

# TAX OPTIMIZATION FOR PRE-RETIREES & RETIREES

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How to deliver value with tax-aware planning

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# Retirement Income Planning Process



Helping you navigate your way to and through retirement with ease.

# | THE THREE 'TAX TORPEDOS'

- Required minimum distributions (RMDs)
- The “widow’s penalty”
- Taxes paid by beneficiaries

# STRATEGIC VS TACTICAL TAX PLANNING

- Tactical: Near-term / “save on taxes now”
- Strategic: Look at overall shape of plan / consider how today’s actions affect things in the future

# EVALUATING TAX PLANS

☆ Roth Conversions to fill 24% Brkt

— vs —

Taxable, Tax-Deferred, Tax-Free

## Average Tax Rate

Saves  
**5.4%**

Roth Conversions to fill 24% Brkt  
8%

vs

Taxable, Tax-Deferred, Tax-Free  
13.4%

## Total Taxes

Saves  
**\$564,000**

Roth Conversions to fill 24% Brkt  
\$625,000

vs

Taxable, Tax-Deferred, Tax-Free  
\$1,189,000

## Total Net Income

Goes up  
**\$564,000**

Roth Conversions to fill 24% Brkt  
\$5,085,000

vs

Taxable, Tax-Deferred, Tax-Free  
\$4,521,000

## Net Legacy

Goes up  
**\$289,000**

Roth Conversions to fill 24% Brkt  
\$5,299,000

vs

Taxable, Tax-Deferred, Tax-Free  
\$5,010,000

The value of a tax plan is measured in higher net income and/or higher net legacy.

# Select a Tax Strategy

What if Compared to

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

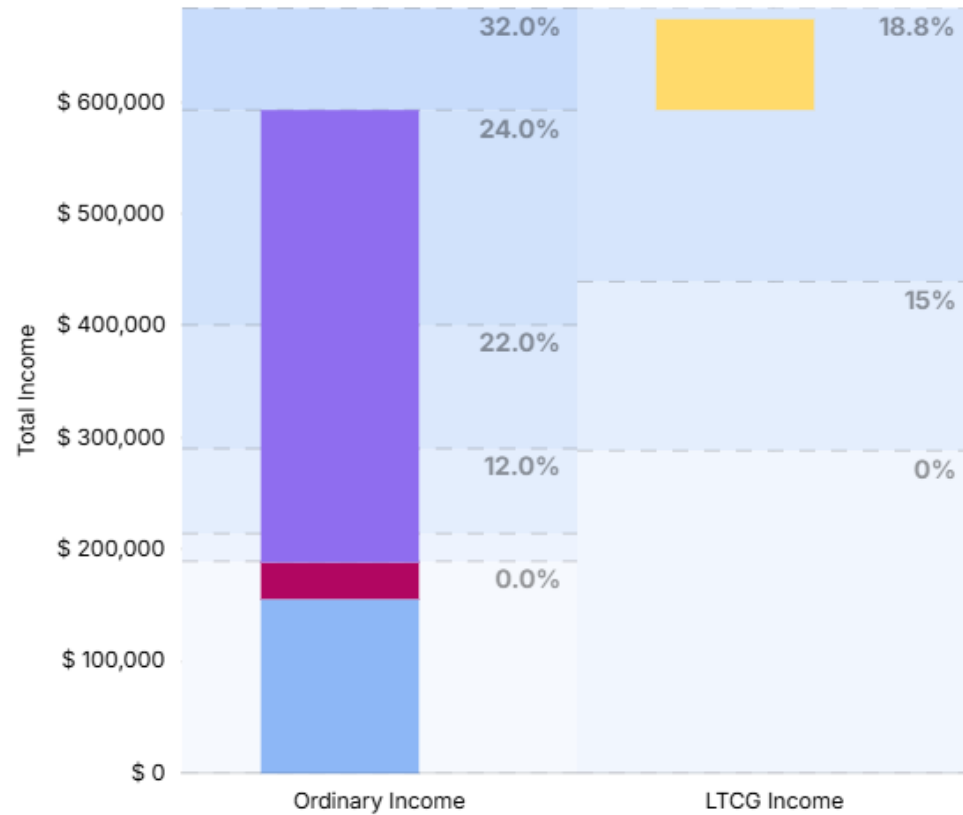
|   | What if | Compared to |             |             |
|---|---------|-------------|-------------|-------------|
| <input type="radio"/> Tax-Free, Tax-Deferred, Taxable   | 14.68%  | \$1,201,000 | \$4,509,000 | \$5,766,000 |
| <input type="radio"/> Tax-Free, Taxable, Tax-Deferred   | 13.38%  | \$1,189,000 | \$4,521,000 | \$5,010,000 |
| <input type="radio"/> Roth Conversions to fill 0% Brkt  | 13.34%  | \$1,183,000 | \$4,527,000 | \$5,014,000 |
| <input type="radio"/> Roth Conversions to fill 10% Brkt   | 13.14%  | \$1,151,000 | \$4,559,000 | \$5,034,000 |
| <input type="radio"/> Roth Conversions to fill 12% Brkt   | 11.46%  | \$901,000   | \$4,809,000 | \$5,204,000 |
| <input type="radio"/> Roth Conversions below IRMAA Brkt 1   | 10.68%  | \$821,000   | \$4,889,000 | \$5,536,000 |
| <input type="radio"/> Roth Conversions to fill 22% Brkt <span>Used in Plan</span>                             | 9.07%   | \$674,000   | \$5,036,000 | \$5,447,000 |
| <input type="radio"/> Roth Conversions below IRMAA Brkt 2   | 9.07%   | \$682,000   | \$5,027,000 | \$5,450,000 |
| <input type="radio"/> Roth Conversions below IRMAA Brkt 3   | 8.58%   | \$657,000   | \$5,052,000 | \$5,372,000 |
| <input type="radio"/> Roth Conversions below IRMAA Brkt 4   | 8.3%    | \$641,000   | \$5,069,000 | \$5,335,000 |
| <input checked="" type="radio"/> Roth Conversions to fill 24% Brkt <span>Viewing Now</span><br><span>☆</span> | 7.99%   | \$625,000   | \$5,085,000 | \$5,299,000 |
| <input type="radio"/> Roth Conversions to fill 32% Brkt   | 8.11%   | \$628,000   | \$5,082,000 | \$5,313,000 |
| <input type="radio"/> Roth Conversions below IRMAA Brkt 5   | 8.43%   | \$649,000   | \$5,060,000 | \$5,330,000 |
| <input type="radio"/> Roth Conversions to fill 35% Brkt   | 8.45%   | \$649,000   | \$5,061,000 | \$5,348,000 |
| <input type="radio"/> Maximum Roth Conversion   | 9.16%   | \$698,000   | \$5,011,000 | \$5,494,000 |

# | PLANNING OPPORTUNITIES

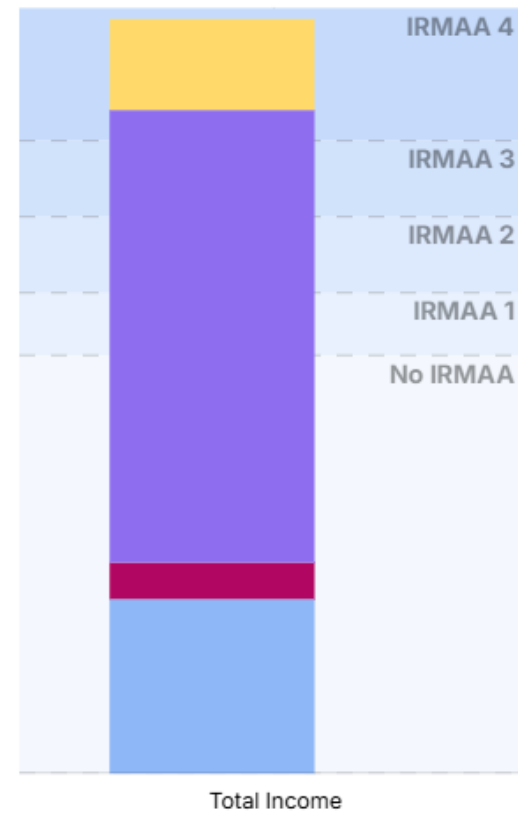
- Roth conversions
- Qualified charitable distributions (QCDs)
- IRMAA Management

# ROTH CONVERSIONS

Tax Brackets



IRMAA Brackets



|  |                  |
|--|------------------|
| <span style="color: yellow;">■</span> LTCG Income ?                                | <b>\$81,200</b>  |
| <span style="color: purple;">■</span> Roth Conversions ?                           | <b>\$405,000</b> |
| <span style="color: lightpurple;">■</span> Other Taxable Qualified Distributions ? | <b>\$0</b>       |
| <span style="color: pink;">■</span> RMDs ?   | <b>\$0</b>       |
| <span style="color: maroon;">■</span> Other Taxable Income ?                       | <b>\$32,800</b>  |
| <span style="color: darkgreen;">■</span> Taxable Social Security Income ?          | <b>\$0</b>       |
| <span style="color: lightgreen;">■</span> Taxable Earned Income ?                  | <b>\$0</b>       |
| <span style="color: lightblue;">■</span> Other Non-Taxable Income ?                | <b>\$156,000</b> |
| <span style="color: blue;">■</span> Non-Taxable Earned Income ?                    | <b>\$0</b>       |
| <span style="color: darkblue;">■</span> Non-Taxable Qualified Distributions ?      | <b>\$0</b>       |
| <span style="color: black;">■</span> Non-Taxable Social Security Income ?          | <b>\$0</b>       |

Cost of Conversion

**\$17,148**

Effective Rate

**24.2%**

Tax cost per dollar converted

Bracket Rate

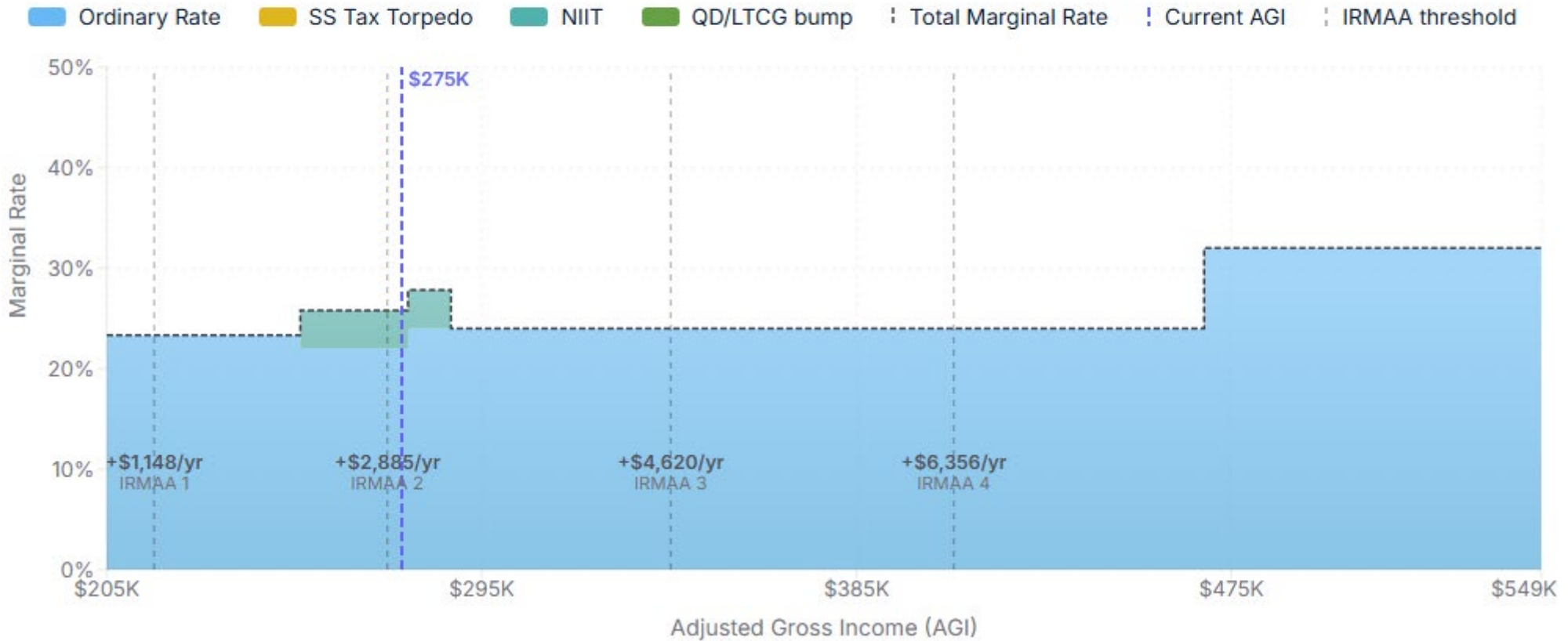
**22%**

Federal bracket at top of conversion

Bracket Room

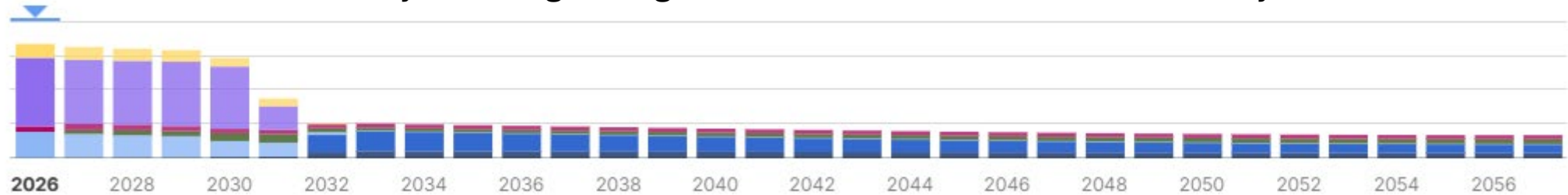
**\$0**

Remaining in 22% bracket



# LONG-TERM VIEW EXAMPLE

Social Security claiming during Roth conversions increases taxability of benefits



| Year | Non-Taxable Social Security Income | Non-Taxable Qualified Distributions | Non-Taxable Earned Income | Other Non-Taxable Income | Taxable Earned Income | Taxable Social Security Income | Other Taxable Income | RMDs | Other Taxable Qualified Distributions | Roth Conversions | LTCG Income |
|------|------------------------------------|-------------------------------------|---------------------------|--------------------------|-----------------------|--------------------------------|----------------------|------|---------------------------------------|------------------|-------------|
| 2026 | \$0                                | \$0                                 | \$0                       | \$156,000                | \$0                   | \$0                            | \$32,800             | \$0  | \$0                                   | \$405,000        | \$81,200    |
| 2027 | \$4,050                            | \$0                                 | \$0                       | \$140,000                | \$0                   | \$23,000                       | \$35,800             | \$0  | \$0                                   | \$379,000        | \$75,700    |
| 2028 | \$5,400                            | \$0                                 | \$0                       | \$130,000                | \$0                   | \$30,600                       | \$32,400             | \$0  | \$0                                   | \$376,000        | \$71,300    |
| 2029 | \$5,400                            | \$0                                 | \$0                       | \$125,000                | \$0                   | \$30,600                       | \$29,000             | \$0  | \$0                                   | \$379,000        | \$68,500    |
| 2030 | \$8,100                            | \$0                                 | \$0                       | \$93,700                 | \$0                   | \$45,900                       | \$26,300             | \$0  | \$0                                   | \$367,000        | \$51,500    |
| 2031 | \$9,000                            | \$0                                 | \$0                       | \$83,400                 | \$0                   | \$51,000                       | \$23,800             | \$0  | \$0                                   | \$140,000        | \$45,600    |
| 2032 | \$36,000                           | \$102,000                           | \$0                       | \$16,100                 | \$0                   | \$24,000                       | \$23,400             | \$0  | \$0                                   | \$0              | \$7,530     |
| 2033 | \$41,800                           | \$118,000                           | \$0                       | \$3,000                  | \$0                   | \$18,200                       | \$23,400             | \$0  | \$0                                   | \$0              | \$0         |
| ...  | ...                                | ...                                 | ...                       | ...                      | ...                   | ...                            | ...                  | ...  | ...                                   | ...              | ...         |

# LONG-TERM VIEW EXAMPLE

Delay of Social Security claiming decreases taxability of benefits

| Year | Non-Taxable Social Security Income | Non-Taxable Qualified Distributions | Non-Taxable Earned Income | Other Non-Taxable Income | Taxable Earned Income | Taxable Social Security Income | Other Taxable Income | RMDs | Other Taxable Qualified Distributions | Roth Conversions | LTCG Income |
|------|------------------------------------|-------------------------------------|---------------------------|--------------------------|-----------------------|--------------------------------|----------------------|------|---------------------------------------|------------------|-------------|
| 2026 | \$0                                | \$0                                 | \$0                       | \$157,000                | \$0                   | \$0                            | \$32,800             | \$0  | \$0                                   | \$405,000        | \$81,600    |
| 2027 | \$0                                | \$0                                 | \$0                       | \$158,000                | \$0                   | \$0                            | \$35,200             | \$0  | \$0                                   | \$402,000        | \$84,900    |
| 2028 | \$0                                | \$0                                 | \$0                       | \$155,000                | \$0                   | \$0                            | \$31,000             | \$0  | \$0                                   | \$408,000        | \$83,300    |
| 2029 | \$0                                | \$0                                 | \$0                       | \$149,000                | \$0                   | \$0                            | \$26,700             | \$0  | \$0                                   | \$412,000        | \$80,300    |
| 2030 | \$4,970                            | \$0                                 | \$0                       | \$108,000                | \$0                   | \$28,100                       | \$23,400             | \$0  | \$0                                   | \$388,000        | \$57,800    |
| 2031 | \$22,400                           | \$128,000                           | \$0                       | \$3,180                  | \$0                   | \$22,200                       | \$23,400             | \$0  | \$13,700                              | \$0              | \$103       |
| 2032 | \$48,100                           | \$113,000                           | \$0                       | \$3,000                  | \$0                   | \$21,800                       | \$23,400             | \$0  | \$0                                   | \$0              | \$0         |

# | IRMAA MANAGEMENT

- What is 'IRMAA'?
  - Income-related monthly adjustment amount
  - Added monthly premiums on Medicare parts B and D
- How does it work?
  - 'Cliff' brackets based on MAGI
  - 2-year look-back

# IRMAA MANAGEMENT

## IRMAA Surcharge Breakdown

| Tiers      | IRMAA 1 | IRMAA 2 | IRMAA 3 | IRMAA 4 | IRMAA 5 |
|------------|---------|---------|---------|---------|---------|
| MAGI Above | \$218K  | \$274K  | \$342K  | \$410K  | \$750K  |
| Part B/yr  | \$974   | \$2,435 | \$3,895 | \$5,356 | \$5,844 |
| Part D/yr  | \$174   | \$450   | \$725   | \$1,000 | \$1,092 |
| Per person | \$1,148 | \$2,885 | \$4,620 | \$6,356 | \$6,936 |

(Values are for 'Married Filing Jointly' filing status)

# IRMAA APPEALS

✓ You Likely Qualify for an IRMAA Appeal

Retirement or job loss qualifies because it significantly reduces your earned income going forward.

## IRMAA Premium Comparison

### Current (2-year look-back)

\$350,000 MAGI (2024)

Tier 3

Part B **\$510.10/mo**

Part D surcharge **\$60.40/mo**

Total **\$570.50/mo**

### If appeal approved

Projected

\$100,000 MAGI (2026)

**Standard (no surcharge)**

Part B **\$185.50/mo**

Part D surcharge **\$0.00/mo**

Total **\$185.50/mo**

**\$9,240/year**

Estimated annual savings (2 enrollees)

**\$385.00/mo**

Monthly savings per person

# IRMAA APPEALS

## Client Instructions

### What to file

File **Form SSA-44** (Medicare Income-Related Monthly Adjustment Amount -- Life Changing Event).

### How to file

- 1 Online at **ssa.gov** (search "SSA-44" or "Life Changing Event")
- 2 By phone: **1-800-772-1213** (TTY 1-800-325-0778)
- 3 In person at your local Social Security office

### Documentation to bring

For **Work stoppage (retirement or job loss)** (May 1, 2026):

- Letter from employer confirming retirement or termination
- Signed statement describing the work stoppage
- Tax return showing income reduction
- Most recent tax return or other proof of current-year income

### If approved

Your Part B premium would change from **\$510.10/month** to **\$185.50/month**.

Estimated annual savings: **\$9,240** (for 2 enrollees).

### Life-Changing Event

Work stoppage (retirement or job loss) ^

Marriage

Divorce / Annulment

Death of spouse

Work stoppage (retirement or job loss)

Work reduction (reduced hours/income)

Loss of income-producing property (involuntary)

Loss of pension income

Employer settlement payment



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