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April 15 and 22 (or webinar earlier)

How Tax Planning Changes Through Four Stages of Retirement

January 2025

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**TAXES IN
RETIREMENT**

567

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Before
we get
into the
details...



WHY are we here?

**An
interesting
situation...**

For the
past 50 years
Financial
professionals
have been telling
people...

**“Your taxes will go down
in retirement!”**



And for 50 years this has been
true for most Americans.

Because of that...

**We created an entire universe of *TAX DEFERRED*
retirement savings plans...**

IRA's	Simple
401(k)	TDA's
403(b)	Keogh's
SEPs	ESOPs

“Tax Deferred” is a brilliant concept!

- 1. Pay no tax now...**
- 2. Let the money grow...**
- 3. Pay tax when you take it out!**

And WOW...did it **GROW**

American's retirement plan assets
have exploded.



So where are we today



The 2017: Tax Cuts & Jobs Act

- Individual tax rates were cut
- All tax brackets slightly lower
 - 39.6% to 37%
 - 33% to 32%
 - 28% to 24%
 - 25% to 22%
 - 15% to 12%
- But only through 2025!
 - What might happen in 2026?

But...

- The US budget deficit has doubled in the past 3 years
- Federal debt projected to be 144% of GDP by 2049
- If tax cuts are extended in 2025
 - Debt could go to 219% of GDP

Imagine...

If your annual income was **\$100,000**



But you owed VISA & Mastercard **\$219,000!**

**What
does all
this
mean?**

It Means....

- The government needs money
- Retirees are sitting on \$40T
- So for the first time in 50 years...

It's very possible...

Your taxes in retirement...



could go UP!

And if not a direct tax INCREASE, then...

- Increased fees on other programs like Medicare
- Higher taxes on Social Security
- Lower thresholds for taxation
- Reduced or extended benefits
- Changes to inheritance rules



THAT is why we are here!



You need to plan ahead.

Agenda

1. Why will taxes continue to be an issue? (Complete!)
2. What are the tax traps/opportunities?
3. How to implement tax saving strategies

Housekeeping

- What are we hoping to learn?
 - Effectiveness of our current strategy (or lack thereof)
 - Moving forward - 3 options
- Perfect timing for attendance!
- It's a balance
- Jump in with questions
- Folder contents
- Slides via email (if include email on Blue Sheet)

Where can we save?

- The 4 stages of retirement
- Social Security
- Medicare
- Tax Bucket Strategies
- Charitable Giving
- Estate Planning
- Long Term Care



Don't ignore the tax signs if you have:

- ▶ Retirement balances in pre-tax accounts (IRA/401k)
- ▶ Own a vacation house/rental property/land/business
- ▶ CDs generating 5%
- ▶ Heirs in high tax brackets

A New, Complex World

- ▶ Taxes in accumulation phase (saving) vs taxes in distribution phase (spending)
- ▶ **No more:** child tax credits, mortgage interest deduction, deductible contributions to 401(k) or similar
- ▶ **New:** Social Security, ACA subsidies, RMDs, paying for Medicare, long-term care

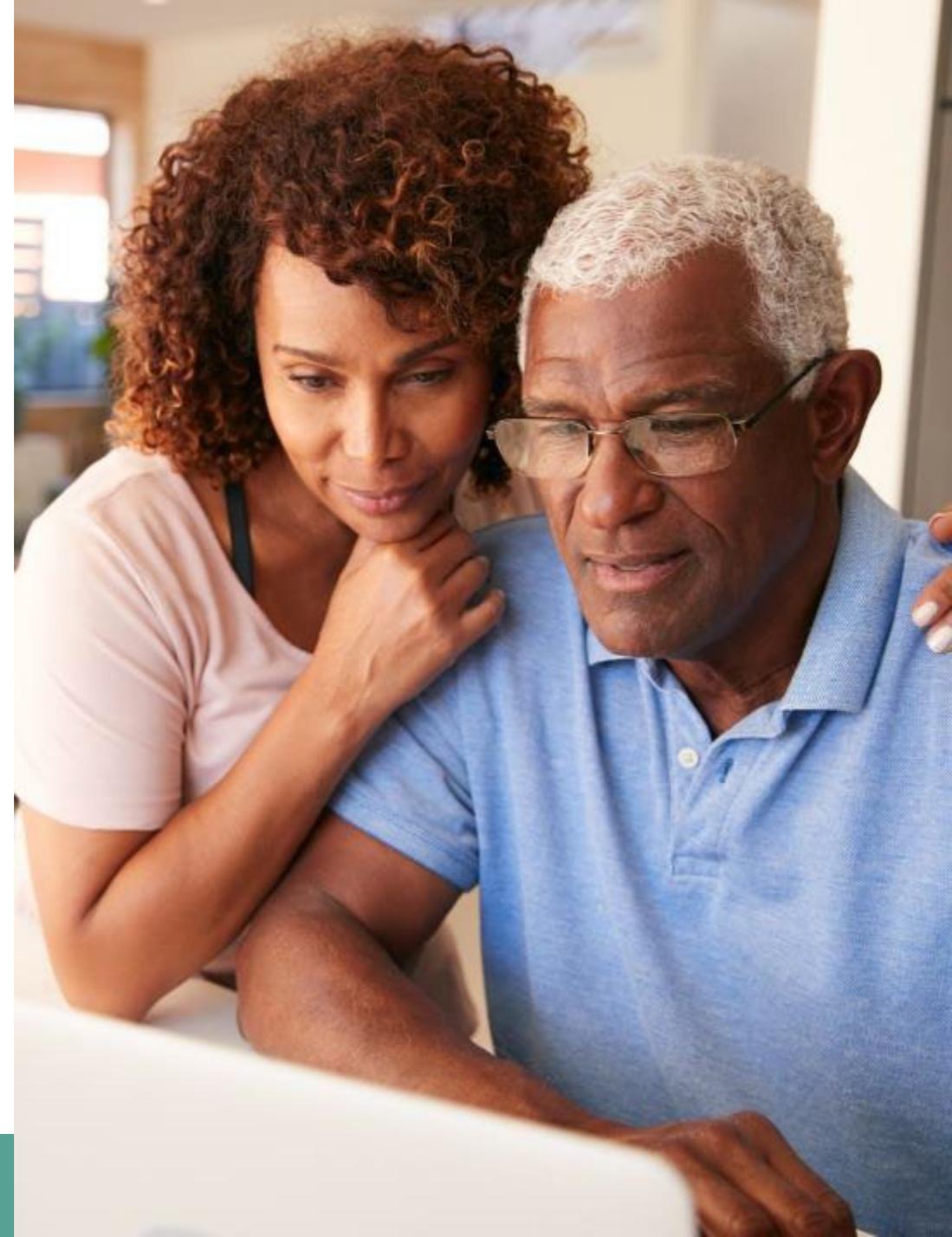


PROBLEM

People often pay more taxes in retirement than expected because a confusing system treats various income types differently and contains hidden taxes and penalties.

Developing a Solution

Because your tax exposure will change throughout four stages of retirement, you'll need a strategy that anticipates both traditional taxes AND possible taxes, surcharges, and penalties related to Social Security, Medicare, and other income.



Four Stages of Retirement

1

Pre-retirement

- Age: 50-60
 - Description: Work & save years
-

2

Early Retirement

- Age: 60-70
 - Description: Go-go years
-

3

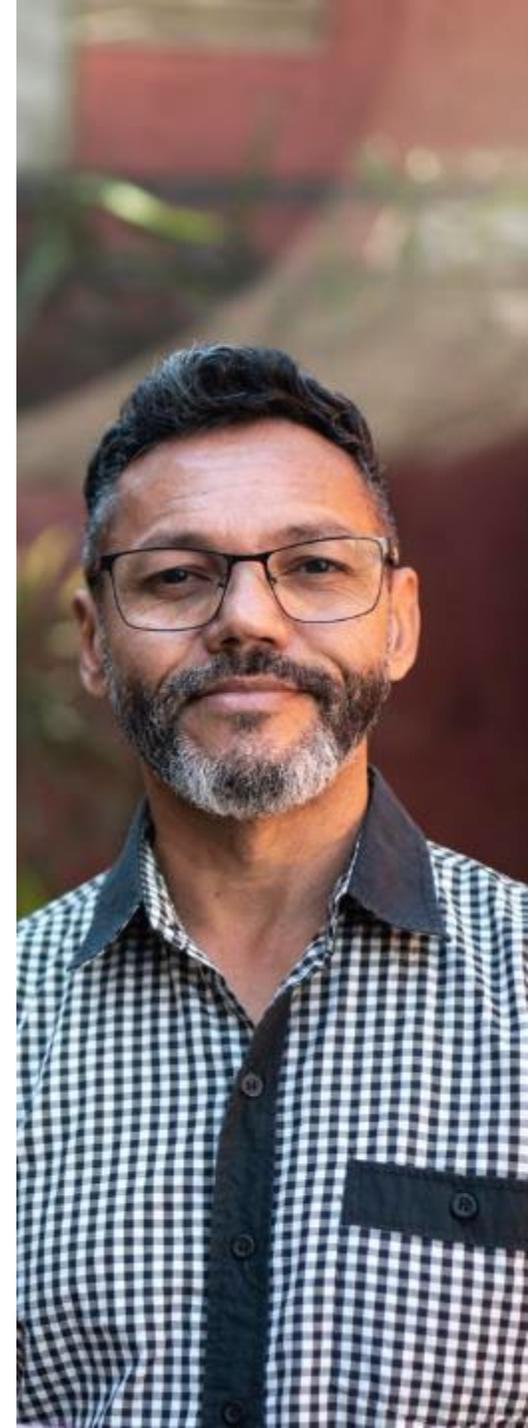
Middle Retirement

- Age: 70-80
 - Description: Go-slow years
-

4

Late Retirement

- Age: 80+
- Description: No-go years



KEY #1:

You have to know what your “after-tax” retirement savings picture looks like BEFORE retiring.

**If you save
\$500,000 in
your 401(k)/IRA,
it's not really
\$500,000**

- ▶ **If you are married filing jointly, your \$500,000 could actually be...**
 - \$325,000 (35% tax rate)
 - \$315,000 (37% tax rate)
- ▶ **In addition, you must take required minimum distributions (RMDs) each year after you turn 73/75**

Roth IRA conversions:

YOU decide
when to pay
the tax!

- ▶ IRA (or similar retirement funds) are moved to a Roth IRA
- ▶ Taxable amount converted is added to your income

Example:

Jill converts \$100,000 from her IRA to a Roth IRA

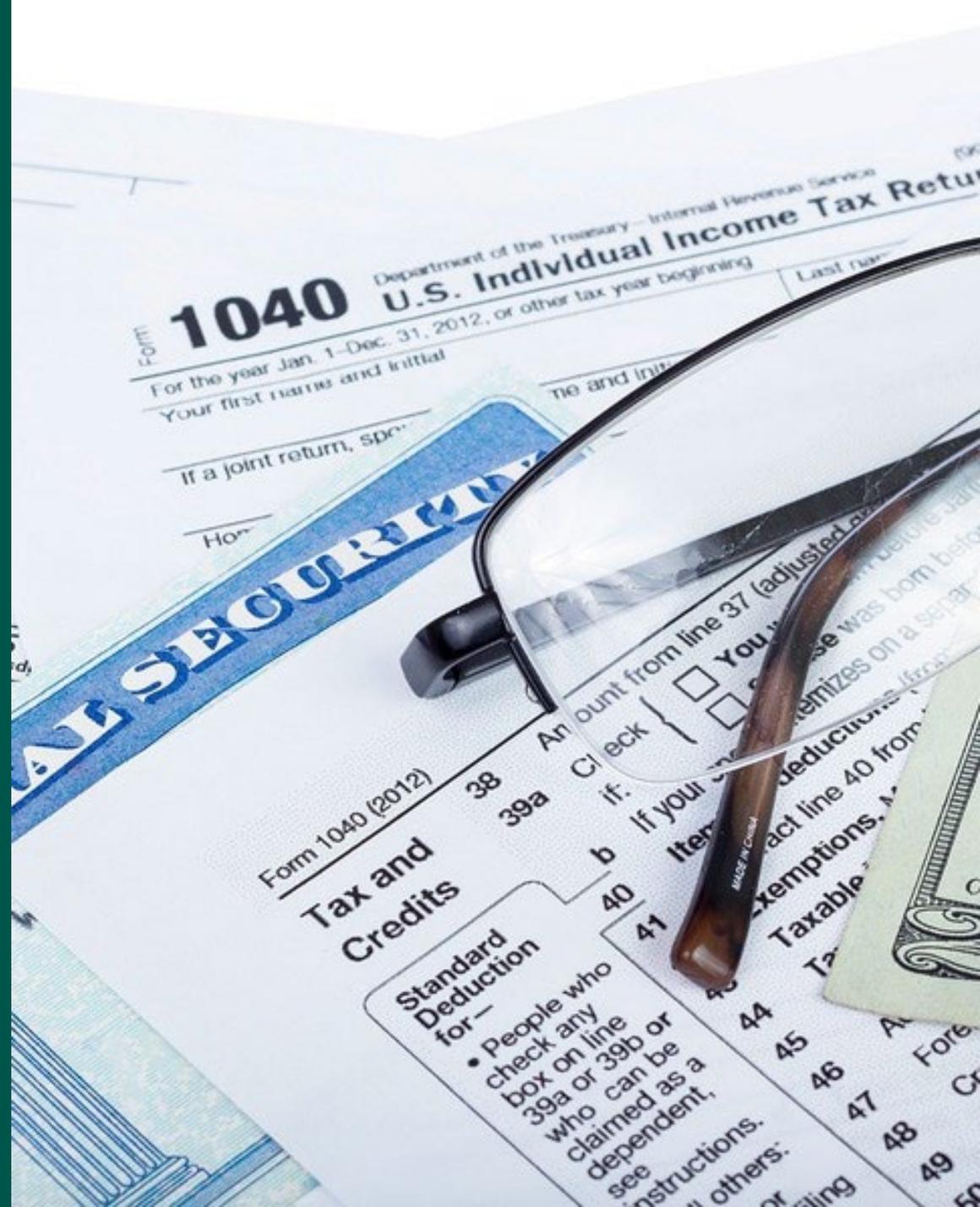
- Jill will have to add \$100,000 to her income
- The conversion income will be taxed at Jill's rate



KEY #2:

Social Security and Medicare have their own tax traps and you need to plan for them, too.

Social Security and Taxes



Social Security claiming strategy: It's not only about the break-even point.

- ▶ Current health/family longevity
- ▶ Spousal/survivor options
- ▶ ACA subsidies pre-age 65
- ▶ Roth Conversion opportunities
- ▶ Other assets/pensions etc.

Medicare and Taxes



Watch out for the Medicare IRMAA cliff



George and Martha

- Have Medicare Parts B and D
- \$266,000 MAGI in 2023
- Sell stock for \$1,000 gain
- Owe \$150 tax

They'll pay a 15.0% rate, right?

Part B 2025 IRMAA charge: about \$222 monthly

MAGI Single Filers	MAGI Married-Joint	Total monthly premium amount	Monthly increase compared to lowest premium
≤ \$106,000	≤ \$212,000	\$185.00	N/A
\$106,001-\$133,000	\$212,001-\$266,000	\$259.00	\$74.00
\$133,001-\$167,000	\$266,001-\$334,000	\$370.00	\$185.00
\$167,001-\$200,000	\$334,001-\$400,000	\$480.90	\$295.00
\$200,001-\$500,000	\$400,001-\$750,000	\$591.90	\$406.90
≥ \$500,000	≥ \$750,000	\$628.90	\$443.90

IRMAA: Income Related Monthly Adjustment Amount

**1-Year IRMAA
total charges:
\$3,182**

	Monthly IRMMA surcharge	12-month total
George	Extra Part B \$111.00 per month Extra Part D \$21.60 per month	\$1,332.00 \$259.20
Martha	Extra Part B \$111.00 per month Extra Part D \$21.60 per month	\$1,332.00 \$259.20
Combined		\$3,182.40

**Stock sale tax
+ IRMAA
Total Damage:**

\$188
+ 3,182

\$3,370

- ✓ **Sold stock:** \$1,000 income gain
- ✓ **Stock sale tax:** \$188 (18.8% rate)
- ✓ Stock sale triggers new IRMAA income tier
- ✓ **Total IRMAA surcharges:** \$3,182

**\$1,000 extra income triggers taxes
of \$3,370 — 337% real tax rate!**

Charitable giving and tax planning



Albert and Shirley

- 24% bracket
- Give \$5,000 to charity
- \$15,000 existing itemized deductions
- 2025 Standard Deduction is \$33,200
- \$5,000 donation—no federal tax benefit

Qualified charitable distribution (QCD): Giving after 70½

- ▶ Up to \$108K from IRA per person (2025)
- ▶ Must go directly to the charity
- ▶ Counts as an RMD but not reported as income
- ▶ No deduction on income tax

Option #2: What's the cost of a QCD contribution?

- ▶ Charity gets \$5,000
- ▶ \$5,000 satisfies RMD
- ▶ \$5,000 is **EXCLUDED** from taxable income
- ▶ Tax bill on distribution equals \$0
- ▶ **Total cost of charitable contribution:**
\$5,000—a \$1,200 saving from the non-QCD option



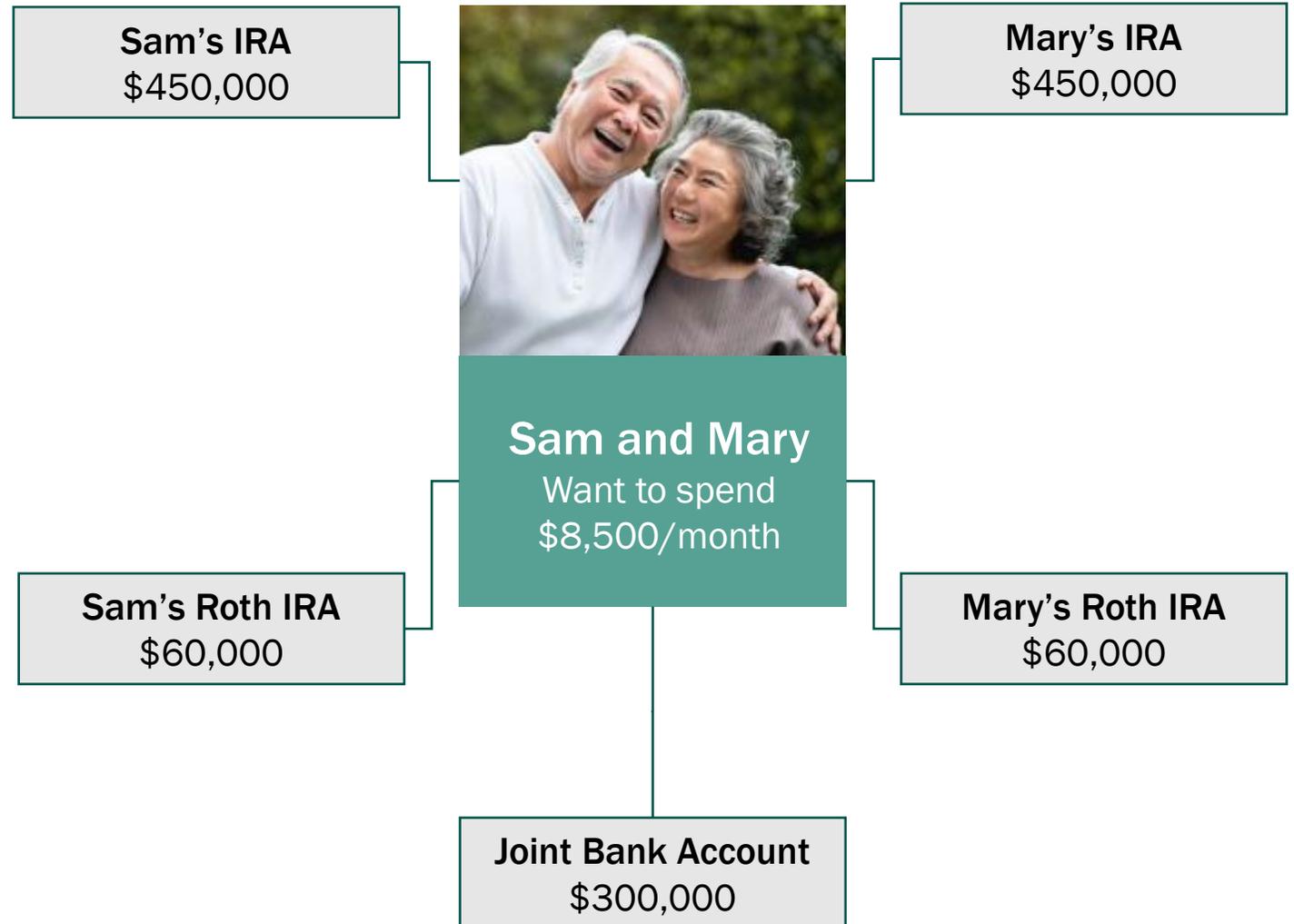


KEY #3:

You must plan how and when you will use taxable, tax-deferred, and tax-free assets to manage your income and tax brackets efficiently.

EXAMPLE #4:

Which accounts to spend first?



*Always consult a tax professional before taking action.

Conventional Wisdom

Which accounts do I spend first?

- ▶ Spend taxable money first (bank accounts), **then...**
- ▶ Spend tax-deferred money (IRAs), **then...**
- ▶ Spend tax-exempt money

Tax and Retirement Studies

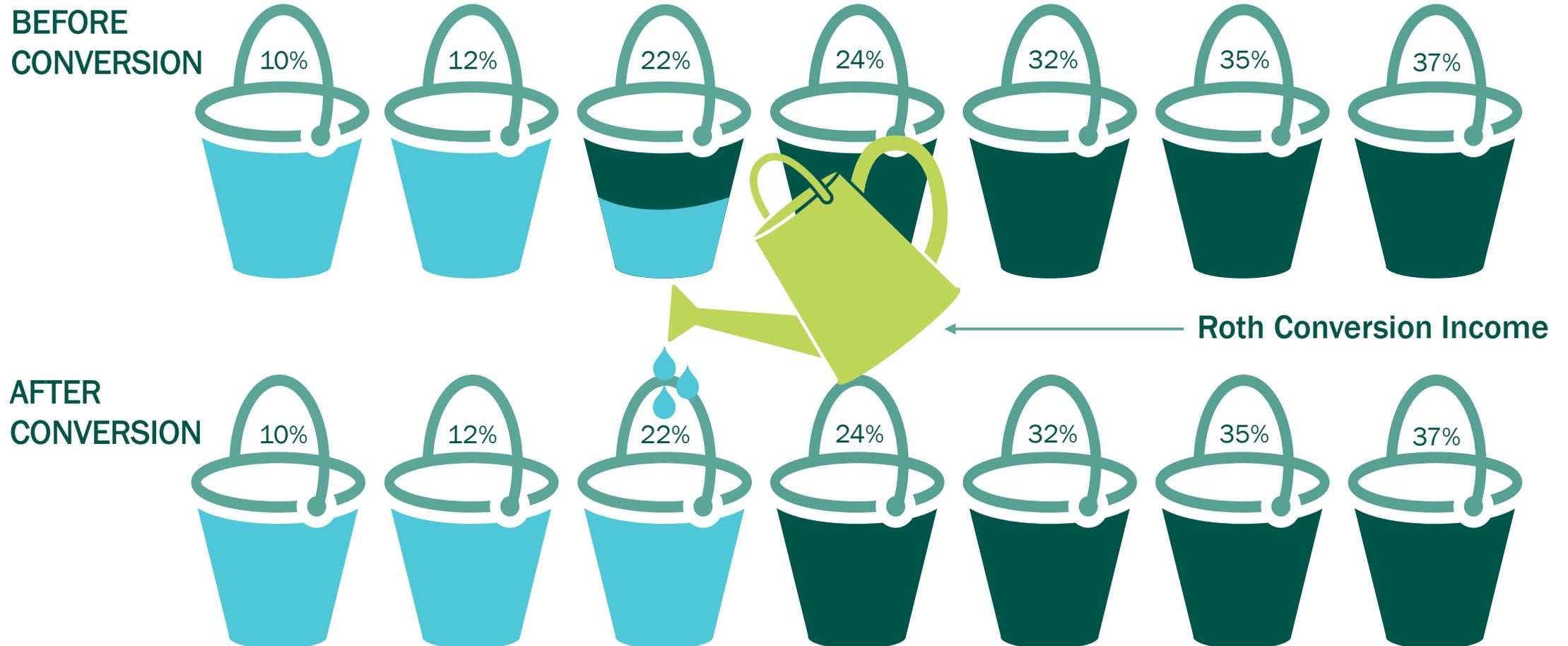
- ▶ **Converting to Roth IRA under New Tax Law: a Decision Framework**, by Kenneth E. Anderson and David S. Hulse, *Journal of Financial Service Professionals*, 2007
- ▶ **The Effects of Social Security Benefits and RMDs on Tax-Efficient Withdrawal Strategies**, by Greg Geisler, Ph.D.; and David S. Hulse, Ph.D., *Journal of Financial Planning*, 2018
- ▶ **Tax-Efficient Withdrawal Strategies**, by Kirsten A. Cook, William Meyer, and William Reichenstein, CFA. Published in *Financial Analysts Journal*, 2015

Alternative Approach

Which accounts do I spend first?

- ▶ Spend taxable money first (bank accounts), **but also...**
- ▶ **Convert IRAs to Roths in low tax years, then...**
- ▶ Spend tax-deferred money until depletion, **then...**
- ▶ Spend tax-exempt money

“Filling up the bracket” Roth IRA Conversion Strategy



Real world examples

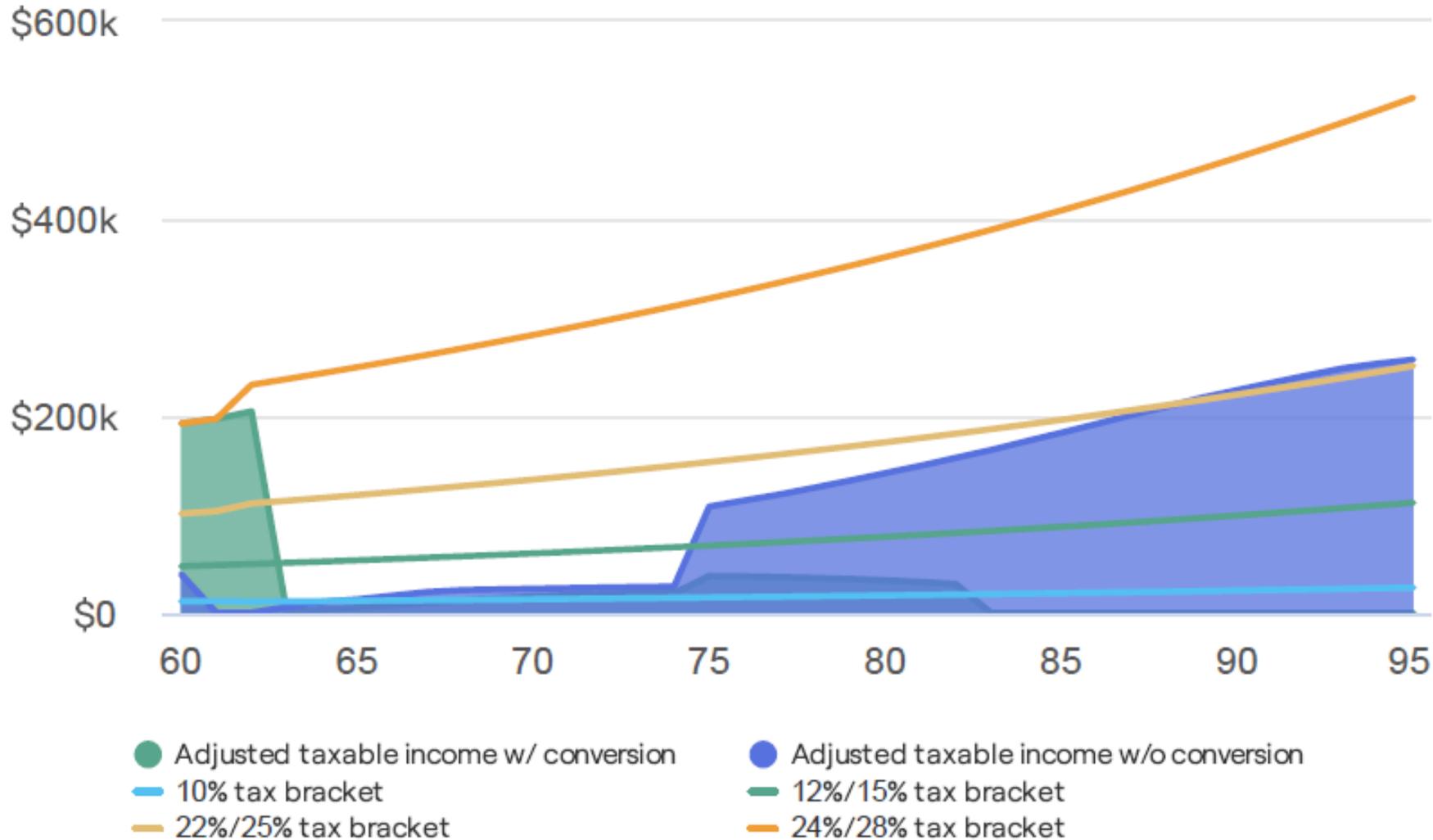
Distribution and Conversion Details

Year	Age	Conversion Amount	Withdrawal From Taxable Account	Withdrawal From Tax Deferred Account	Withdrawal From Tax Free Account	Taxable Account Balance	Tax Deferred Account Balance	Tax Free Account Balance
2024	60	152,720	62,838	152,720	0	579,398	603,371	235,142
2025	61	203,554	95,184	221,404	1,662	528,602	413,537	458,042
2026	62	197,514	99,044	215,364	0	476,198	214,300	696,280
2027	63	0	30,535	17,850	0	487,767	196,450	757,843
2028	64	0	32,959	17,850	0	497,671	178,600	824,438

Wait, you want me to pay how much in taxes? Why would I do that now?

- You already did the same thing to get to where you are. You paid into your 401k or IRA to have even more later.
- You have just one more step, and this time it doesn't necessarily mean you need to delay spending!
- Pay the US Treasury some now, or much more later.

Real world examples



Proposed Strategy
\$589,099 more
tax adjusted ending
portfolio than a
taxable, tax-deferred,
tax-free withdrawal
strategy w/o
conversion

Recent example:

- ▶ Widow (not retired) had spouse pass away in early 2023
- ▶ Low income in 2023
- ▶ Married Filing Joint
- ▶ Big refund
- ▶ But....a missed opportunity

Low-income years good for Roth conversions

- ▶ Roth IRA conversions in years with unusually low income may be beneficial

Common examples:

- Business owner with unusually low sales or high expenses
- After retirement, but before receiving Social Security benefits, pensions, and/or IRA distributions

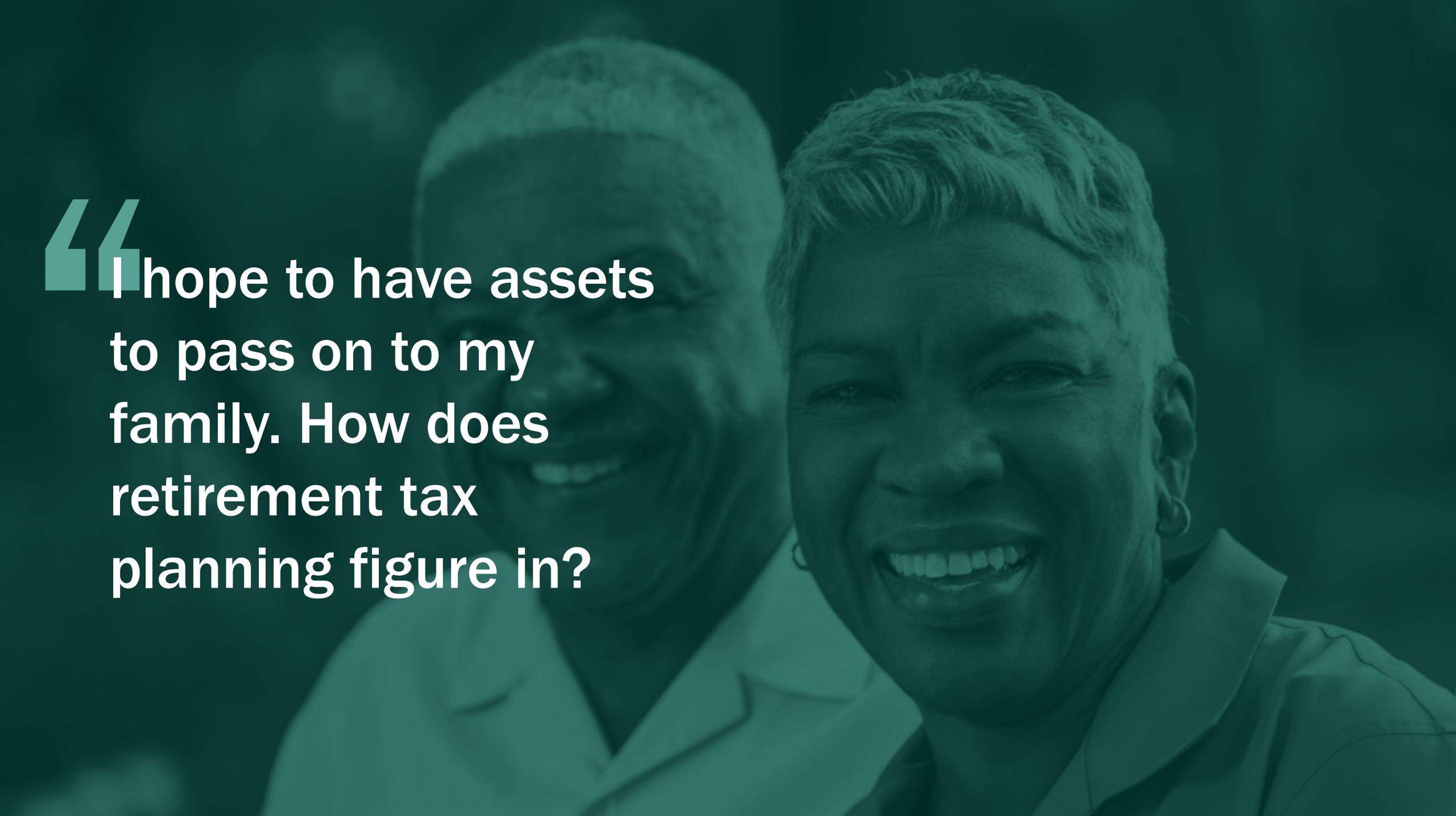
Remember: The 2017 Tax Cuts & Jobs Act

- Individual tax rates were cut
- All tax brackets lower!
 - 39.6% to 37%
 - 33% to 32%
 - 28% to 24%
 - 25% to 22%
 - 15% to 12%

Other possible approaches to managing tax brackets



- ▶ Spending from taxable savings such as checking, savings or individual brokerage account
- ▶ Withdrawing tax-free money from life insurance policies to keep income low
- ▶ Selling highly appreciated stock for low or no capital gains



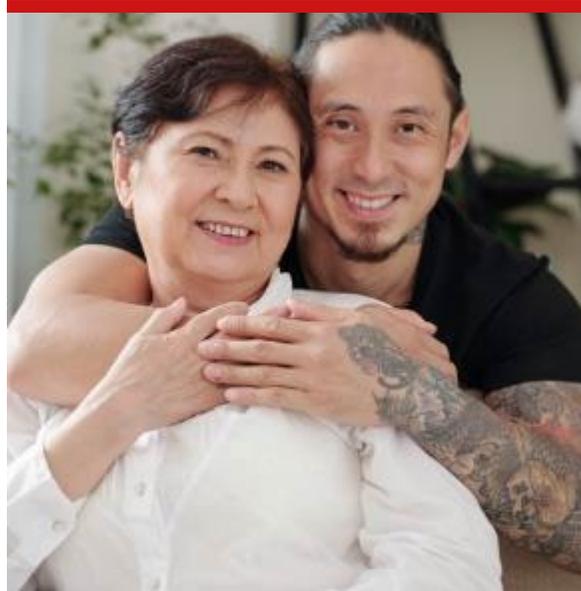
“I hope to have assets to pass on to my family. How does retirement tax planning figure in?”



KEY #4:

**Organize your assets for your family's benefit—
estate planning still matters!**

Inheriting IRAs: Choices



Pamela (65 years old)

- **Son:** Kyle (40 years old)
- Pamela dies and leaves 100% of IRA to son Kyle
- IRA Balance: \$400,000

SCENARIO #1:

**Kyle takes
distributions over
all 10 years to
minimize tax**

- ▶ Kyle was listed as the sole beneficiary
- ▶ He has 10 years to take all the required minimum distributions (RMDs) and empty the account
- ▶ 6% average rate of return
- ▶ \$400,000 IRA balance
- ▶ Annual distribution to Kyle = **\$54,347**

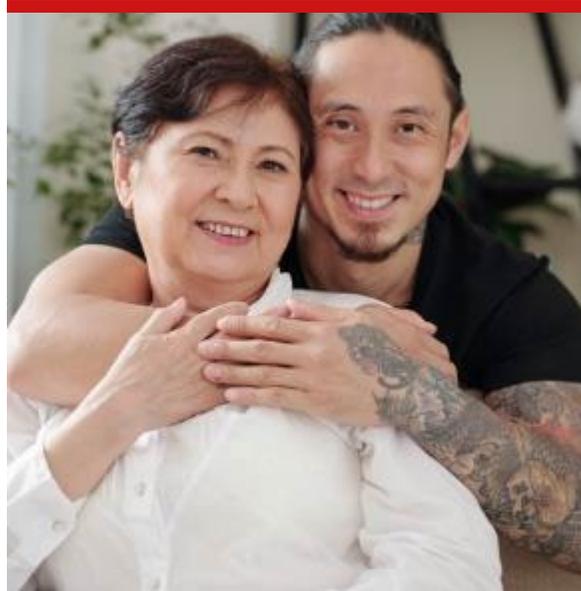
SCENARIO #2:

Kyle “needs” some toys - takes full distribution in year 1*

*** How often do you think this happens?**

- ▶ Kyle was listed as the sole beneficiary
- ▶ He has 10 years to take all the required minimum distributions (RMDs) and empty the account, but spends it all in year 1
- ▶ \$400,000 IRA balance all added to income in year 1

How About Another Option?



ROTH IRA Possibility

- **If Pam left behind a Roth, there would be no withdrawal taxes for Kyle.**
- **Who is in higher tax bracket?**
- **Still 10 Year Stretch**

Estate Tax Planning Example - Equal Split

	Value at Death	Lena California		Ole North Dakota
Taxable to Heirs at Marginal Income Tax				
IRA	\$ 1,000,000	\$ 500,000	50%	\$ 500,000 50%
457 plan	\$ 700,000	\$ 350,000	50%	\$ 350,000 50%
Total 10 Year Taxable Withdrawals to Heirs	\$ 1,700,000	\$ 850,000		\$ 850,000
Tax Free (Roth and Step-up) Accounts to Heirs				
Roth	\$ 300,000	\$ 150,000	50%	\$ 150,000 50%
Checking Account/CDs	\$ 200,000	\$ 100,000	50%	\$ 100,000 50%
House	\$ 500,000	\$ 250,000	50%	\$ 250,000 50%
Quarter of Land	\$ 400,000	\$ 200,000	50%	\$ 200,000 50%
Total Tax Free To Heirs	\$ 1,400,000	\$ 700,000		\$ 700,000

Estate Tax Planning Example - Tax Smart Split

	Value at Death	Lena California		Ole North Dakota	
Taxable to Heirs at Marginal Income Tax					
IRA	\$ 1,000,000	\$ 100,000	10%	\$ 900,000	90%
457 plan	\$ 700,000	\$ 70,000	10%	\$ 630,000	90%
Total 10 Year Taxable Withdrawals to Heirs	\$ 1,700,000	\$ 170,000		\$ 1,530,000	
Tax Free (Roth and Step-up) Accounts to Heirs					
Roth	\$ 300,000	\$ 240,000	80%	\$ 60,000	20%
Checking Account/CDs	\$ 200,000	\$ 160,000	80%	\$ 40,000	20%
House	\$ 500,000	\$ 400,000	80%	\$ 100,000	20%
Quarter of Land	\$ 400,000	\$ 320,000	80%	\$ 80,000	20%
Total Tax Free To Heirs	\$ 1,400,000	\$ 1,120,000		\$ 280,000	

End Result?

Tax Smart Post Tax Scenario	\$ 1,213,500	\$ 1,458,100
50/50 Post Tax Scenario	\$ 1,167,500	\$ 1,354,500
More for BOTH!	\$ 46,000	\$ 103,600

Let's catch up

Remember

Because your tax exposure will change throughout retirement, you need a tax strategy that:

- ▶ Anticipates how and when you tap assets to cover your personal expenses
- ▶ Understands the range of taxes you will face at various stages
- ▶ Manages your actions so you pay the lowest tax rate possible

Saving for Retirement is straightforward

Stock market return since January 1, 2009?

752%!

14.92% per year

Smooth Sailing

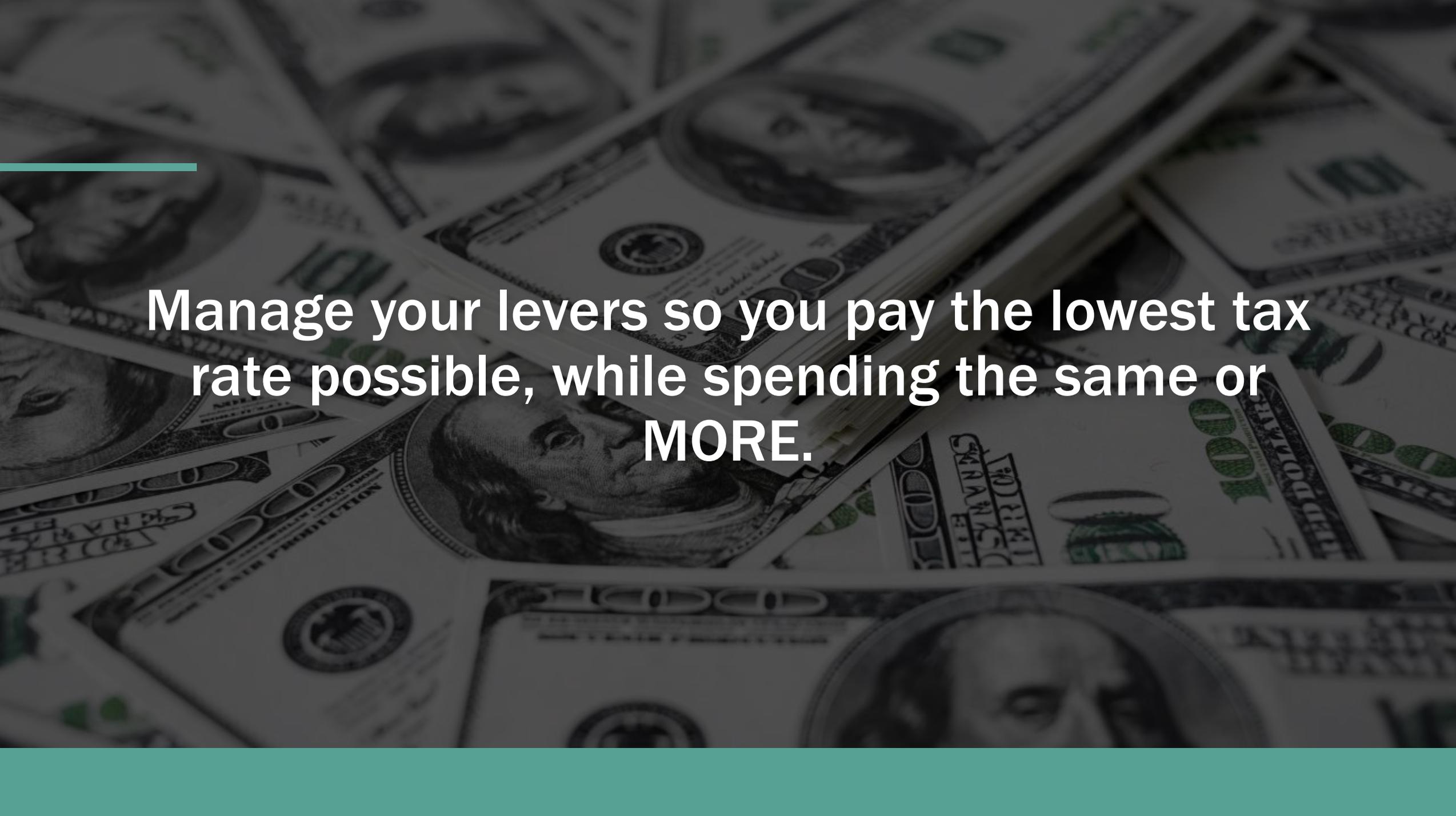
Spending in retirement is more complex when navigating the harbor of retirement



Remember

Levers are all inter-twined:

- ▶ Required Minimum Distributions
- ▶ Income tax (Ordinary, Capital Gain, NIIT)
- ▶ Estate Tax
- ▶ Medicare Surcharge
- ▶ ACA Subsidies
- ▶ Tax rates currently vs future vs heirs (inheritance)

The background of the image is a dense, overlapping pattern of US dollar bills, including \$100 and \$500 bills, rendered in a dark, muted color palette. A thin teal horizontal line is positioned at the top left of the image.

Manage your levers so you pay the lowest tax rate possible, while spending the same or MORE.

Tax Planning – Which type do you have?

The traditional way:

- Assist with taking RMDs
- Selling some stock at a loss to offset gains (tax loss harvesting)
- Open a Roth IRA
- Tax is small part of your annual meeting

What is needed:

- A comprehensive lifetime tax plan
- Review or prepare your tax return in March
- Meet in October to implement year end tax moves, including calculating Roth conversions
- Adjusting ALL the other levers we have mentioned

Are you receiving tax advice already?

Important information:

(FIRM NAME), its employees and financial advisors cannot provide tax or legal advice. You should consult your attorney or qualified tax advisor regarding your situation. Specific questions should be referred to a qualified tax professional.



“How am I supposed to turn these examples into my own tax strategy?”

A photograph of three people sitting at a desk in a home office. On the left is an older man with grey hair wearing a light-colored button-down shirt. In the center is a woman with blonde hair wearing a purple top. On the right is a man in a dark suit and tie, holding a pen and looking at a document. They are all looking at papers on the desk. The background shows a white wall with a window and a decorative shelf. A teal horizontal bar is at the top left, and a teal gradient bar is at the bottom of the image.

**Request a “Retirement Tax
Analysis”**

Complimentary option for
workshop attendees

Retirement Tax Analysis

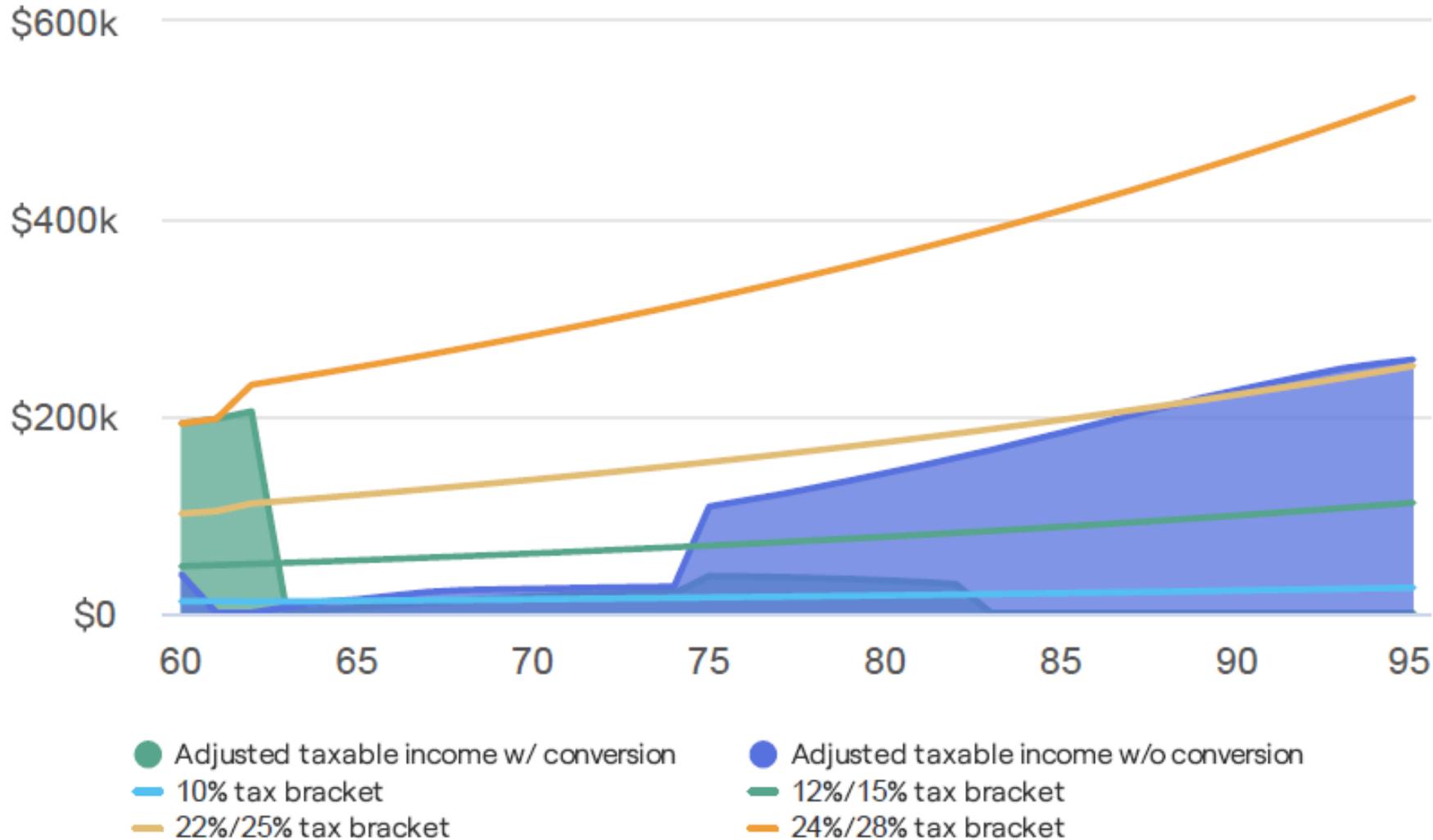
- You provide:
 - 2023 tax return
 - Recent investment statements
- Josh will provide:
 - Retirement Tax Analysis
 - Recommendation Summary
- Follow-up strategy session
 - Chat about your situation and review recommendation summary
- Explain path of implementation options

RESULTS

You can expect:

- ▶ Customized analysis with easy to understand, actionable recommendations
- ▶ Fills gap between investment advisor and CPA providing confidence as you move forward
- ▶ Ensure you don't miss a huge tax savings move for 2024 or 2025
- ▶ Spend less on the IRS and more on your bucket list

Real world examples*



Proposed Strategy
\$589,099 more
tax adjusted ending
portfolio than a
taxable, tax-deferred,
tax-free withdrawal
strategy w/o
conversion

*Every individual situation is different. Not representative of all situations.

Values shown in **today's dollars**.

Income values are **monthly** and **gross of tax and savings**, but **net of variable expenses**.

Current Balance



\$2,750,000

[View more](#)

Spending Capacity

This month



\$17,951

[View more](#)

Plan for Income Increase

If balance reaches

\$2,887,500



then increase income to

\$18,848

Plan for Income Decrease

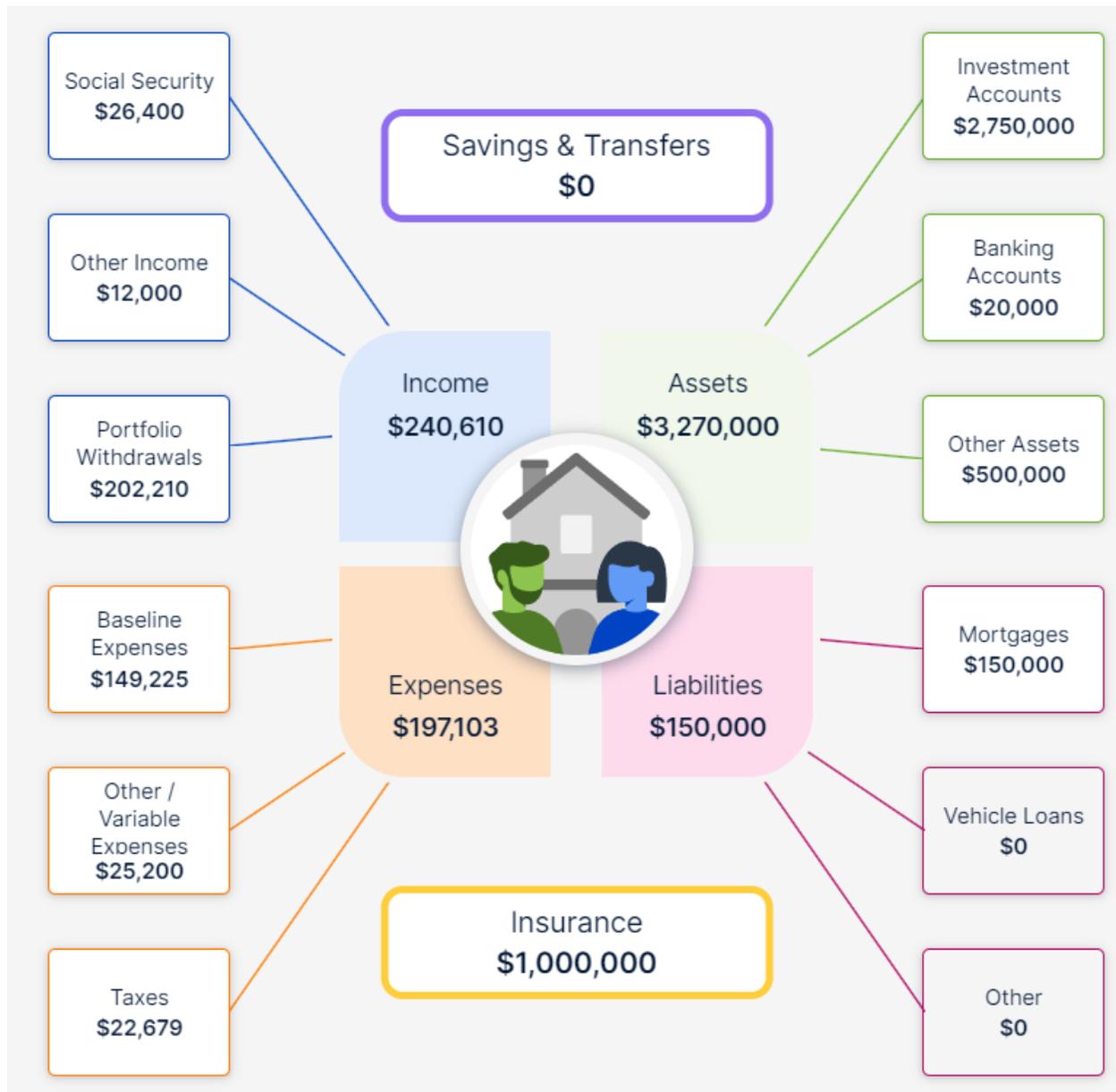
If balance drops to

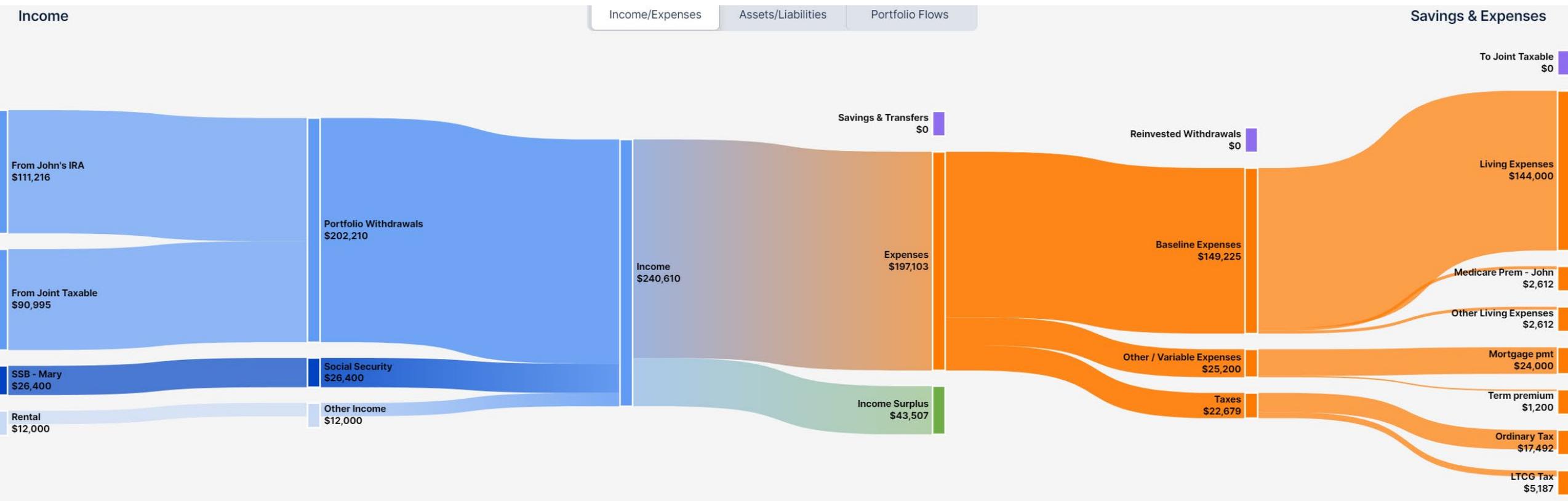
\$2,058,709

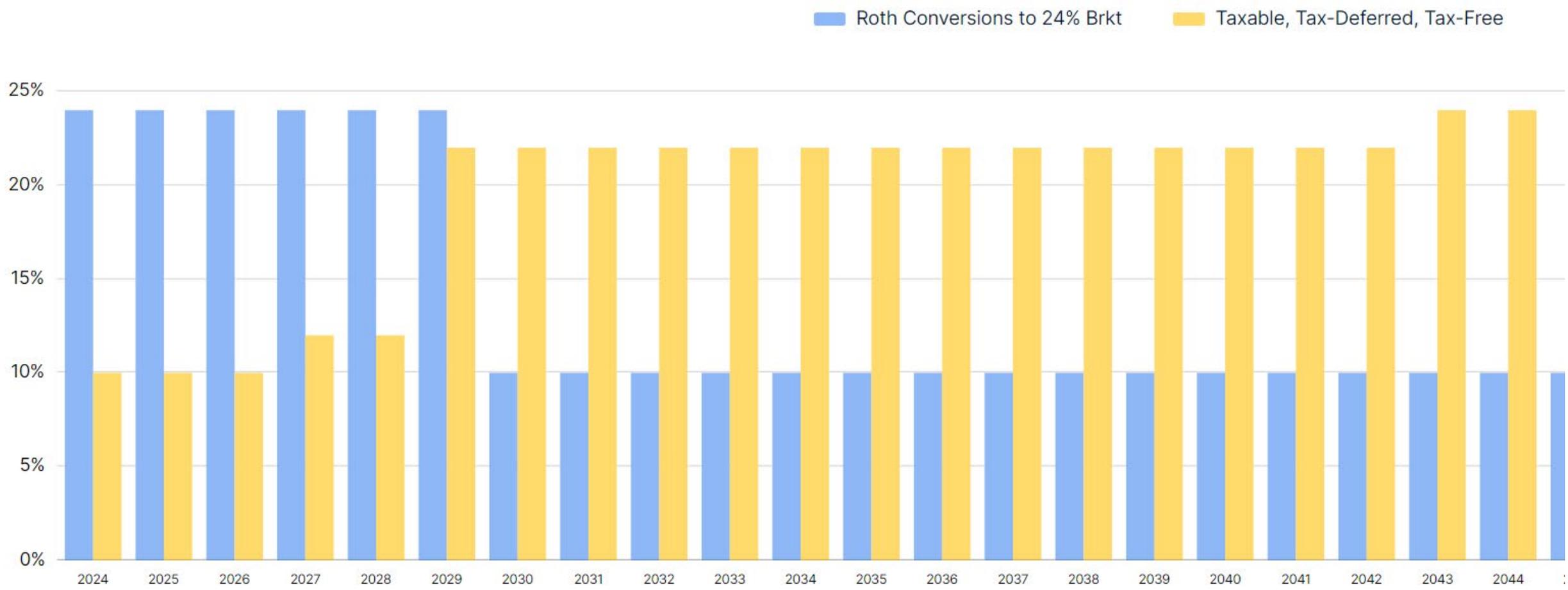


then decrease income to

\$17,053







* All tax statistics are estimates based on plan inputs and should not be relied upon for tax and legal purposes. Please consult a tax advisor before taking tax-related actions.

Worst Case Scenario

- ▶ January 2024 Taxes in Retirement attendee requested a consult
- ▶ Listed several major concerns
- ▶ When I called to chat, he said he had thought about it and “I’ve decided now is not a good time to discuss. I’ll call you down the road.”
- ▶ 6 months later – I received an email from his daughter

Areas of Potential Concern

	Major Concern	Minor Concern
Legacy Planning	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Legacy Reflection Worksheets	<input type="checkbox"/>	<input type="checkbox"/>
Caregiving Plans	<input type="checkbox"/>	<input type="checkbox"/>
Estate Planning	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Charitable Planning	<input type="checkbox"/>	<input type="checkbox"/>
General Retirement Planning	<input checked="" type="checkbox"/>	<input type="checkbox"/>
General Investment Strategies	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Tax Reduction	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Other _____	<input type="checkbox"/>	<input type="checkbox"/>
Other _____	<input type="checkbox"/>	<input type="checkbox"/>

Please select the best day and time for our free personal consultation. We will contact you to confirm and schedule it at your convenience.

The 15-Minute "Mini-Consult"

Personal Strategy Appointment

Morning

Afternoon

Evening

Mon



Thanks for coming!