

Workshop | Retirement Income: From Where & When?

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Jason P. Tank, CFA

Topic | *Retirement Income: From Where & When?*

The Main Goal

Understand **your income sources**

Understand **their tax consequences**

Understand **ways to reduce taxes**



Definitions | *Four Buckets of Income*

Taxable

Partially-Taxable

Tax-Deferred

Tax-Free

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Your *Taxable* Sources

Trusts, Joint & Individual Accounts

Only interest, dividends + realized gains taxed

Pension

Taxed as ordinary income



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Your *Partially-Taxable* Sources

Annuities

Taxes based on a formula

Social Security

Taxes based on level of other income

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Your *Tax-Deferred* Sources

Traditional IRAs
401(k), 403(b), 457 Plans
Simple & SEP IRAs

All distributions are ordinary taxable income



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Your *Tax-Free* Sources

Roth IRA, Roth 401(k), etc.

No distributions are taxed

Taxes | *Understanding Tax Brackets*

First, for the simple understanding...

Single | 15% federal bracket up to about \$40,000

Single | 25% federal bracket up to about \$90,000

Joint | 15% federal bracket up to about \$75,000

Joint | 25% federal bracket up to about \$150,000



Timing & Taxes | *Social Security*

Your Social Security Income

“Relevant” Income

Adjusted gross income

+ 50% of Social Security

+ Tax-exempt interest

Starts getting taxed when **relevant income** is...

Single – between \$25k and \$34k (max reached at about \$40k)

Joint – between \$32k and \$44k (max reached at about \$50k)

Up to 85% of Social Security can be taxed



Timing & Taxes | *Tax-Deferred Accounts*

Tax-Deferred Accounts *Required Minimum Distributions (RMD)*

Magical age is 70 ½

At age 70 ½, your RMD % is about 3.7%

By age 80, your RMD % is about 5.3%

By age 90, your RMD % is about 8.8%

At age 59.5, you can take penalty-free IRA distributions



Strategies | *Roth Conversions*

Partial Roth IRAs Conversions

*The voluntary shift of some assets from a
Traditional IRA into a Roth IRA*

– then pay the tax owed –

Strategies | *Roth Conversions*

Partial Roth IRA Conversions

Things to Consider:

When temporarily lower tax rate
For your surviving spouse
For your kids' inheritance

Watch your *effective* marginal tax rate

Strategies | *0% Capital Gains Tax Rate*

0% Federal Capital Gain Tax Rate

*For taxpayers within the 15% federal tax bracket...
...realized capital gains are tax-free*

Watch your *effective* marginal tax rate

State taxes *still* apply



Final Thoughts | *Modeling Matters*

Developing your *Retirement Income* Model

1. Create retirement lifestyle *budget*
2. Define your *stages* of retirement
3. Analyze your *income sources by tax bucket*
4. Map out *tax picture* over your stages

Disclosure

This presentation was designed to enhance your understanding of various financial planning topics. This was presented as generic information and may not apply to your particular circumstances.

Given this, I strongly encourage you to seek professional advice from as many sources as possible. This advice may take the form of tax and legal professionals as well as your investment adviser.

Questions or Comments?

Jason P. Tank, CFA

310 W. Front Street, Suite 411

Phone: (231) 947-3775

Email: jason@frontstreet.com

Thank You

for your participation.

