



THE SOCIETY FOR FINANCIAL AWARENESS

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

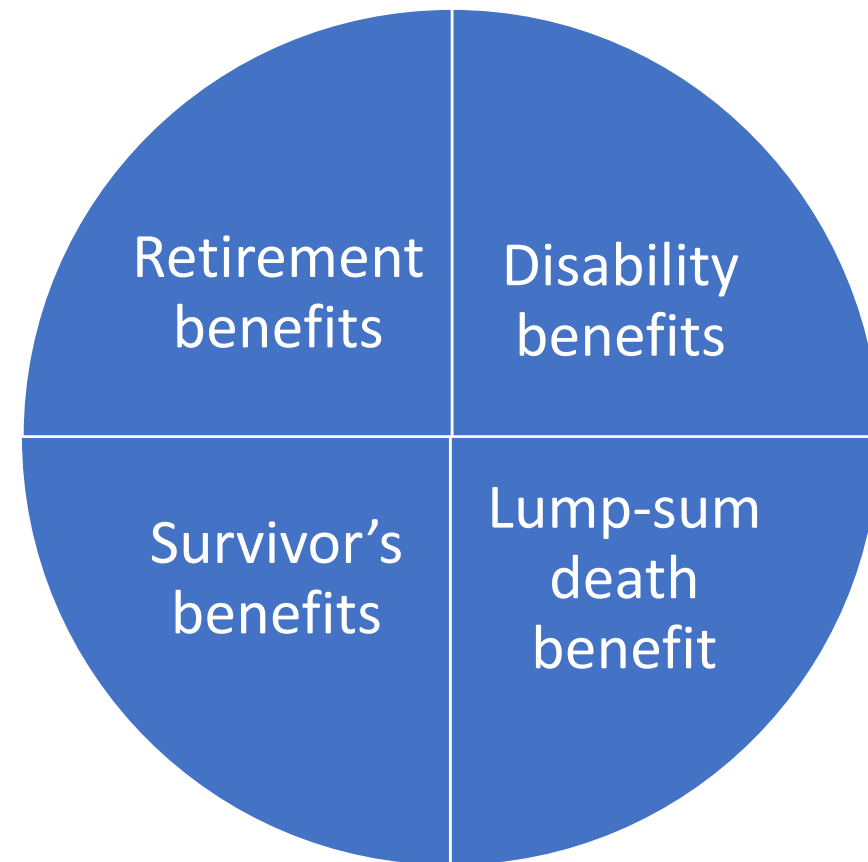
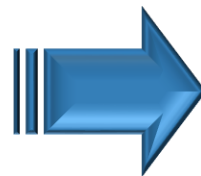


# SOCIAL SECURITY & TAXES IN RETIREMENT

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# What is Social Security?

**Social Security is the Old-age, Survivors, and Disability Insurance (OASDI) program for U.S. citizens and includes**



Source: Social Security website, [www.SocialSecurity.gov](http://www.SocialSecurity.gov)

# Four Types of Social Security

## Retirement

Workers who have worked for a sufficient number of years are eligible for retirement at age 62.

## Survivor

If you are the surviving spouse or minor child of a worker who qualified for Social Security retirement.

## Disability

If you haven't reached retirement age but have met the work requirements and are considered disabled under the SSA program's medical guidelines.

## Family

If you're eligible for disability or retirement benefits, your current or divorced spouse and minor children may receive benefits.

# The Social Security Act (1935)

- Established social insurance to prevent poverty
- Established a Board of Trustees for Social Security Trust Funds
- Requires an annual Trustees Report (to Congress) on the status of Funds

## The Board of Trustees includes:

- Secretaries of the Treasury, Labor, and Health and Human Services
- The Commissioner of Social Security
- Two public representatives appointed by the President and confirmed by the Senate

# A Brief History of Social Security

## 1930's & 40's

- Social Security is signed into law. (8-14-1935)
  - (House 372 to 33, Senate 77 to 6 in favor)
- Initial SSB was paid in 1937.
- Benefits extend to spouses, surviving spouses, and minor children in 1939.

## 1950's & 60's

- The first cost of living increase (COLA) was added.
- The “Medicare Act” provides healthcare to beneficiaries.

## 1970's & 80's

- “COLA” is provided yearly based on the annual increase in consumer prices in 1972.
  - automatic adjustments began in 1975.
- President Reagan signs into law the taxation of benefits (1983)

## 1990's & 2000's

- President Clinton ends eligibility for most non-citizens.
- The Senior Citizens' Freedom to Work Act signed into law
- 2024 – Social Security celebrates its 89<sup>th</sup> birthday.

# Then & Now



1935	Today
Average life expectancy was under age 60.	Average life expectancy is 78-80 years old
Most people would not live to collect benefits.	People can outlive their retirement savings
Designed to “supplement” retirement.	40% of current retiree income
Worker / Retiree ratio 160 to 1	Worker / Retiree ratio 2.8 to 1
Benefits paid annually - \$1.7 million	Benefits paid annually - \$1.232 Trillion
Poverty rate for Seniors exceeded 50%	The poverty rate for Seniors is less than 9.5%

# How is Social Security Financed?

**Under the Federal Insurance Contributions Act (FICA), wage earners and their employers make mandatory contributions from earnings up to an annual maximum, or cap.**

**The cap for 2023 is \$160,200.**

**The self-employed pay both employee and employer shares; however, they can deduct the employer's share from taxable ordinary income.**

**Beneficiaries with higher incomes pay income taxes on a portion of their benefits. A portion of the tax goes to Social Security trust funds; a portion goes to the Medicare Hospital Insurance fund.**

**Interest: Any interest earned on trust fund reserves are paid back into the funds.**

Source: National Academy of Social Insurance



# Future of Social Security?

(Topics currently being discussed)

- SS Trust Fund (combined) [projected] to disappear by 2034.
- Social Security cannot operate in the red.
- Beginning in 2034, SS can only pay out 80% of benefits.
  - (voluntary donations– [www.ssa.gov](http://www.ssa.gov))
- Potential Changes
  - Move FRA from 67 to 70.
  - All earnings subject to SS tax. (Current level - \$168,600)
  - Means testing (Bend Points!!!!) (Change to a welfare program)
  - Decrease % Delayed Retirement Credits / Do not adjust DRCs if FRA is increased to age 70.
  - Delay eligibility from age 62 to age 64.
  - Reduce COLA adjustments – Chained CPI-U Index



# Qualifying for Retirement Benefits

**40 credits are needed for retirement.**

- Averages out to 10 Years of part-time work
- 1 Credit = \$1,730 FICA wages/earnings (Annual \$6,920)
- Maximum of 4 credits earned annually (J, A, J, O)

## **Age requirements**

- 62 (Partial benefit)

(Must ATTAIN age 62 for the entire month!! Attain age, the day before the birthday)

- 66 to 67 (Full benefits) (Full Retirement Age)
- FRA to 70 (Full benefits + Delayed Retirement Credits)

**Must file an application (Entitled) - SSA will not come calling!**

# Payment Dates

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Social Security Retirement Benefits Are Paid Based on (actual) Birthdate:

1st – 10<sup>th</sup>: 2nd Wednesday (following month)

11th – 20<sup>th</sup>: 3rd Wednesday (following month)

21 – end: 4th Wednesday (following month)



# What Are Social Security Benefit Amounts

**Benefit amount is known as the Primary Insurance Amount (PIA). When individuals initially become eligible for social security or disability benefits, the amount received is normally the sum of:**

- **90% of the first \$1,174 of average monthly earnings**
- **32% of average monthly earnings over \$1,174 and up to \$7,078**
- **15% of average monthly earnings over \$7,078**

# What is Full Retirement Age (FRA)?

**FRA is the age at which an individual first becomes eligible for full, unreduced benefits and depends on the year of birth.**

**The FRA for those born in 1960 or later is 67, but reduced benefits can begin at 62.**

**Benefits are increased slightly each month until FRA at age 67, when 100% of their monthly benefits will be received.**





# What is Full Retirement Age (FRA)?

## Maximum benefits

Each additional year worked adds another year of earnings to Social Security records; higher lifetime earnings often increase monthly benefit amount

For those born in 1943 or later, an additional 8% per year is added to benefits for each year an individual delays application for benefits beyond FRA

\*Application for Medicare is still recommended at age 65, delay can increase cost



# Full Retirement Age Chart

Begin Receiving Benefits at Age:	Earner Benefits Reduced To:	Spousal Benefits Reduced To:
62	70%	32.5%
62 + 6 mo.	72.5%	33.8%
63	75%	35%
63 + 6 mo.	77.5%	36.3%
64	80%	37.5%
64 + 6 mo.	83.3%	39.6%
65	86.7%	41.7%
65 + 6 mo.	90%	43.8%
66	93.3%	45.8%
66 + 6 mo.	97.7%	47.9%
67	No reduction 100% of benefits	50%

Source: SSA: Retirement Planner  
[Full Retirement Age](#)

# How Many Beneficiaries Receive Social Security?

- More than 67 million people received benefits from programs administered by the Social Security Administration (SSA) in 2023.
- More than 71 Million Americans will see a 3.2 increase in their SSI payments in 2024
- Nearly 9 out of 10 people aged 65 and older were receiving Social Security as of June 30, 2023
- 37% of Social Security beneficiaries aged 65 and older are Men.
- 42% of Social Security Beneficiaries aged 65 and older are Women.
- Among Social Security beneficiaries aged 65 and older, 12% of men and 15% of women rely on Social Security for 90% or more of their income.

<https://www.ssa.gov/news/press/factsheets/basicfact-alt.pdf>





# Spousal/Ex-Spousal Benefits

Filing a restricted application claiming one benefit before the other rode off into the sunset on January 1<sup>st</sup>, 2024.

Spousal benefits are only payable if:

- The higher-earning spouse files and the benefit under the spouse produces a benefit greater than what the lower-earning spouse is entitled to under his or her record.

**NOTE:** This is referred to as deemed filing. A claim for retirement benefit is also a claim for (living) spousal (ex) benefits.



Source: <https://www.ssa.gov/benefits/retirement/planner/credits.html#h2>

# Spousal/Ex-Spousal Benefits(Continued)

## Length of marriage requirement:

- Currently married -1 year
- Divorced - 10 years and currently unmarried (the one claiming the ex-spousal benefit)
- If the former spouse hasn't yet filed but is at least 62 and the divorce occurred 2 years before the claim, the benefit can still be paid (*this is called an **independently entitled ex-spouse***)
- Remarriage will cause the benefits to stop.

## Maximum Benefits

- **50% of the higher-earning spouse's PIA at FRA. It is reduced if the dependent spouse files before FRA**

Source: <https://www.ssa.gov/benefits/retirement/planner/credits.html#h2>

# Who is Eligible for Survivor Benefits?

**Dependents of deceased workers may be eligible for Survivor Benefits. The number of required credits depends on the age of the worker at death; however, no more than 40 credits are required.**

**If the deceased worker was employed for 1.5 years during the 3 years before his or her death, survivors of very young workers may be eligible for benefits**



<https://www.ssa.gov/benefits/survivors/>

# Survivor Benefits

## Eligibility Age

- Widow(er) age 60 or older, but as early as age 50 if disabled within seven years of the deceased spouse's death;
- At any age if caring for a dependent child of the deceased (called a mother or father's benefit).
- Remarriage at age 60 or later does not disqualify a widow or widower or former spouse if 10 or more years of the deceased from claiming benefits from the deceased.

## Amounts of Benefits

- Aged widow benefits as much as 100% of what the deceased spouse was collecting or entitled to collect at death, reduced based on the number of months the surviving spouse is from his or her FRA. May be reduced as much as 28.5%.

## If a deceased spouse dies prior to claiming benefits:

- Prior to FRA, survivor PIA = FRA benefit
- After FRA, surviving PIA = what the deceased spouse's benefit would have been at the time of death, including the delayed retirement credits earned but never received

# Are Non-Workers Eligible for Survivor Benefits?

Many non-workers such as widowed individuals, unmarried children, and dependent parents can qualify for Survivor Benefits; even divorced spouses qualify if their marriage lasted at least 10 years.



<https://www.ssa.gov/benefits/survivors/>

# Are Non-Workers Eligible for Survivor Benefits?

- Widowed individuals are eligible for unreduced benefits at full retirement age, reduced benefits at 60 years of age, and 50 years of age if disabled
- Widowed individuals supporting children younger than 16 years of age or disabled are eligible
- Unmarried children younger than 18 years of age (19 for full-time students) are eligible
- If the deceased worker provided more than 50% of support, worker's parents are eligible at 62 years of age



# How Much Benefits are Taxed

**Individual**

**Married (Joint)**

**Married (Separate)**

**This filing status typically means all Social Security benefits will be taxed**





# How Much Benefits are Taxed

## Individual

- Combined income between \$25,000 and \$34,000
  - Up to 50% of benefits are taxable
- Combined income of more than \$34,000
  - Up to 85% of benefits are taxable

## Joint

- Combined income between \$32,000 and \$44,000
  - Up to 50% of benefits are taxable
- Combined income more than \$44,000
  - Up to 85% of benefits are taxable



## Taxation of SS Benefits - **States**

State tax some or all SS benefits: (12 states)

- CO, CT, KS, MN, MO, MT, NE, NM, ND, RI, UT, VT

No state tax: (9 states)

- AK, FL, NV, NH, SD, TN, TX, WA, WY

All other states (30) exclude SSB from taxation

- AL, AR, AZ, CA, DC, DE, GA, HI, ID, IL, IN, IA, KY, LA, ME, MD, MA, MI, MS, NJ, NY, NC, OH, OK, OR, PA, SC, VA, WI, WV

# Strategy: Social Security Benefit Reduction

## Begin collecting before FRA and CONTINUE working:

- *If FRA is not reached during entire year:*
  - Deduct \$1 from benefit payments for every \$2 earned above the annual limit
- *Year FRA is reached:*
  - Deduct \$1 in benefits for every \$3
  - Only on earnings before the month FRA is reached
- *Beginning the month FRA is reached:*
  - No limit on earnings

# Retirement Planning

- This is a personal decision and should be based on needs and probable life expectancy.
- Healthy individuals can typically delay benefits
- Delaying benefits will likely increase future benefits for a younger spouse
- Less healthy individuals typically begin receiving benefits at age 62





# The Desire

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

Ideally, this financial life should contain:

- Long term wealth
- Retirement income
- Minimized taxes
- Lasting legacy
- Reduced cost and risk

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





# Financial Decisions

The manner in which we make these decisions presents a real challenge.

We make them:

- One at a time
- At different times
- With different people
- Under different circumstances

We tend to avoid revisiting those decisions, making things worse over time. That causes us to have what we call a "financial junk drawer."



# Junk Drawer

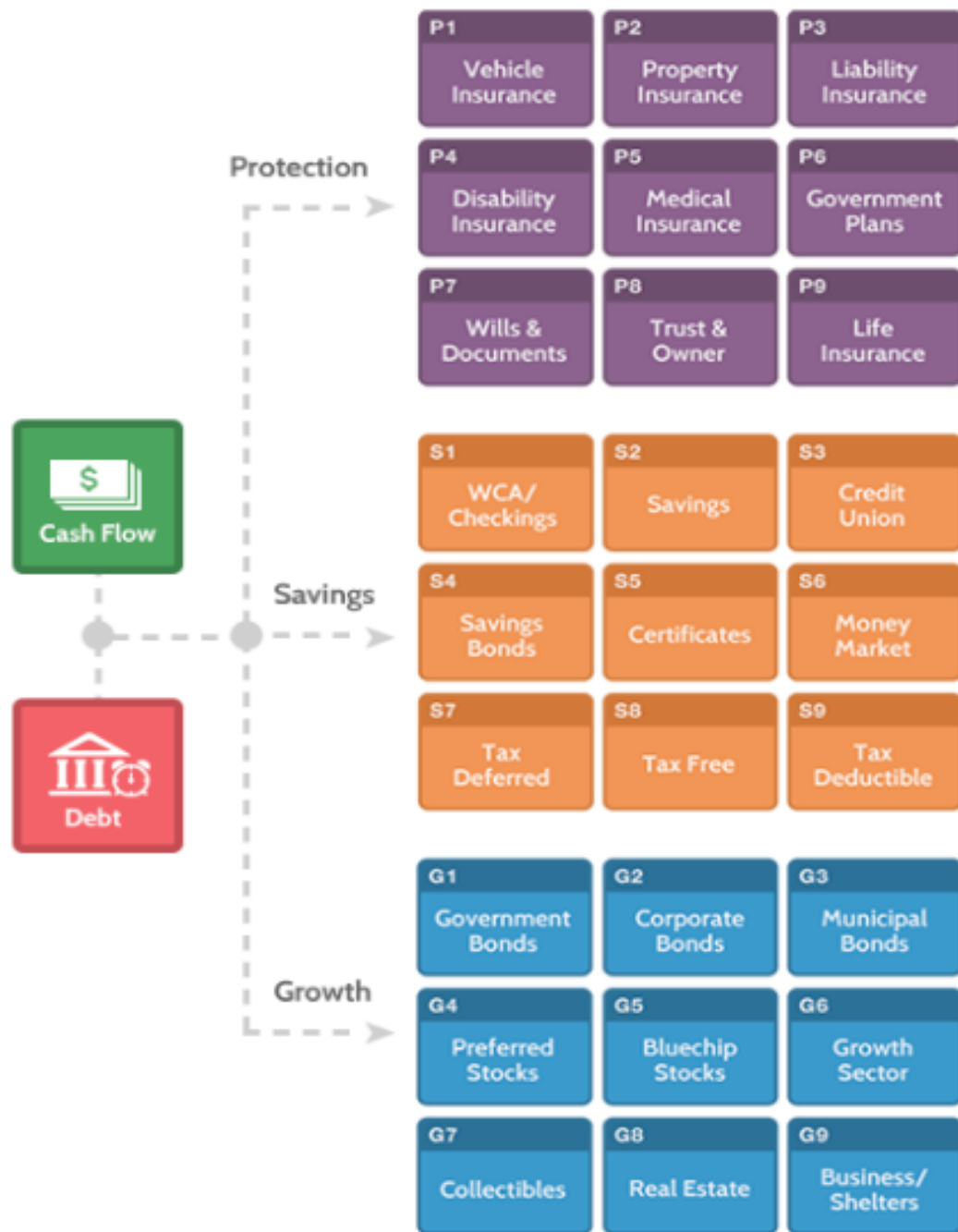
Having a "financial junk drawer" undermines our chances for financial success.

The Junk Drawer characteristics:

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







# WHAT IS YOUR Financial Anatomy?



# Review: The basics of your Financial Anatomy

1. TRI: Target Retirement Income: Identify the amount of money you are living on today

2. Retirement Income Projection helps us understand if you have

☐GAP:

☐SAME:

☐Surplus

Knowing what category, you fall into helps you make better decisions about long term strategies.

3. Tax Position

- Are you in a Lower, Same, or Higher income tax bracket when you retire.
- Line 15 of your tax return>Current Tax Bracket>Compare your TRI to the Marginal Tax Table
  - The significance of understanding this part of your plan helps you make better decisions on:
    - Roth Vs Traditional TSP/401(k)
    - Roth Conversions

# Step #1: Understanding Your Target Retirement Income

Gross Income -	\$107,0000
Gross 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 Projection

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

## The Three-legged Retirement Income Stool:

- Social Security
- Traditional employer pension
- Individual savings & investments

# Step #3: Compare and Analyze

Putting it all together – where do you stand?:

**GAP** (*Less money in retirement than what you are living on today*), **SAME**, or **SURPLUS**  
*(More income in retirement than you are living on today)*

Gross Income -	\$107,0000
Gross Income -	
<b>TOTAL Gross Income</b>	\$107,000
Less:	
TSP/401(k)	\$24,500
TSP/401(k)	\$6,500
Social Security	\$6,634
Savings	
Mortgage	
College	
Credit Cards	
Debts	\$6,500
Tax Equivalent	
Non/Qualified IRS	
Roth	
Total Payments	\$44,134
<b>TARGET RETIREMENT INCOME:</b>	\$ 62,866

		Pension	\$25,000
		Social Security	\$25,000
	0% W/D	Tax Deferred Annuities	\$0
	0% W/D	Tax Free	\$0
	4% W/D	TSP/401(k)	\$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 Lower, Same, or  
Higher TAX BRACKET when you  
retire?**





Form **1040** Department of the Treasury—Internal Revenue Service **2024** 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, 2024, or other tax year beginning \_\_\_\_\_, 20\_\_\_\_, ending \_\_\_\_\_, 20\_\_\_\_

See separate instructions.

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

Home address (number and street). If you have a P.O. box, see instructions. Apt. no.

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

☐ You ☐ Spouse

**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

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

**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 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	
2a	Tax-exempt interest	2a	
3a	Qualified dividends	3a	
4a	IRA distributions	4a	
5a	Pensions and annuities	5a	
6a	Social security benefits	6a	
b	Taxable interest	2b	
b	Ordinary dividends	3b	
b	Taxable amount	4b	
b	Taxable amount	5b	
b	Taxable amount	6b	
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 <b>total income</b>	9	
10	Adjustments to income from Schedule 1, line 26	10	
11	Subtract line 10 from line 9. This is your <b>adjusted gross income</b>	11	
12	<b>Standard deduction or itemized deductions</b> (from Schedule A)	12	
13	Qualified business income deduction from Form 8995 or Form 8995-A	13	
14	Add lines 12 and 13	14	
15	Subtract line 14 from line 11. If zero or less, enter -0-. This is your <b>taxable income</b>	15	

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions. Cat. No. 11320B Form **1040** (2024)

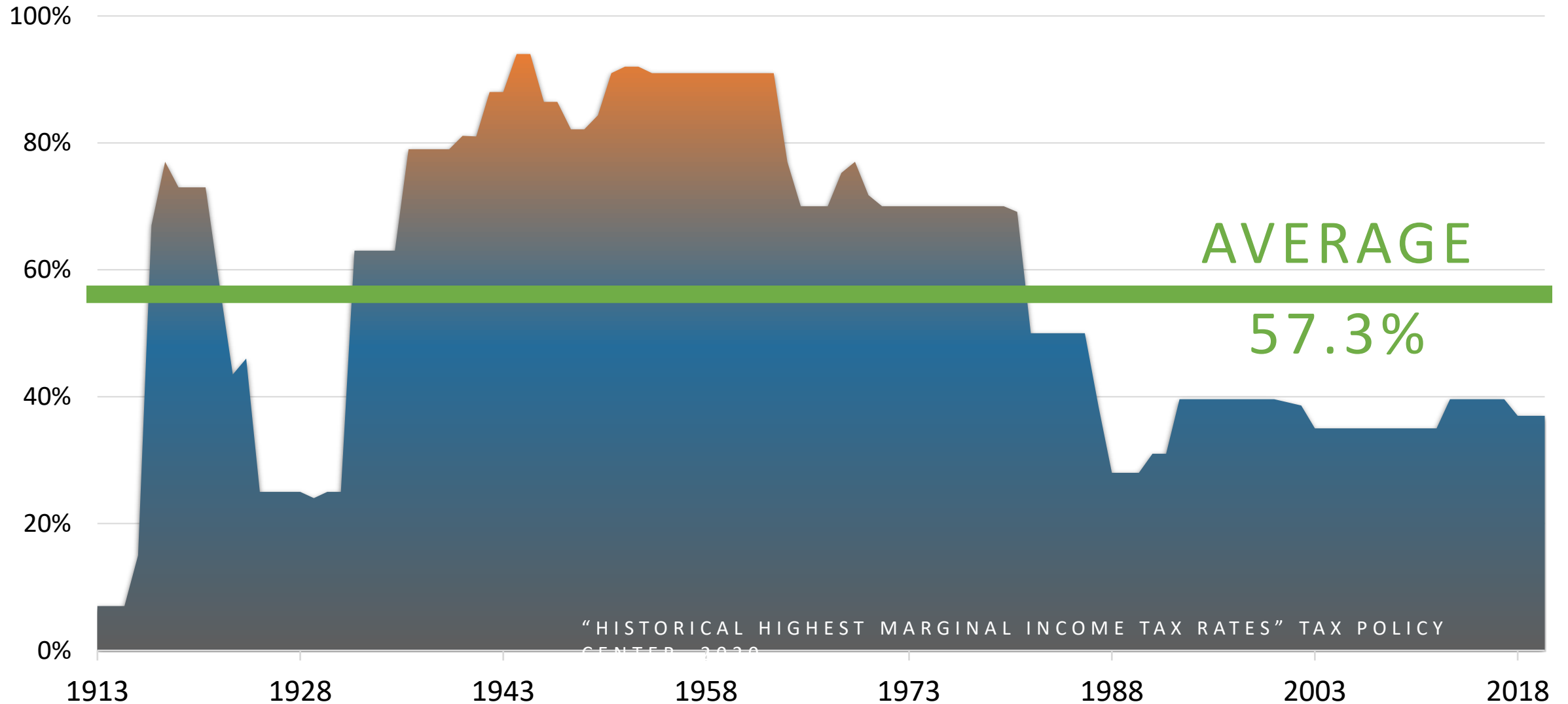
Taxable  
Income

# See what marginal tax bracket you fall into: Your Line 15?

## *What marginal rate are you in now?*

2025 tax rate	Single	Married filing jointly	Married filing separately	Head of household
10%	\$0 to \$11,925	\$0 to \$23,850	\$0 to \$11,925	\$0 to \$17,000
12%	\$11,926 to \$48,475	\$23,851 to \$96,950	\$11,926 to \$48,475	\$17,001 to \$64,850
22%	\$48,476 to \$103,350	\$96,951 to \$206,700	\$48,476 to \$103,350	\$64,851 to \$103,350
24%	\$103,351 to \$197,300	\$206,701 to \$394,600	\$103,351 to \$197,300	\$103,351 to \$197,300
32%	\$197,301 to \$250,525	\$394,601 to \$501,050	\$197,301 to \$250,525	\$197,301 to \$250,500
35%	\$250,526 to \$626,350	\$501,051 to \$751,600	\$250,526 to \$375,800	\$250,501 to \$626,350
37%	\$626,351 or more	\$751,601 or more	\$375,801 or more	\$626,351 or more

# Top Marginal Income Tax Rates: 1913-2021



ROTH vs TRADITIONAL TSP

Which is Right for YOU?

**A**  
**Traditional 401(k)**

Years 1 – 20

Contribution: \$18,000 → 401(k)

NO taxes subtracted

**SO you are left with \$18,000**

**B**  
**Roth/Roth IRA**

Years 1 - 20

Contribution: \$18,000 → Roth

BUT must subtract:  
25% Fed + 6% State

**SO you are left with \$12,420**



**A**  
**Traditional 401(k)**

Years ---> 1 -- 20

\$18,000 @ 5% ROR → 401(k)



**Accumulated:**  
**\$624,947**  
x 4% withdrawal

= ???

**B**  
**Roth/Roth IRA**

Years ---> 1 -- 20

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



**Accumulated:**  
**\$431,213**  
x 4% withdrawal

= ???

**A**  
**Traditional 401(k)**

Years ---> 1 -- 20

\$18,000 @ 5% ROR ----> 401(k) =

\$624,947

X 4%

---

\$24,997

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

**\$17,248.00**

**B**  
**Roth/Roth IRA**

Years ---> 1 -- 20

\$18,000 x 25% Fed + 6% State =

\$12,420 @ 5% ROR ----> Roth =  
\$431,213  
X 4%

---

**\$17,248.00**

**A**  
**Traditional 401(k)**

Years ---> 1 -- 20

\$18,000 @ 5% ROR ----> 401(k) =

\$624,947

X 4%

\$24,997

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

**\$17,248.00**

**B**  
**Roth/Roth IRA**

Years ---> 1 -- 20

\$18,000 x 25% Fed + 6% State =

\$12,420 @ 5% ROR ----> Roth =

\$431,213

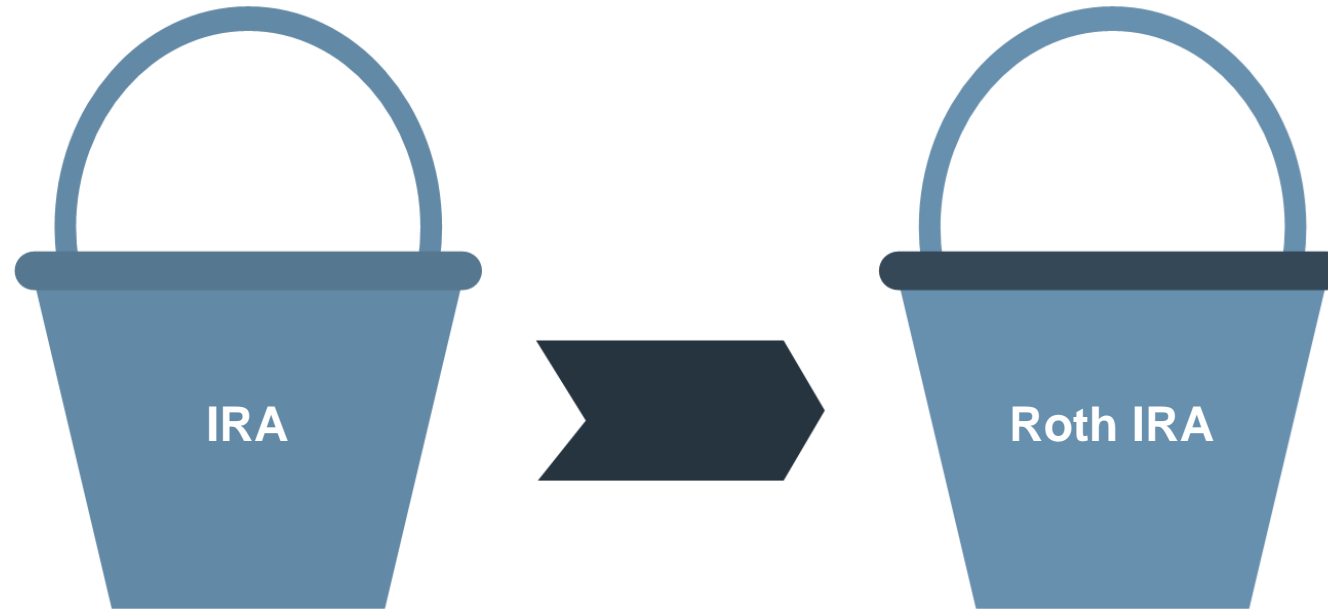
X 4%

**\$17,248.00**

# 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.



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## Target Retirement Income

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☒ Show/Hide Target Retirement

Gross Income - Sue	\$107,000
Gross Income - Bill	\$0
	\$0
<b>Total Gross Income</b>	<b>\$107,000</b>
<b>Less</b>	
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
<b>Total Payments</b>	<b>\$44,134</b>

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

# PRESENT

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	
			\$0	
Total Income at year # 1 =			\$0	
0.0%	Target Retirement Income		\$62,866	

0	2,360	0	0
---	-------	---	---

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

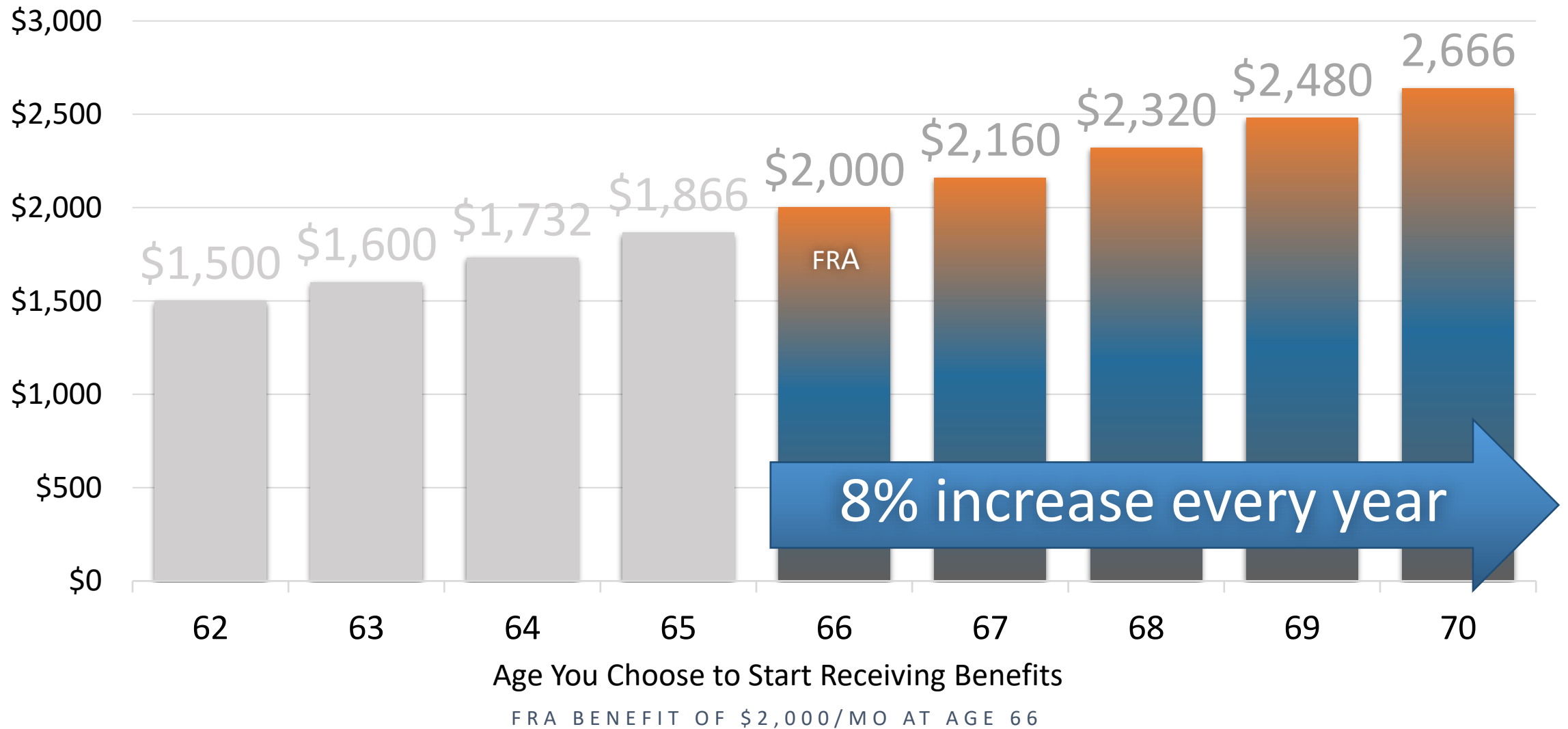
  

			25,000	5%	0
				5%	26,250

# SUE RETIRE

Total Income		\$107,000		0		0		0		0			
Additional Information				Employee	Match	Add.	Regular Savings		CD's	College Savings	Rate	Future Value	
Sue 62-70							Savings 101,000				1%	109,369	
Bill 62-70											1%	0	
											1%	0	
Retirement Income Projections													
Sue	COLA	0%	Pension	\$18,836	Sue								
	WD	0%	Social Security	\$0									
		0%	Tax Deferred	\$0									
		0%	Roth	\$0									
		3%	401k & IRA	\$31,506									
			TOTAL	\$50,342									
Bill	COLA	0%	Pension	\$0	Bill								
	WD	0%	Social Security	\$0									
		0%	Tax Deferred	\$0									
		0%	Roth	\$0									
		4%	IRA	\$12,750									
			TOTAL	\$12,750									
0% W/D Rate from Cash Assets				\$0	0		0		0		0		
				\$0									
Total Income at year # 8 =				\$63,092									
0.0% Target Retirement Income				\$62,866									

# Monthly Social Security Benefit Example



# RMD & SS

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

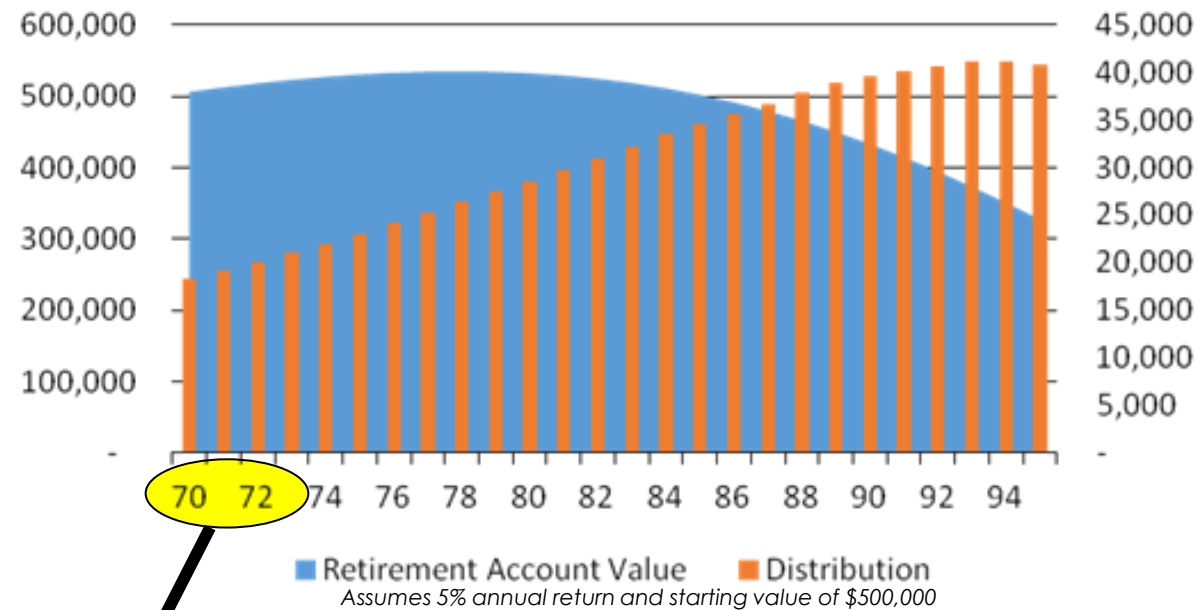


# Last Step: Projected Retirement Income \$134,049.

## What tax bracket does it fall into?

2025 tax rate	Single	Married filing jointly	Married filing separately	Head of household
10%	\$0 to \$11,925	\$0 to \$23,850	\$0 to \$11,925	\$0 to \$17,000
12%	\$11,926 to \$48,475	\$23,851 to \$96,950	\$11,926 to \$48,475	\$17,001 to \$64,850
22%	\$48,476 to \$103,350	\$96,951 to \$206,700	\$48,476 to \$103,350	\$64,851 to \$103,350
24%	\$103,351 to \$197,300	\$206,701 to \$394,600	\$103,351 to \$197,300	\$103,351 to \$197,300
32%	\$197,301 to \$250,525	\$394,601 to \$501,050	\$197,301 to \$250,525	\$197,301 to \$250,500
35%	\$250,526 to \$626,350	\$501,051 to \$751,600	\$250,526 to \$375,800	\$250,501 to \$626,350
37%	\$626,351 or more	\$751,601 or more	\$375,801 or more	\$626,351 or more

## Effect of RMDs



**AGE 70 ½...72...73**

**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.

## RMD & SS

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

# RMD : PRE-TAX RETIREMENT ACCOUNTS

Ret. Age	To Age	Pre-Tax Accounts	Level B.o.Y.	Rate of Return	Total of	Federal+State
		Initial Balance	Withdrawals	(Avg. Annual)	All Fees	Income Tax %
72	100	\$1,000,000	\$0	5.00%	0.00%	24%
Age	Year	Balance	Gross Withdrawal	Balance Net of Fees	All-Inclusive Tax Liability	Net of Fed+State Income Taxes
B.o.Y.		B.o.Y.	B.o.Y. <input checked="" type="checkbox"/> RMD	E.o.Y.	E.o.Y.	
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

Medicare B Coverage  
for 2025

Beneficiaries who file individual tax returns with modified adjusted gross income:	Beneficiaries who file joint tax returns with modified adjusted gross income:	Income-Related Monthly Adjustment Amount	Total Monthly Premium Amount
Less than or equal to \$106,000	Less than or equal to \$212,000	\$0.00	\$185.00
Greater than \$106,000 and less than or equal to \$133,000	Greater than \$212,000 and less than or equal to \$266,000	74.00	259.00
Greater than \$133,000 and less than or equal to \$167,000	Greater than \$266,000 and less than or equal to \$334,000	185.00	370.00
Greater than \$167,000 and less than or equal to \$200,000	Greater than \$334,000 and less than or equal to \$400,000	295.90	480.90
Greater than \$200,000 and less than \$500,000	Greater than \$400,000 and less than \$750,000	406.90	591.90
Greater than or equal to \$500,000	Greater than or equal to \$750,000	443.90	628.90



# WEALTH TRANSFER: PRE-TAX RETIREMENT ACCOUNTS

Ret. Age	To Age	Pre-Tax Accounts	Level B.o.Y.	Rate of Return	Total of	Federal+State
		Initial Balance	Withdrawals	(Avg. Annual)	All Fees	Income Tax %
72	100	\$1,000,000	\$0	5.00%	0.00%	24%
Age	Year	Balance	Gross Withdrawal	Balance Net of Fees	All-Inclusive Tax Liability	Net of Fed+State Income Taxes
B.o.Y.		B.o.Y.	B.o.Y. <input checked="" type="checkbox"/> RMD	E.o.Y.	E.o.Y.	
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

# WEALTH TRANSFER

<b>Beginning Balance</b> \$945,000	<b>Gross Level ROR</b> 5.00	<b>Fee % of AUM</b> 0.00	High Random Gross ROR 50.00 Low Random Gross ROR (40.00)		<b>Inflation %</b> 0.00	Lock Random RORs
<b>Annual Additions or Withdrawals</b> (\$116,554)	<b># of Years</b> 10	<b>Avg. Inv. Tax Rate %</b> 26.00	Level RORs Manually-Typed or Pasted RORs Random Fixed RORs RandomVar. RORs		<b>LOC Rate of Return:</b> Not Included	Recalculate Random Var. RORs (or use F9)
	<b>Ord. Inc. Tax Rate%</b> 0.00 <small>Federal + State</small>	<b>Taxable % of Gain</b> 100.00 <small>Basis &amp; Turnover</small>	Reset			

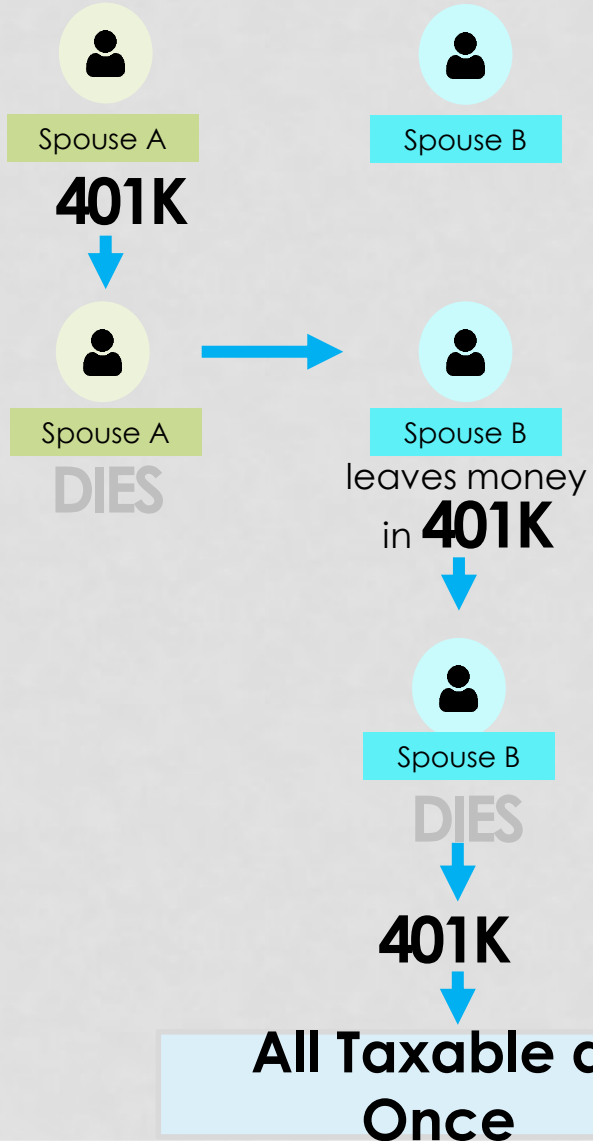
  

Year	Beginning Balance	Gross ROR	Gain or Loss	0.00% Fees	0.00% Taxes	Total Tax & Fees + LOC	Net Gain or Loss	Gross Addition or Withdrawal	Ending Balance Before Deferred Tax	Effective ROR Before Deferred Tax	Deferred Tax
1	828,446	5.00	41,422	0	0	0	41,422	116,554	869,868	5.00	0
2	753,314	5.00	37,666	0	0	0	37,666	116,554	790,980	5.00	0
3	674,426	5.00	33,721	0	0	0	33,721	116,554	708,147	5.00	0
4	591,593	5.00	29,580	0	0	0	29,580	116,554	621,173	5.00	0
5	504,619	5.00	25,231	0	0	0	25,231	116,554	529,850	5.00	0
6	413,296	5.00	20,665	0	0	0	20,665	116,554	433,961	5.00	0
7	317,407	5.00	15,870	0	0	0	15,870	116,554	333,277	5.00	0
8	216,723	5.00	10,836	0	0	0	10,836	116,554	227,559	5.00	0
9	111,005	5.00	5,550	0	0	0	5,550	116,554	116,555	5.00	0
10	1	5.00	0	0	0	0	0	116,554	2	5.00	0
Totals	1	5.00	220,542	0	0	0	220,542	1,165,540	2	5.00	0

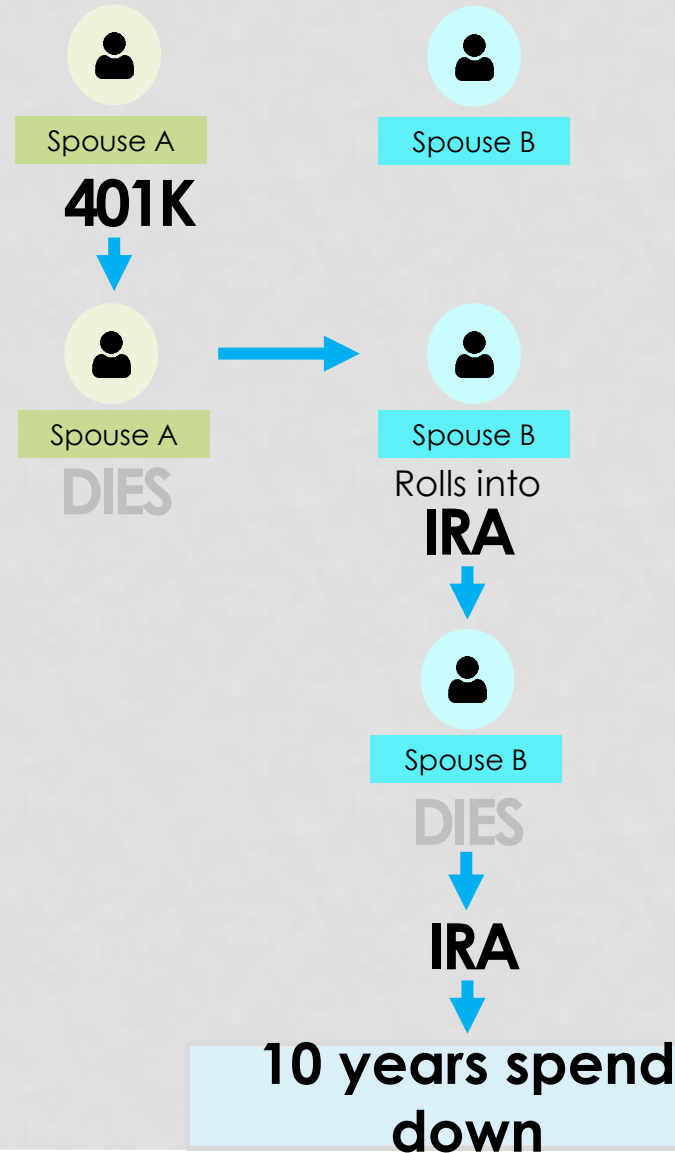
# STRETCH IRA IS BACK!

## SECURE ACT 2.0

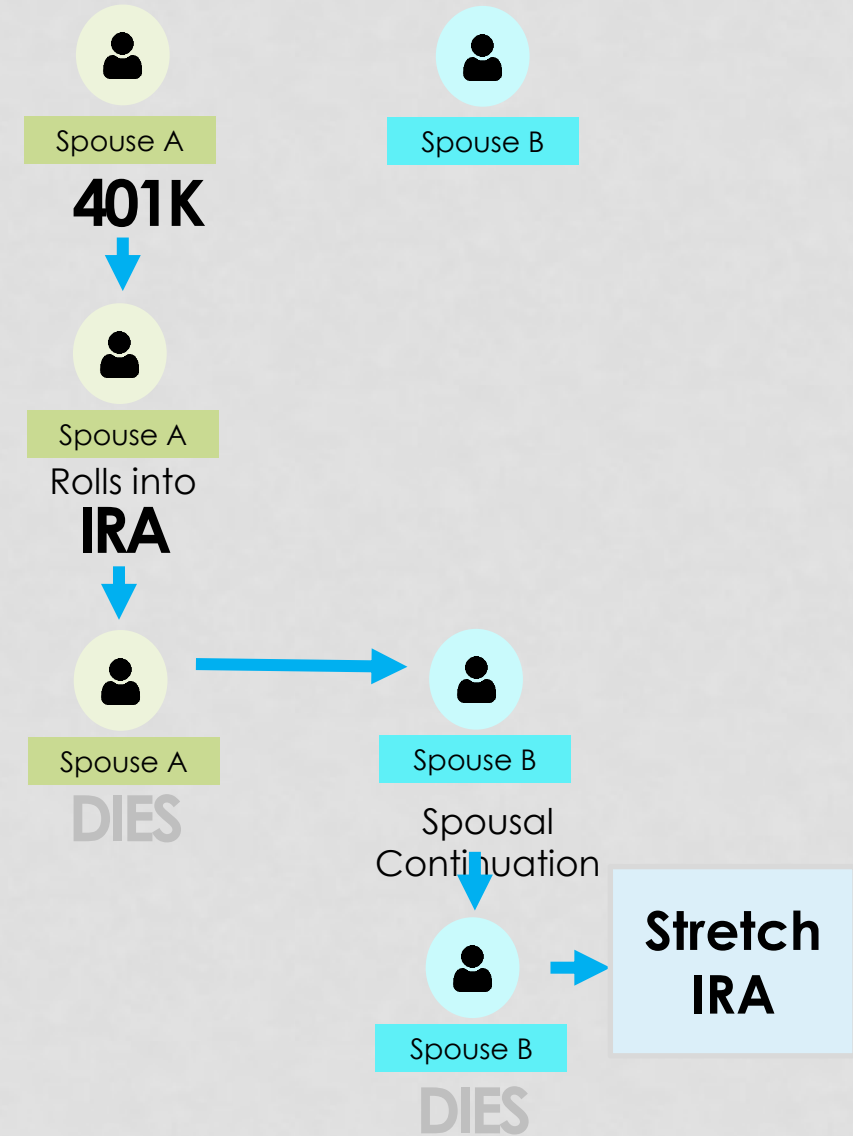
### Scenario 1



### Scenario 2



### Scenario 3



# Tax Shelter

- ✓ Surplus or Gap
- ✓ Lower/Highs Brackets
- ✓ RMD's Social Security = Reinvestment?
  - Roth IRA/Shadow Provision
- ✓ Where can you Re-Invest Money in Retirement with Tax Free Growth?

# Is Long-Term Care in Your Future?

**Statistically, 70% of people over age 65.....that's 7 out of 10 people...will need long-term care**

## **Perfect Storm...**

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



# Annual Cost of Nursing Home Care

- The average American underestimates the cost of in-home long-term care by almost 50%.
- The median cost of a private nursing home room in the United States has increased slightly to \$116,800 a year, according to Genworth's 2023 Cost of Care survey

In Home Care	Community & Assisted Living	Nursing Home Facility
\$5,720 - Home Maker Services	\$2,058 – Adult Day Care	\$8,669 – Semi-Private Room
\$6,292 - Home Health Aid	\$5,350 – Assisted Living Facility	\$9,733 – Private Room



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