Avoiding the Impending Tax Trap

A trap set by Washington & Wall Street

Today's Agenda-What to Expect

- Tax Basics
- Sources of Tax Risk
    - Situational & Legislative
- Tax & Retirement Plan History & Where We Are Now
- Golden Opportunity
    - Strategies for the next three years
    - Year Four & Beyond

Tax Basics

- Progressive Tax System
- Tax Brackets

Standard Deduction

Single Filer, Married Filing Separately	$26,100
Married Jointly or Surviving Spouse	$31,500
Head of Household	$24,150

MAGI

Adjusted Gross Income (AGI) plus certain deductions such as:

-Student loan interest

-IRA contributions

-Premium tax

MAGI BRACKETS FOR 2026

- Modified Adjusted Gross Income can be managed to preserve tax brackets
- Brackets will be in place until changed

Sources of Tax Risk

Situational Tax Risk

- Reduced Income
- -Increased Expenses
- **-Loss of a spouse**
- -Mandatory RMDs

MAGI BRACKETS FOR 2026

Tax rate	Single filers	Married couples filing jointly
10%	$12,400 or less	$24,800 or less
12%	$12,401 to $50,400	$24,801 to $100,800
22%	$50,401 to $105,700	$100,801 to $211,400
24%	$105,701 to $201,775	$211,401 to $403,550
32%	$201,776 to $256,225	$403,551 to $512,450
35%	$256,226 to $640,600	$512,451 to $768,700
37%	Over $640,600	Over $768,700

Source: Internal Revenue Service

Modern Tax History

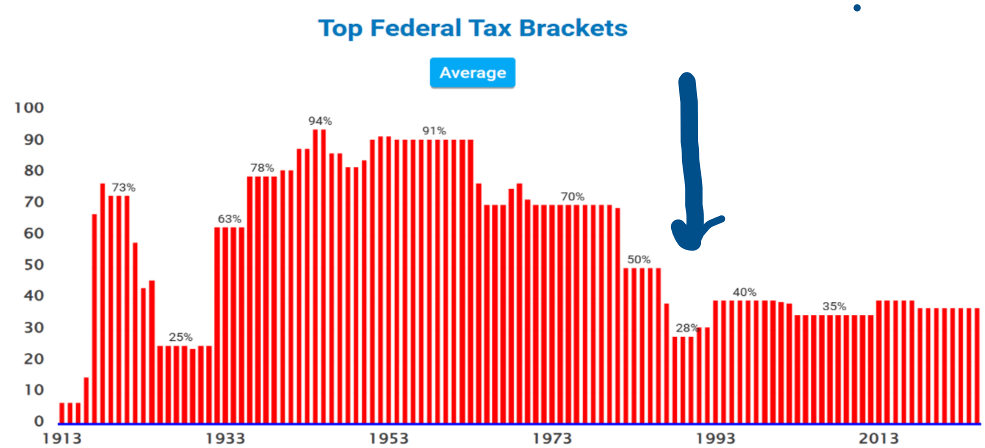
1913 – **16th Amendment** ratified; modern federal income tax begins.

1913 – Revenue Act of 1913 establishes progressive tax rates.

1943 – Payroll tax withholding system introduced during WWII.

1986 – Tax Reform Act lowers rates and broadens tax base.

2017 – Tax Cuts and Jobs Act (TCJA) significantly revises rates and deductions.



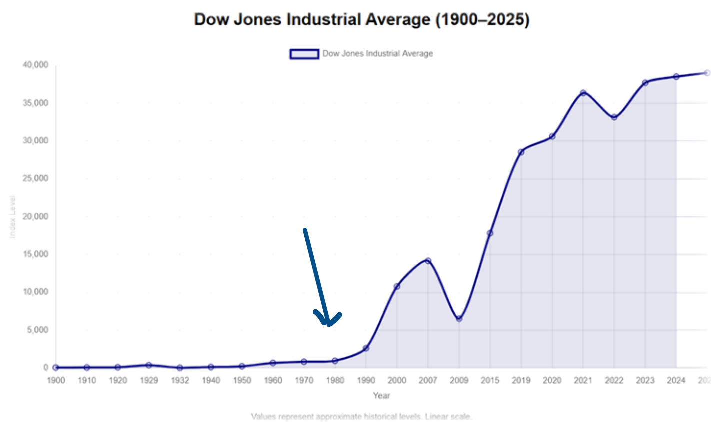
How Quickly Can Tax Rates Change?

- In1941 the highest bracket was 81%
- 81% tax was imposed on incomes over $5,000,000
- In 1942 there was an 88% tax bracket on incomes over $200,000

Taxes &The Federal Budget

We Got Played by Wall St. & Washington

Funds poured into the Stock Market from Qualified Retirement Plans & Available Money From Tax Deduction



The Great American Tax Myth-Taxes will be smaller when you retire

Don't Predict, Protect   Predication -taxes will rise

What Direction Are Taxes Headed?

- Short Term & Long-Term Tax Outlook
- Short Term

The Middle Quintile had 30% lower taxes in 2020 than 2000

OBBBA Senior Bonus

Under The "One Big Beautiful Bill Act"
SS Income Will Still Be Taxed

- THE WINDOW-Now Through 2028
  Don't Miss This Limited Opportunity

One Big Beautiful Bill Act

-Senior Bonus for taxpayers over 65

- Permanent extensions of Lower Brackets

A new, temporary "senior bonus" deduction of up to $6,000 will apply to taxpayers ***ages 65 and older in 2025-2028***.

This "special personal exemption" aims to reduce the tax bill for many seniors.

- The full $6,000 deduction is available for:

  -single filers with incomes up to $75,000

  -joint filers with incomes up to $150,000

- The exemption phases out at:

  -single filers with incomes over $100,000

  -joint filers with incomes over $200,000

In general, seniors with high incomes would not qualify for the deduction

Short Term & Long-Term Tax Outlook

Long Term-

- How will taxes be levied?
- Changes to Tax Brackets

Changes to income applied to brackets (Social Security)

- Changes to tax deduction
- Changes to how and when assets are taxed
- New or adjusted Income-based fees

What Can You Do Right Now To Reduce Future Taxes?

Know How Accounts Are Taxed -How Is Social Security Taxed?

Taxes On Social Security - **For Now**

No SS Taxes if your total income is:

Single	Less Than $25,000
Married-filing jointly	Less Than $32,000

Up to 50% of benefits taxed if your total income is:

Single	$25,000 to $34,000
Married-filing jointly	$32,000 to $44,000

Up to 85 % of benefits taxed if your total income is:

Single	Greater than $34,000
Married-filing jointly	Greater than $44,000

Use Tax Diversification

Taxable	Tax Deferred	Tax Free

Non- Qualified or Personal Accounts

- Capital (loss) and gains harvesting
- Use losses in your brokerage account to offset selling for gains
- Use long term capital gains to your advantage
    - **Single / Married Filing Separately:** Taxable income up to $49,450
    - **Married Filing Jointly:** Taxable income up to $98,900

Qualified or Tax-Deferred Accounts

- Spread out Distributions starting early
- Qualified Charitable Distribution of up to $111,000 for those over age 70 ½
- Coordinate Distributions with other income sources and RMDs Using a Retirement Income Analysis
- ROTH Conversions

Why You Might Consider a Partial Roth Conversion

- Mechanics Of A Partial ROTH Conversion
- Spread Distributions over many years starting early
- Move money from your Qualified Plan into the ROTH keeping in a lower bracket, but filling that bracket
- Coordinate Distributions with other income sources and using our ROTH Conversion Analysis
- ROTH Conversions will reduce RMD problems and move your money from Tax-Deferred to Tax-FREE

Pay Less Lifetime Tax.
Tax the Seed - Not the Harvest.

- Converting today — all future growth compounds completely tax-free
- If you don’t convert to a ROTH, larger balances in the future could be hit with higher brackets, higher taxes
- Compounding and distributing Roth’s without taxes or time frames allows account owners complete control of larger balances

Pay Less Lifetime Tax & Less Tax For Heirs

- Converting today — eliminates all inheritance tax
- Converting allows tax fee distribution & allows accurate planning
- RMDs Create a Tax Time-Bomb

Once RMDs begin, those dollars are taxed at the client's highest marginal rate and cannot be converted.

Be Aware of Your Tax Brackets

- MAGI BRACKETS
- Modified Adjusted Gross Income can be managed to preserve tax brackets
- Brackets will be in place until changed

DON'T TAKE LUMP SUM DISTRIBUTIONS WITHOUT CONSULTING WITH YOUR ADVISOR

Be Aware of Your IRMAA Bracket

- IRMAA Surcharges

Higher retirement income triggers Medicare premium surcharges called Income Related Monthly Adjusted Amount most clients never anticipate.

While Income taxes are "soft brackets" IRMAA Surcharges are non-linear increases and amplified with the "Widows Penalty"

IRMAA Surcharges have a 2-year Lookback

Projected IRMAA Brackets for 2026

Single	Married Filing Jointly	Part B Premium
Less than $109,000	Less than $218,000	$206
$109,000 to 137,000	$218,000 to $274,000	$289
$137,000 to $171,000	$274,000 to $342,000	$413
$171,000 to $205,000	$342,000 to $410,000	$536
$205,000 to $500,000	$410,000 to $750,000	$660
More than $500,000	More than $750,000	$702

IRMAA Surcharges can add up to over $6,000 a year in fees per person.

<u>What a ROTH Conversion Can Do</u>

>Reduce lifetime tax burden

>Increase tax-free retirement income

>Optimize your estate planning strategy

>Reduce future RMD impact

The Keys To Good Conversions

1. Year by Year Tax and IRMAA projections
2. Net Spendable Income planning
3. Heir & Legacy Tax analysis for both widows and other surviving beneficiaries

Best Candidates for a ROTH Conversion

- At least $400,000 in Qualified Plan
- Have some additional non-qualified assets
- Have some desire to leave a legacy

Conversion of $250,000 Save over $200,000 in total taxes and wealth accumulation

Conversion of $2,000,000 Generated over $2,600,000 in total taxes and wealth accumulation

Other Tax Saving Strategies

- Use a long-term tax plan
- Build wealth in tax free account
- Transfer wealth in tax free accounts using either ROTHs or life insurance
- Don’t lock in higher taxes by continuing Qualified Plan Contributions (over employer match)

Thank You