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DATE OF PRESENTATION

Tax Efficient Retirement Strategies: Making the Most of Your Money in Retirement

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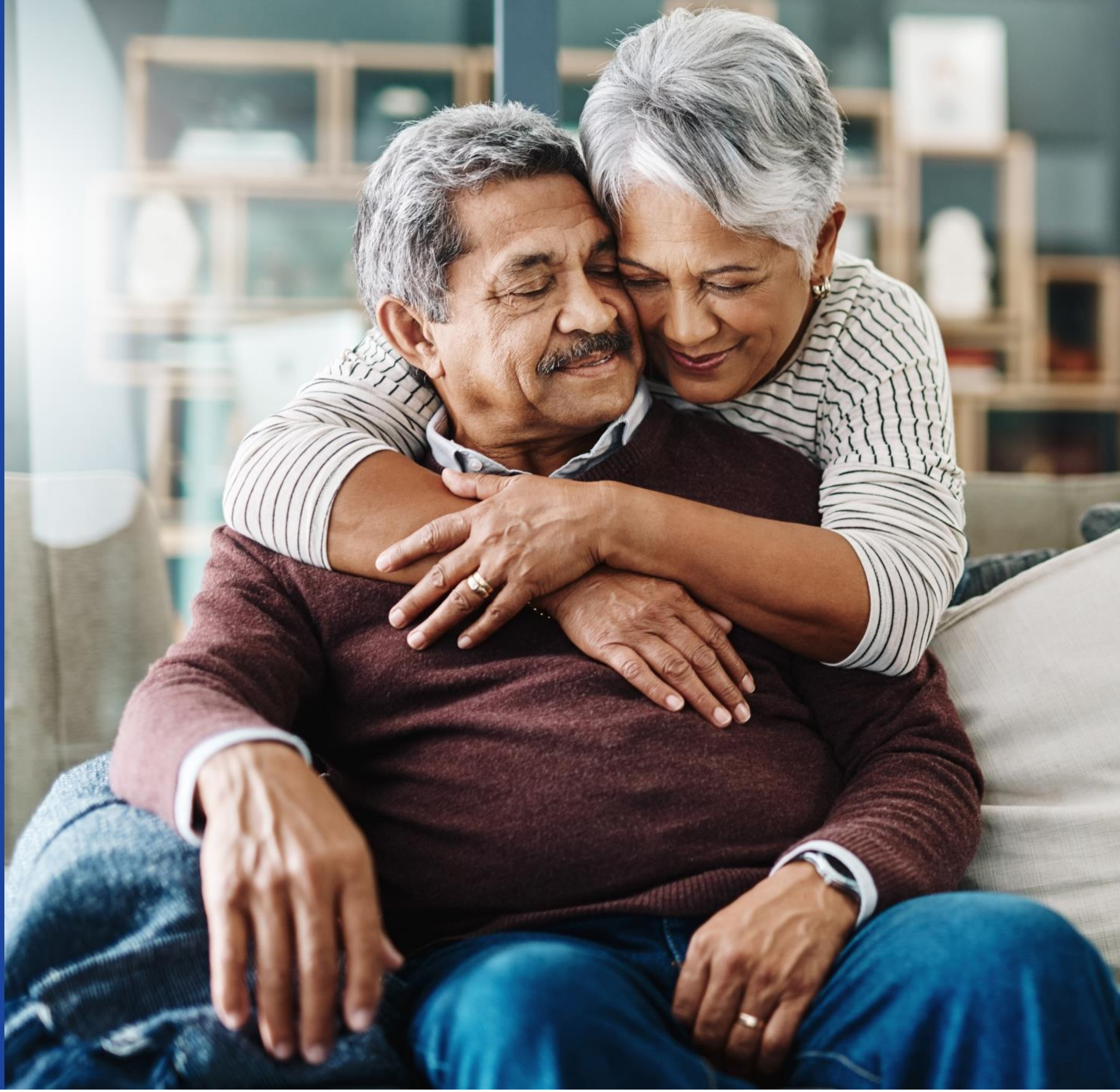

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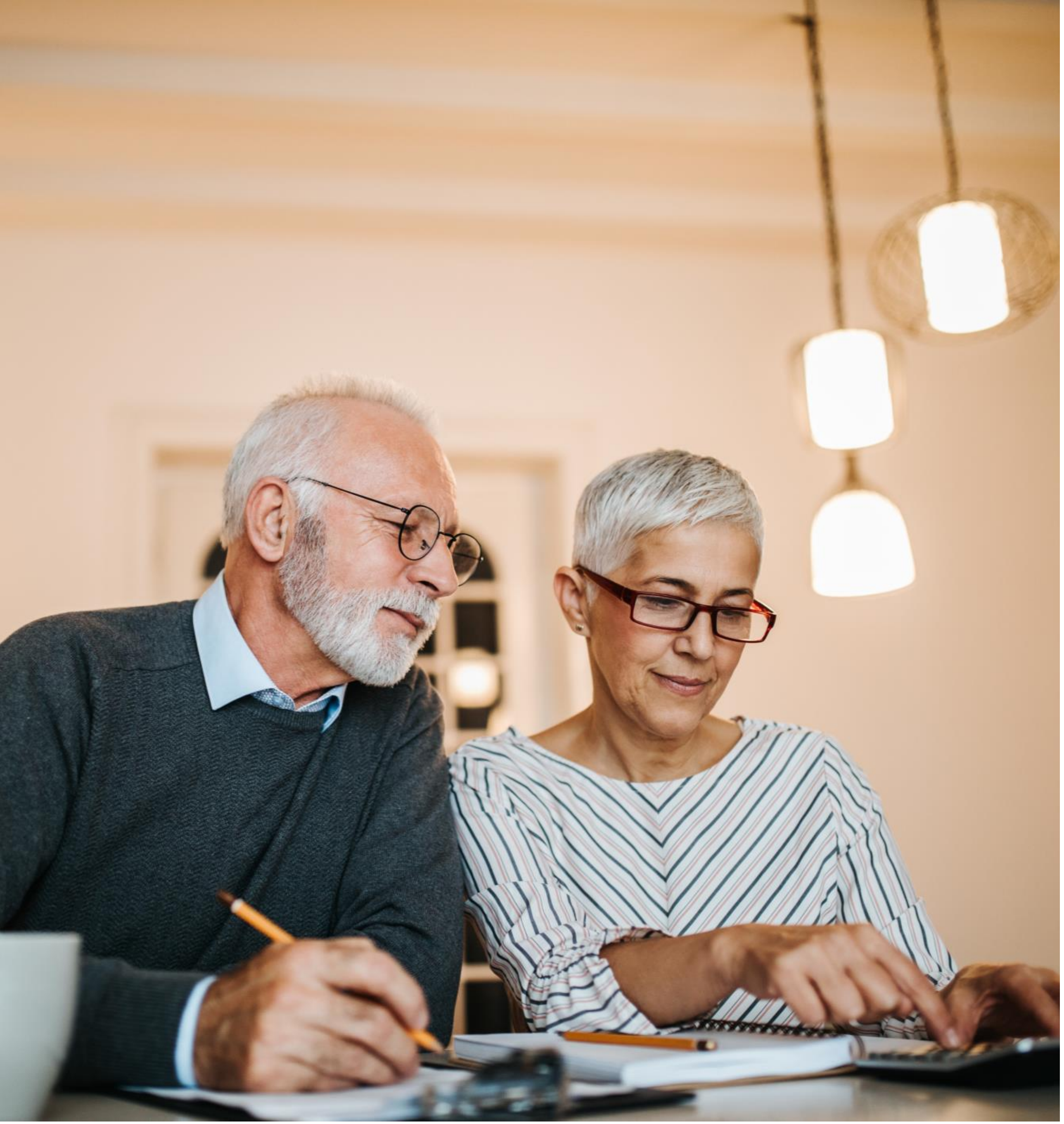


Various Sources of Income in Retirement

- Social Security
- Employer-sponsored plan or IRA
- Other personal savings
- Pension Plan
- Brokerage accounts
- Home Equity
- Continued Work

Agenda

1. The Various Faces of Post-Retirement Risk
2. The “Tax” Buckets – Not All Retirement Savings are Created Equal
3. Social Security
4. Conventional Drawdown Strategies and Tax Risk
5. Strategies to Enhance Retirement Income

What is Post-Retirement Risk?

Any and all potential risks to financial security that an individual might encounter after retiring. A risk or risks that could cause unexpected costs or lower income in retirement. – Investopedia

Financial Risk:

- Inflation
- Market
- Sequence of Returns

www.investopedia.com/terms/p/post-retirement-risk.asp, Nov. 2019

Post-Retirement Risk – Health Care Expenses

- 65-year-old couple = $369,000 in health care costs
- 250% higher at age 85

https://assets.milliman.com/ektron/Retiree_health_cost_estimates_supporting_information.pdf
https://www.investopedia.com/terms/p/post-retirement-risk.asp Nov 2019

Post-Retirement Risk - Longevity

Longevity Risk – The risk of outliving your assets

- Many retirees spend more time in retirement than they do saving for it
- Average life expectancy for a 65-year-old male = 84 years
- Average life expectancy for a 65-year-old female = 86.6 years
- The risk of living a long time is a risk MULTIPLIER

www.investopedia.com/terms/p/post-retirement-risk.asp, Nov. 2019

Post-Retirement Risk – Changes to Public Policy

Public Policy Risk – Legislative changes that can affect taxes and sources of income in retirement

- Social Security Sustainability
- Medicare
- Tax Law Changes (SECURE Act, CARES Act)

How Sources of Retirement Income are Taxed

Source	Tax Consequences
401(k)	Ordinary Income*
IRA	Ordinary Income*
Social Security	As much as 85% taxed as ordinary income*
Bank Accounts/CDs	Ordinary Income*
Roth IRA	Qualified Distributions – Tax-Free
Permanent Life Insurance Loan	Tax-Free
Home Equity	Tax-Free
Wages	Ordinary Income*
Stocks and Mutual Funds	Capital gains rates upon sale on profit**

*based on your tax bracket   **ordinary income on dividends

Tax Buckets – Not All Types of Retirement Savings are Created Equal

Taxable (Pay as You Go)	Tax-Deferred (Pay Later)	Tax-Free (Never Pay)
Stocks and Bonds	IRAs, SEP, SIMPLE	Roth IRA
Mutual Funds	Qualified Plans	Roth 401(k)
Bank Savings	SEP IRAs	Cash Value Life Insurance
CDs	Annuities	Municipal Bonds
Money Market	Pension Plans	
	401(k)	

Social Security – America's Pension

- In 2020, nearly 65 million Americans will collect Social Security benefits
- Average monthly benefit for retired workers: $1,503 per month
- 9 out of 10 individuals age 65 or older collect benefits
- 50% of married couples and 70% of unmarried people rely on Social Security for 50% or more of their income
- Went from being insurance for people living too long to a program that many Americans rely on in retirement

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

Social Security and Other Sources of Retirement Savings

Source of Retirement Income	Exposes Social Security Benefits to Taxation
Traditional IRA	Yes
401(k)	Yes
Pension	Yes
Roth IRA*	No
Roth 401(k)*	No
Municipal Bond Interest	Yes
Loan from Cash Value Life Insurance	No
Stocks, Bonds, Mutual Funds	Yes

*Qualified distributions that have been held for five years and met a qualifying event of 59 ½, death, disability, or first-time home purchase.

The Potential Ripple Effect of Taxes on Retirement Income

Pre-Tax Retirement Plans and Tax Risk:

- Exposure of Social Security benefits to taxes
- Higher Medicare premiums
- Less spendable income
- Less to leave to heirs

Conventional Drawdown Strategies and Tax Risk

The Three D's: Defer, Deduct, Delay

In the accumulation phase:

- **Defer** Taxes
- **Deduct** Always
- **Delay** Paying Taxes

In the distribution phase:

- Taxable First
- Tax-Deferred Second
- Tax-Free Third

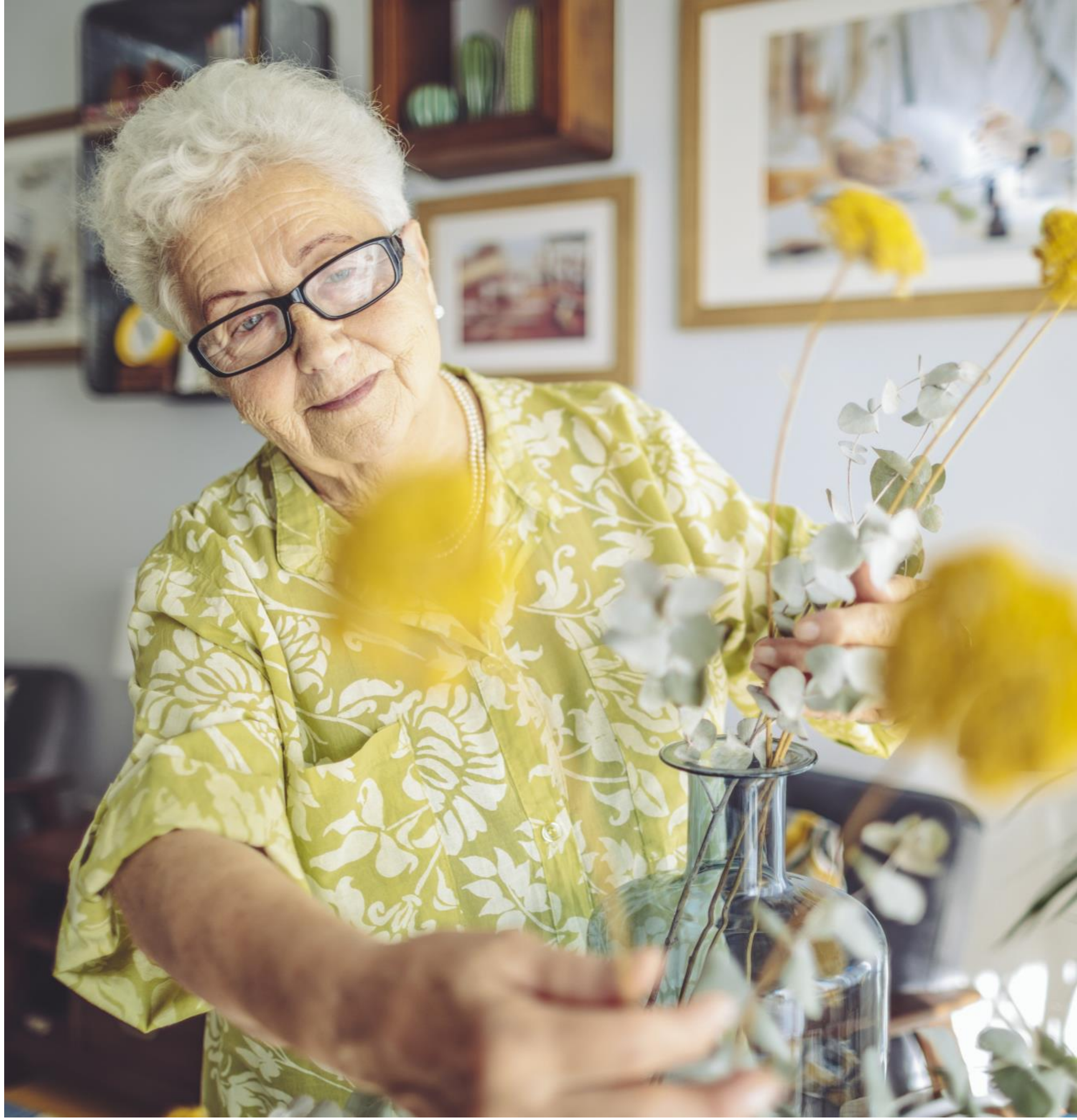
Strategies to Enhance Retirement Income

Strategy #1: Consider delaying Social Security claiming and drawing down qualified savings first

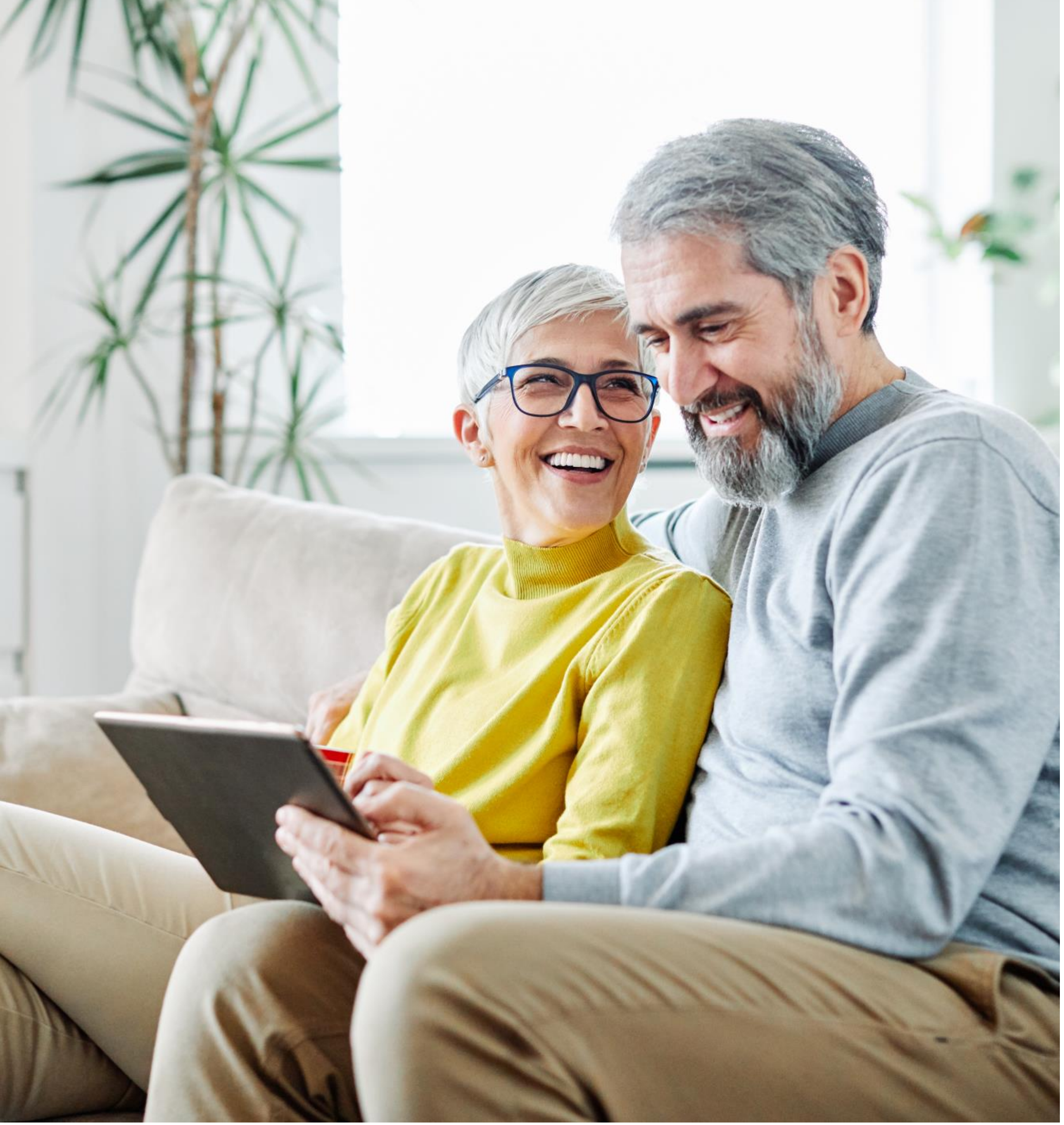
Strategy #2: Consider Roth IRAs/Conversions

Strategy #3: Cash Value Life Insurance

Strategy #4: Tax advantage of Health Savings Accounts (HSAs)



www.investopedia.com Per Stirpes vs. Per Capita, September 2019.
https://www.investopedia.com/terms/p/perstirpes.asp



Final Thoughts

- Plan now for the various post-retirement tax risks that you could face in the future
- Consider diversifying your retirement savings into buckets
- Carefully consider how other sources of income could impact your Social Security benefits
- Have contingency plans in place to mitigate the “what if?” scenarios
- Work with a financial professional who understands your needs and goals
- Consider consulting your team of advisors (financial, tax, and legal professionals)