedures, various years. Also, Eugene Steuerle, The Urban Institute; Joseph Pechman, *Federal Tax Policy*; Joint Committee on Taxation, Summary of Conference Agreement on the Jobs and Growth Tax Relief Reconciliation Act of 2003, JCX-54-03, May 22, 2003.

# ROTH vs TRADITIONAL TSP

Which is Right for YOU?



## A Traditional TSP

Years ---> 1 -- 20

\$18,000 @ 5% ROR → 401(k)



Accumulated: **\$624,947**  
X 4% W/D  
-----  
\$24,997

(taxes, Fed 25% + State 6%) - \$7,749

**\$17,248.00**

## B Roth/Roth TSP

Years ---> 1 -- 20

\$18,000 x 25% Fed + 6% State =  
\$12,420 @ 5% ROR → Roth



Accumulated: **\$431,213**  
X 4% W/D  
-----

**\$17,248.00**

# ROTH OR Traditional TSP -- WHAT IS THE BEST CHOICE?

## ▶ Advantages of Roth TSP

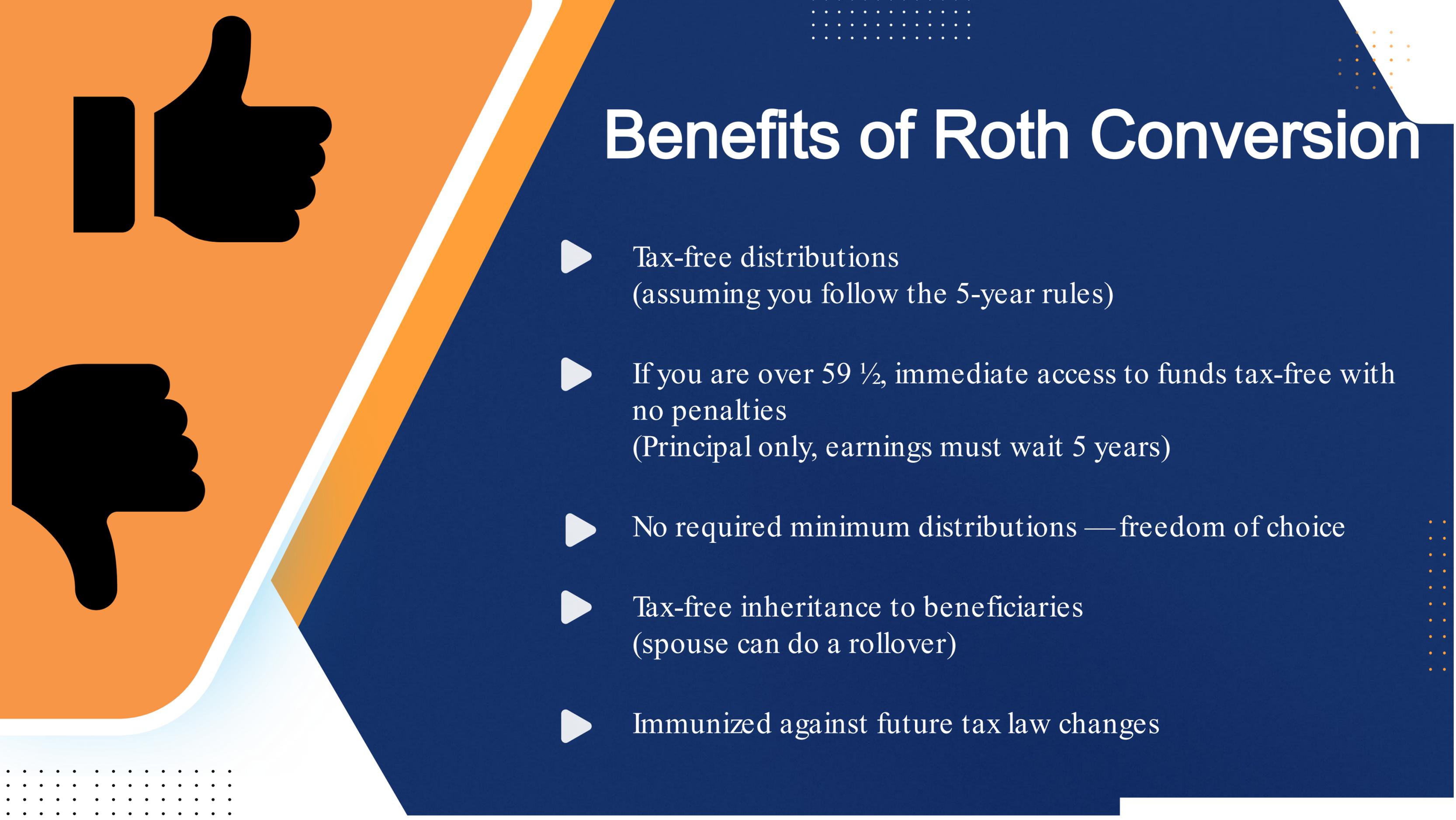
- Potentially tax-free withdrawals
- Heirs inherit a tax-free asset
- Roth withdrawals do not increase your taxable income, which may lower taxes on Social Security benefits and/or reduce Medicare premiums.
- *Good candidates: Younger employees, those who won't need to withdraw funds for a long time, expect to be in a higher tax bracket when retired and more aggressive investors..*

## ▶ Disadvantages of Roth TSP:

- Paying taxes early
- Five year holding period before withdrawals are tax free
- Higher taxable income may reduce eligibility for some tax credits and deductions while you are working.
- *Bad candidates: Will be in a lower tax bracket when funds are withdrawn, expect to need funds from TSP soon, conservative investors.*

## Critical decision factors

- Can you afford higher taxes when making the Roth contributions
- Tax rate differential  
(contribution years vs. withdrawal years)
- Time horizon for needing funds to meet annual living expenses
- Rate of return on investments
- Concern about benefiting heirs.



# Benefits of Roth Conversion

- ▶ Tax-free distributions  
(assuming you follow the 5-year rules)
- ▶ If you are over 59 ½, immediate access to funds tax-free with no penalties  
(Principal only, earnings must wait 5 years)
- ▶ No required minimum distributions — freedom of choice
- ▶ Tax-free inheritance to beneficiaries  
(spouse can do a rollover)
- ▶ Immunized against future tax law changes

# Step #1: Understanding Your Target Retirement Income



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

Income	\$0
<b>Total Income</b>	<b>\$107,000</b>

Additional Information

Sue 61-62;

Bill 61-62

**Retirement Income Projections**

	COLA	WD		
Sue	0%	0%	Pension	\$0
	0%	0%	Social Security	\$0
	0%	0%	Tax Deferred	\$0
	0%	0%	Roth	\$0
	0%	0%	401k & IRA	\$0
<b>TOTAL</b>				<b>\$0</b>
Bill	0%	0%	Pension	\$0
	0%	0%	Social Security	\$0
	0%	0%	Tax Deferred	\$0
	0%	0%	Roth	\$0
	0%	0%	IRA	\$0
<b>TOTAL</b>				<b>\$0</b>
W/D Rate from Cash Assets				\$0
				\$0
Total Income at year # 1 =				\$0
0.0%	Target Retirement Income			\$62,866

0	2,360	0
Employee	Match	Add.
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		
6,500		IRA 550,000	4%	0
			4%	68,640
	roth 66,000		4%	926,640
24,500		TSP 310,000		
Tax Deferred	Roth	IRA		
			4%	0
			4%	22,880
	roth 22,000		4%	318,760
6,500		IRA 300,000		
0	0	37,500		1,437,920

Government Bonds	Corporate Bonds	BoA Trust	Rate	Future Value
			5%	0
		25,000	5%	0
			5%	26.250

# What is Your Tax Bracket?

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

## 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

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

**Total Income**      **\$107,000**

0      0      0

0

**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
			<b>TOTAL</b>	<b>\$50,342</b>

Bill	COLA	0%	Pension	\$0
	WD	0%	Social Security	\$0
	0%	0%	Tax Deferred	\$0
	0%	0%	Roth	\$0
	4%	0%	IRA	\$12,750
			<b>TOTAL</b>	<b>\$12,750</b>

0% W/D Rate from Cash Assets      \$0

\$0

**Total Income at year # 8 = \$63,092**

**0.0% Target Retirement Income \$62,866**

Employee      Match      Add.

Regular Savings	CD's	College Savings
Savings 101,000		

Tax Deferred	Roth	401k & IRA
		IRA 578,760
	roth 68,640	
		TSP 347,880

Tax Deferred	Roth	IRA
	roth 22,880	
		IRA 318,760

Rate      Future Value

1%      109,369  
1%      0  
1%      0

4%      0  
4%      93,939  
4%      966,258

4%      0  
4%      31,313  
4%      314,061

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

Government Bonds	Corporate Bonds	BoA Trust
		26,250

Rate      Future Value  
5%      0  
5%      0  
5%      30,703

Sue Retires

Total Income		\$107,000	
Additional Information			
Sue 70-100			
Bill 70-100			
<b>Retirement Income Projections</b>			
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.
0	0	0

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		
<b>Savings Type Assets Total</b>				<b>1,719,080</b>

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

RMD & SS

# What is Your Tax Bracket?

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

## 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

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

**Total Income**      **\$107,000**

0      0      0

0

**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
			<b>TOTAL</b>	<b>\$50,342</b>

Bill	COLA	0%	Pension	\$0
	WD	0%	Social Security	\$0
	0%	0%	Tax Deferred	\$0
	0%	0%	Roth	\$0
	4%	0%	IRA	\$12,750
			<b>TOTAL</b>	<b>\$12,750</b>

0% W/D Rate from Cash Assets      \$0

\$0

Total Income at year # 8 = **\$63,092**

**0.0% Target Retirement Income**      **\$62,866**

Employee      Match      Add.

Regular Savings	CD's	College Savings
Savings      101,000		

Tax Deferred	Roth	401k & IRA
		IRA      578,760
	roth      68,640	TSP      347,880

Tax Deferred	Roth	IRA
	roth      22,880	IRA      318,760

Rate      Future Value

1%      109,369  
1%      0  
1%      0

4%      0  
4%      93,939  
4%      966,258

4%      0  
4%      31,313  
4%      314,061

0      0      0

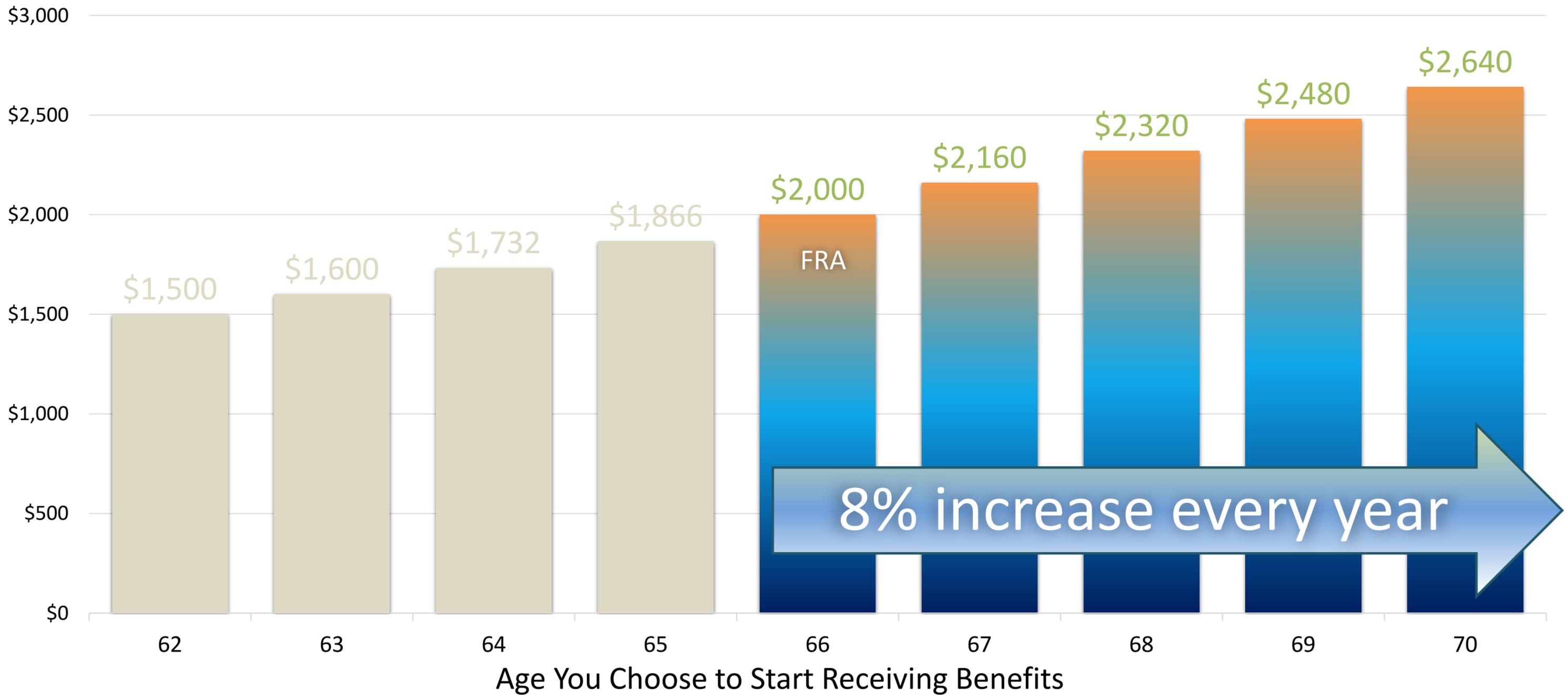
**Savings Type Assets Total**      **1,514,938**

Government Bonds	Corporate Bonds	BoA Trust
		26,250

Rate      Future Value  
5%      0  
5%      0  
5%      30,702

Sue Retires

# Monthly Social Security Benefit Example



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

# What to Know about Social Security

- How do I understand if I have a choice to delay SS given my planned retirement age?
- Social Security Strategies: Born before 1/1/1954
- Health Issues...  
Passing on the highest income possible
- Perfect Storm 1st Death

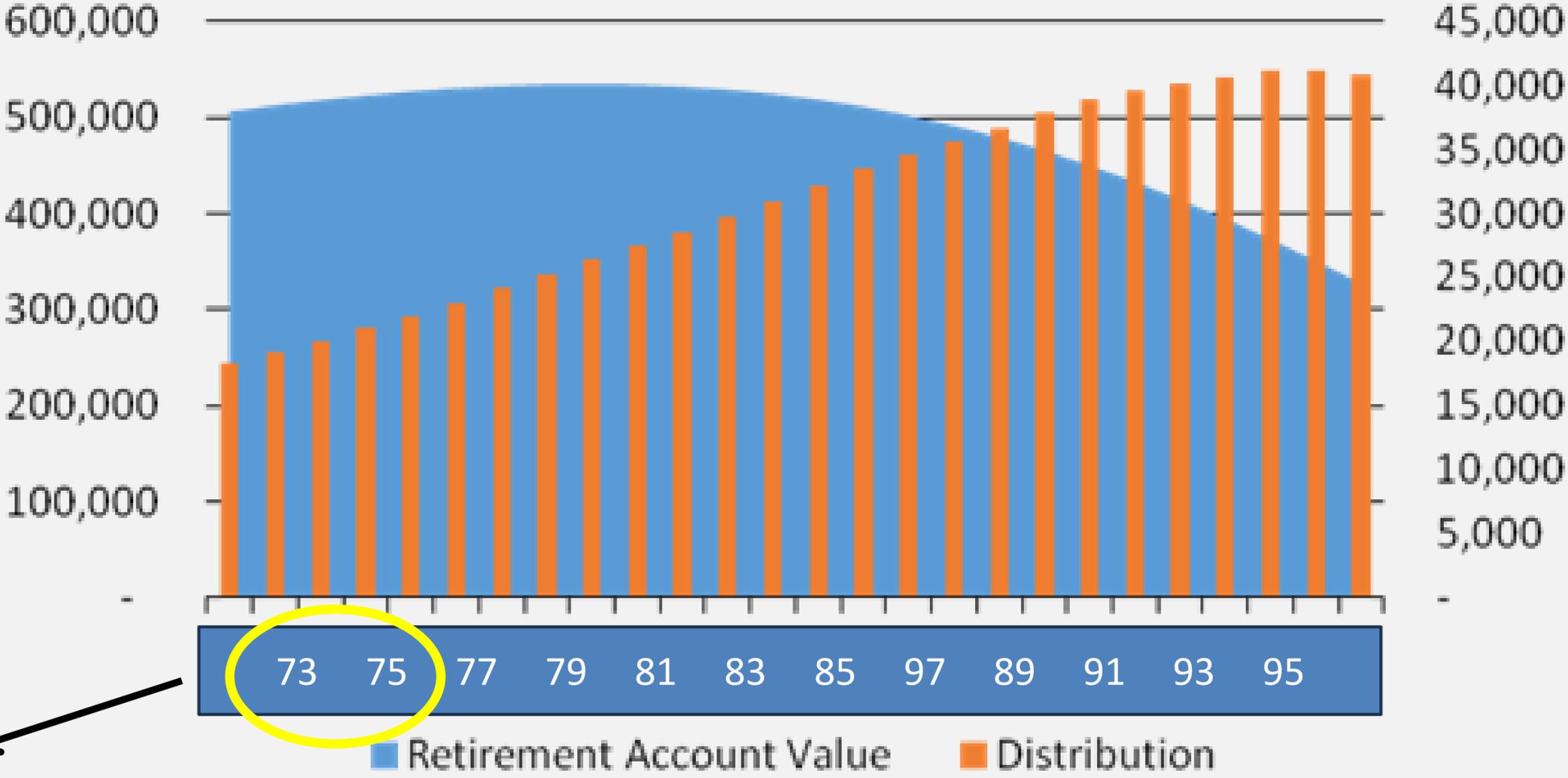


# Medicare B Coverage for 2026

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

# Effect of RMDs



**AGE 73...75**

**NOTE:**  
 The age for withdrawing from retirement accounts was increased in 2020 to 72 from 70 & 1/2.  
**SECURE ACT 2.0** will raise the age for RMDs to 73 if you were born in 1951-1959.  
 If you were born in 1960 or later, the SECURE 2.0 Act will raise the age for RMDs to 75.

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

# Which RMD to use?

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

Age	Individuals impacted	Effective Year
Age 72 (or 70 1/2)	Born 1950 or earlier	-
Age 73	Born 1951 – 1959	2023
Age 75	Born 1960 or later	2033

# 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
	Roth 105,668	
		TSP 408,048
Bill		
Tax Deferred	Tax Free	Tax Deductible
	Roth 43,228	
		IRA 353,275

4%	0
4%	205,831
4%	316,718

4%	0
4%	84,204
4%	339,881

Savings Type Assets Total 1,080,083

Sue and Bill  
Model Inflation

# 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

# 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

**TAXED**  
\$

**RMD**

**TSP**  
\$

**SURPLUS**

**TAX**

**TAX**

**INVESTMENT**  
\$

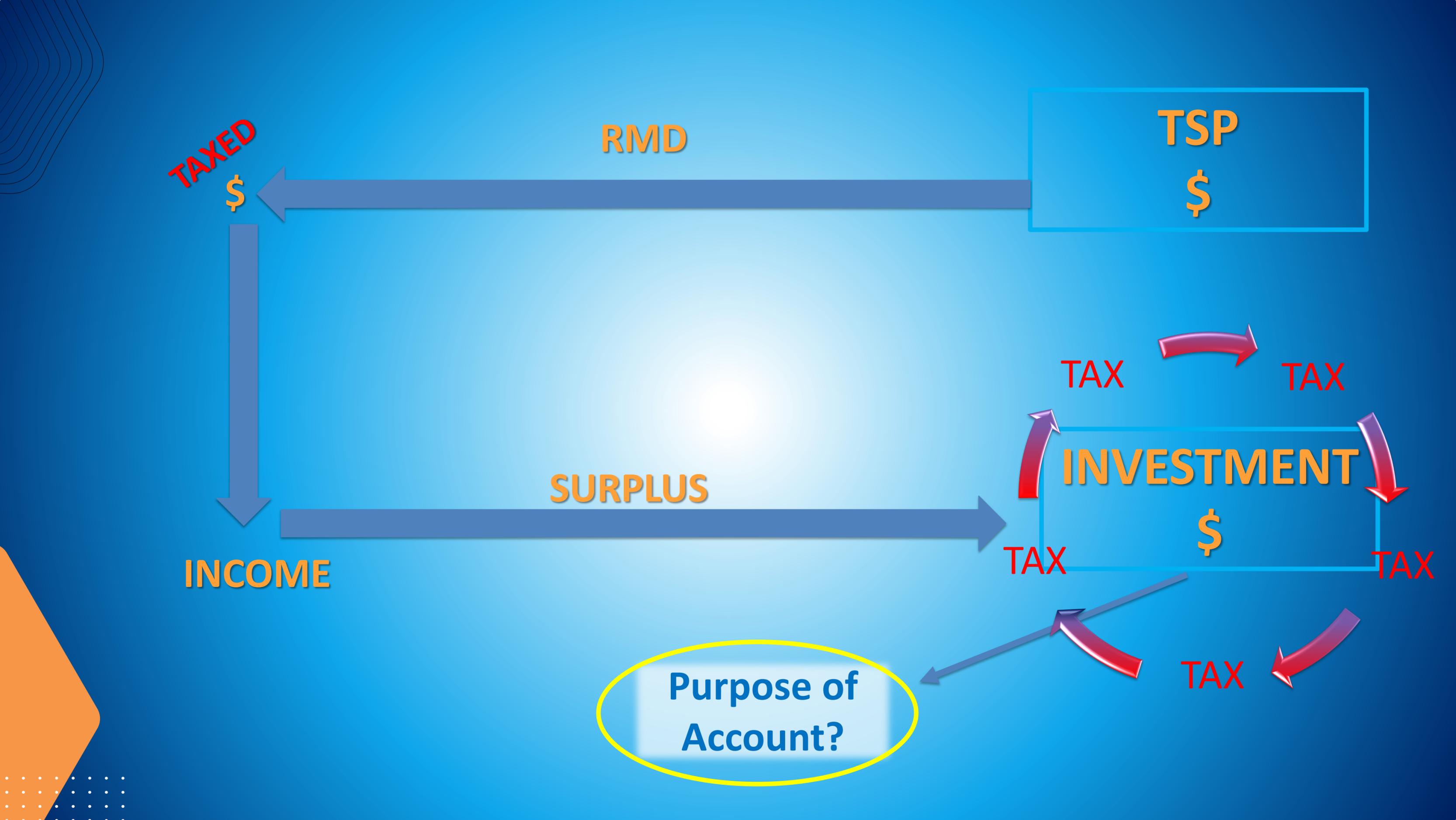
**TAX**

**TAX**

**INCOME**

**TAX**

**Purpose of Account?**

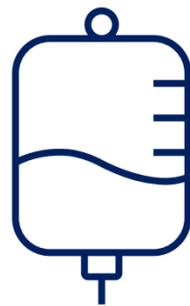


# Purpose of Surplus

SURPLUS



**Emergency**



**Long Term Care  
of Health**



**Legacy**

**TAXED**  
\$

RMD

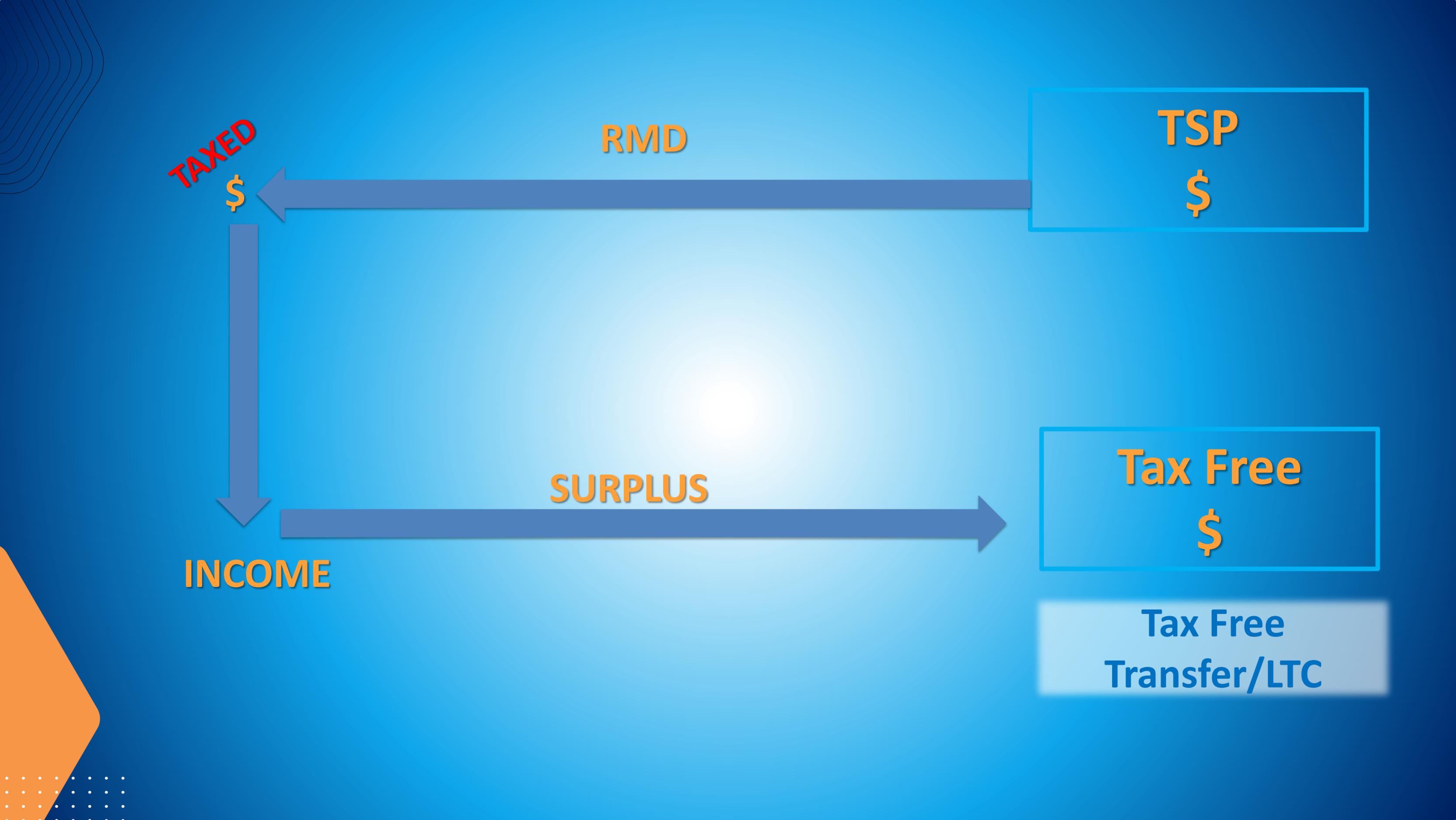
**TSP**  
\$

SURPLUS

**Tax Free**  
\$

**INCOME**

**Tax Free**  
**Transfer/LTC**



# Life Insurance with LTC Rider

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

# Is Long Term Care in Your Future?

Perfect Storm...

- **Less Social Security**
- **Reduce Pension**
- **TSP-Tax Deferred**

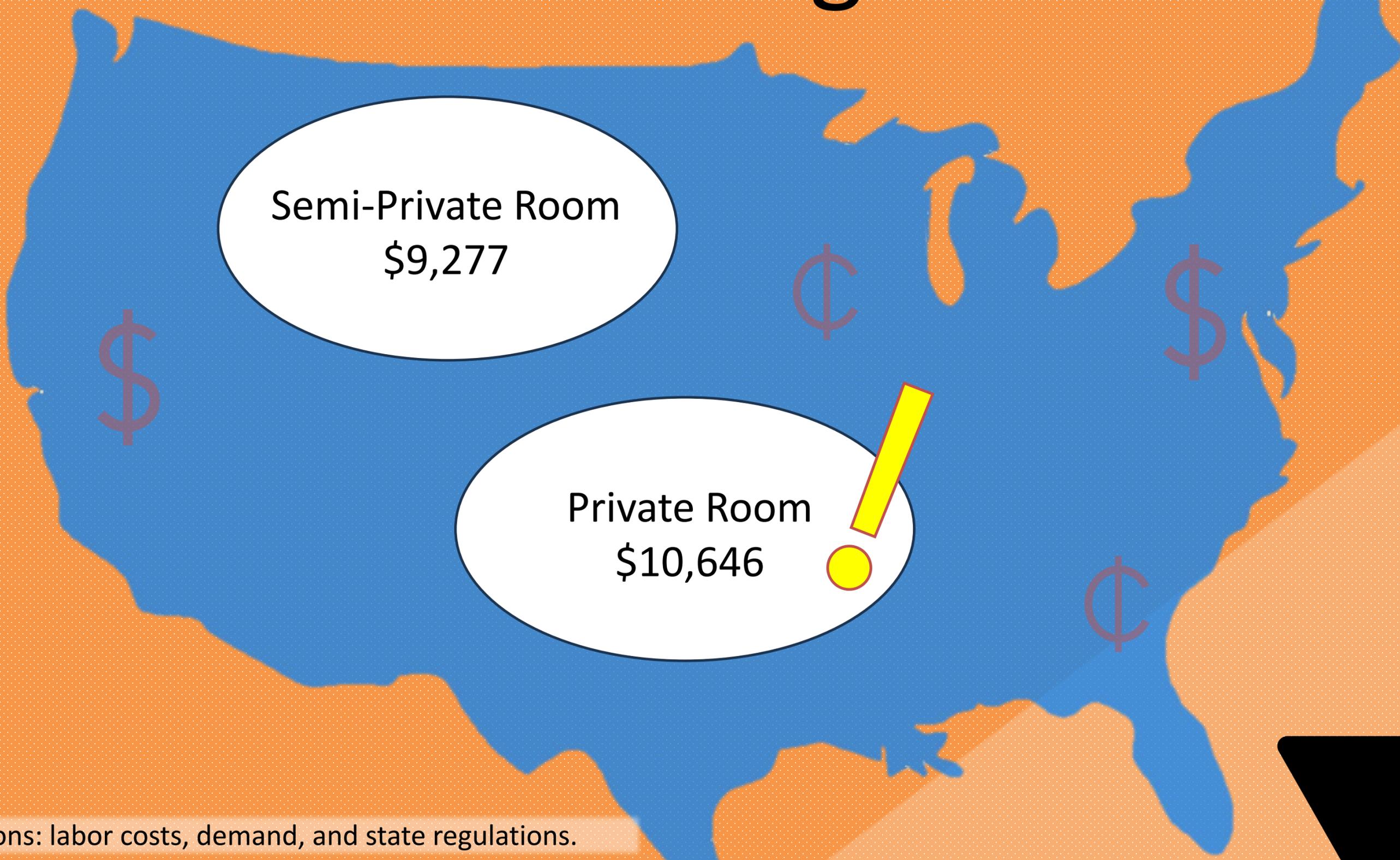
**Statistically,  
70% of  
people over  
age 65 will  
need long-  
term care**

**70%**



# Median Nursing Home Costs

2024

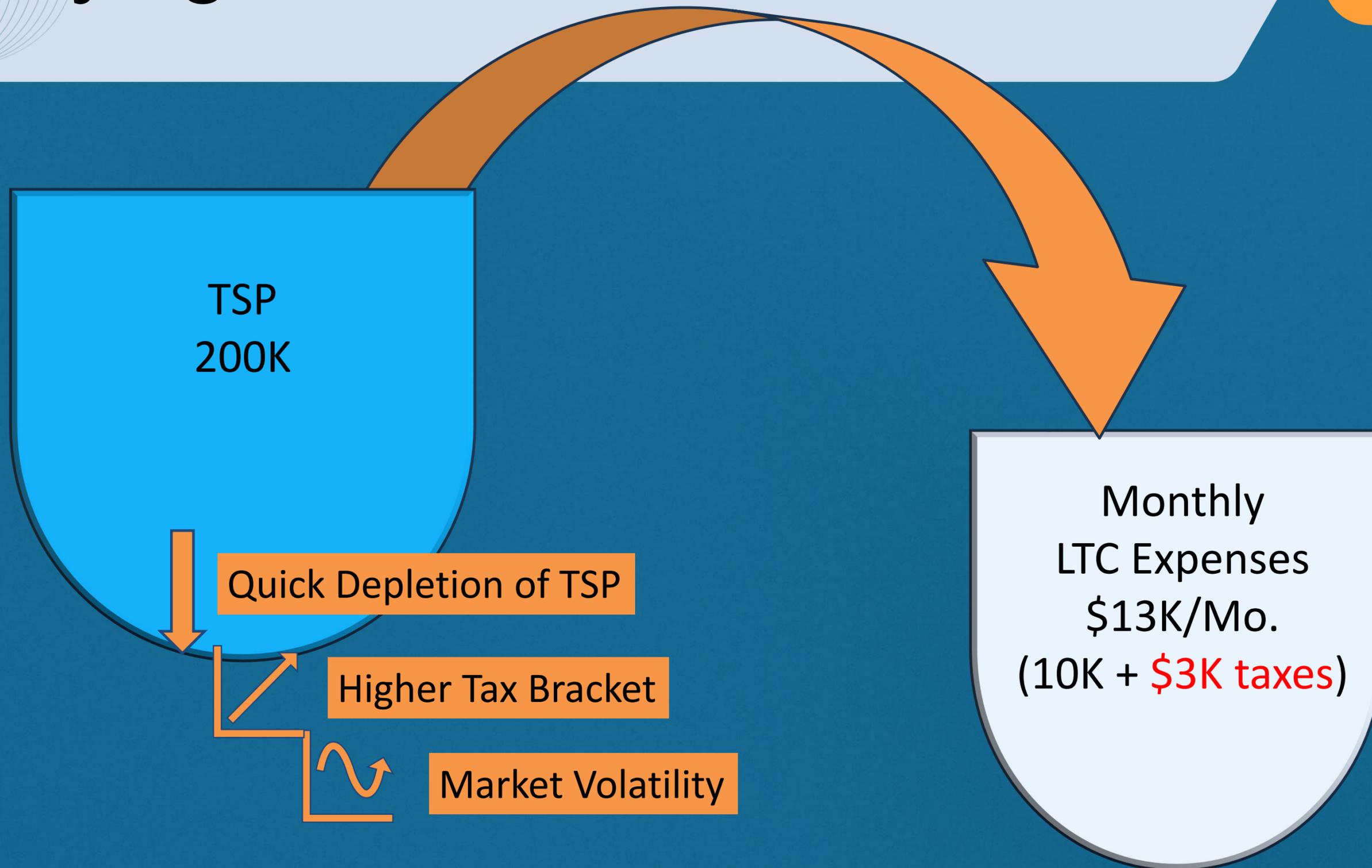
A map of the United States is shown in blue against an orange background. Two white callout boxes are overlaid on the map. The top callout box, located in the upper left, contains the text 'Semi-Private Room \$9,277'. The bottom callout box, located in the lower center, contains the text 'Private Room \$10,646' and features a yellow exclamation mark icon. Several purple dollar signs (\$) and cent signs (¢) are scattered across the map, indicating the currency of the costs.

Semi-Private Room  
\$9,277

Private Room  
\$10,646

Fluctuations: labor costs, demand, and state regulations.

# Paying for LTC: TSP



# Existing Policies Premium Rate Increases

State	Filer	Calculated premium change (\$M)	Written premium (\$M)	Approved rate change (%)*	Number of policyholders affected	Renewal business effective date
VA	Genworth Life Insurance Co. <sup>1</sup>	9.7	26.9	36.1	10,228	04/21/22
OH	Genworth Life Insurance Co.	9.7	14.8	65.4	6,713	03/31/22
PA	John Hancock Life Insurance Co. (New York)	7.5	12.7	59.1	4,760	05/09/22
TN	Genworth Life Insurance Co.	5.5	9.2	59.5	4,431	04/27/22
KY	Genworth Life Insurance Co.	5.1	12.7	39.9	4,617	03/31/22
IA	Genworth Life Insurance Co.	5.0	10.6	47.4	2,612	02/18/22
NE	Mutual Life Insurance Co.	4.9	4.6	107.1	2,383	01/01/22
AL	Genworth Life Insurance Co.	4.7	31.0	15.0	8,321	03/14/22
TX	Allianz Life Insurance Company of North America	4.6	7.5	62.2	2,821	01/29/22
NE	Ability Insurance Co. <sup>2</sup>	4.6	8.1	56.7	2,024	01/13/22

**11%  
Annual  
Increase!**

Date compiled Aug 4, 2022

LTC = long-term care

Information collected on a best-effort basis. Rate filing information is sourced from the System for Electronic Rate and Form Filing documents.

Reflects individual long-term care rate filings for Type of Insurance LTC02I, LTC031, LTC041 and LTC051 with renewal business effective dates between Jan. 1 and June 30, 2022. Excludes pending, disapproved and withdrawn filings; filings where rate change was zero; filings where data on the premium impacted was unavailable; filings where the disposition table was unavailable, notably in the state of Florida.

Written premium, calculated premium change, approved rate change and number of policyholders affected are based on disposition section of rate filings. Approved rate change reflects the calculated premium change divided by written premium.

Top 10 filings shown are based on calculated premium change.

\*Approved rate change shown may be the ultimate increase as some states cap the amount an insurer can raise rates in a given year.

<sup>1</sup> Adjustments made to values shown due to discrepancies between disposition table and correspondence from the state insurance regulators within the filing.

<sup>2</sup> Include LTC premium changes for policies of medico Insurance Co. that have been novated over to Ability Insurance Co.

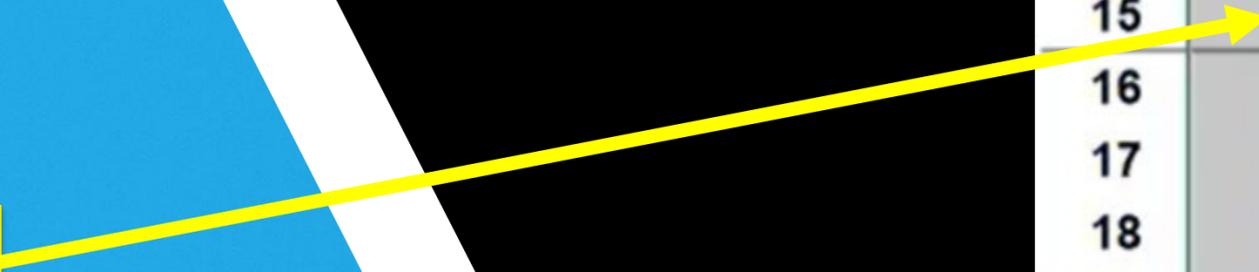
Source: S&P Global Market Intelligence

# Stress Test Your LTC Premium

<u>Beginning Balance</u>	<u>Gross Level ROR</u>
\$3,930	11.00
<u>Annual Additions or Withdrawals</u>	<u># of Years</u>
\$0	20
	<u>Ord. Inc. Tax Rate%</u>
	0.00
	Federal + State

Year	Beginning Balance
1	3,930
2	4,272
3	4,643
4	5,046
5	5,485
6	5,961
7	6,479
8	7,042
9	7,654
10	8,320
11	9,042
12	9,828
13	10,682
14	11,611
15	12,620
16	13,716
17	14,908
18	16,204
19	17,612
20	19,142

Can you afford this?



# The story of JIM...



But  
Theresa...





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