



Engineer Your Legacy

3 Tax & Legacy Blind Spots Retirees Miss & How to Avoid Them

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By The End of The Webinar, You Should Be Able To...

- Understand the Basics of Retirement Taxes
- Navigate Tax-Advantaged Accounts
- Implement Tax-Efficient Withdrawal Strategies
- Manage Required Minimum Distributions (RMDs)
- Understand How Recent Tax Law Changes Might Affect You

Who Am I?

- Former Electrical Engineer at Raytheon, SpaceX & Lockheed



Who Am I?

- Former Electrical Engineer at Raytheon, SpaceX & Lockheed
- Creator of the Financial Freedom Blueprint , which allowed us to:
 - Pay off \$100,000 of college student loan debt
 - Save up an emergency fund of 1 year
 - Give over \$150,000 in charitable donations
 - Pay off the mortgage on our house

My Story





I walked my
mom through
tough financial
planning
questions...

I Started Teaching Financial Education Classes





Engineer Your Legacy

3 Tax & Legacy Blind Spots Retirees Miss & How to Avoid Them

Agenda

- **3 Principles of Legacy Planning**
- **3 New Legacy & Tax Blind Spots**
- **Tax-Efficient Withdrawal Strategies**
- **Managing Required Minimum Distributions (RMDs)**
- **Understand How Recent Tax Law Changes Might Affect You**
- **3 Strategies to Engineer Your Legacy**

The 3 Principles of Legacy Planning

3 Principles of Legacy Planning: Principle #1

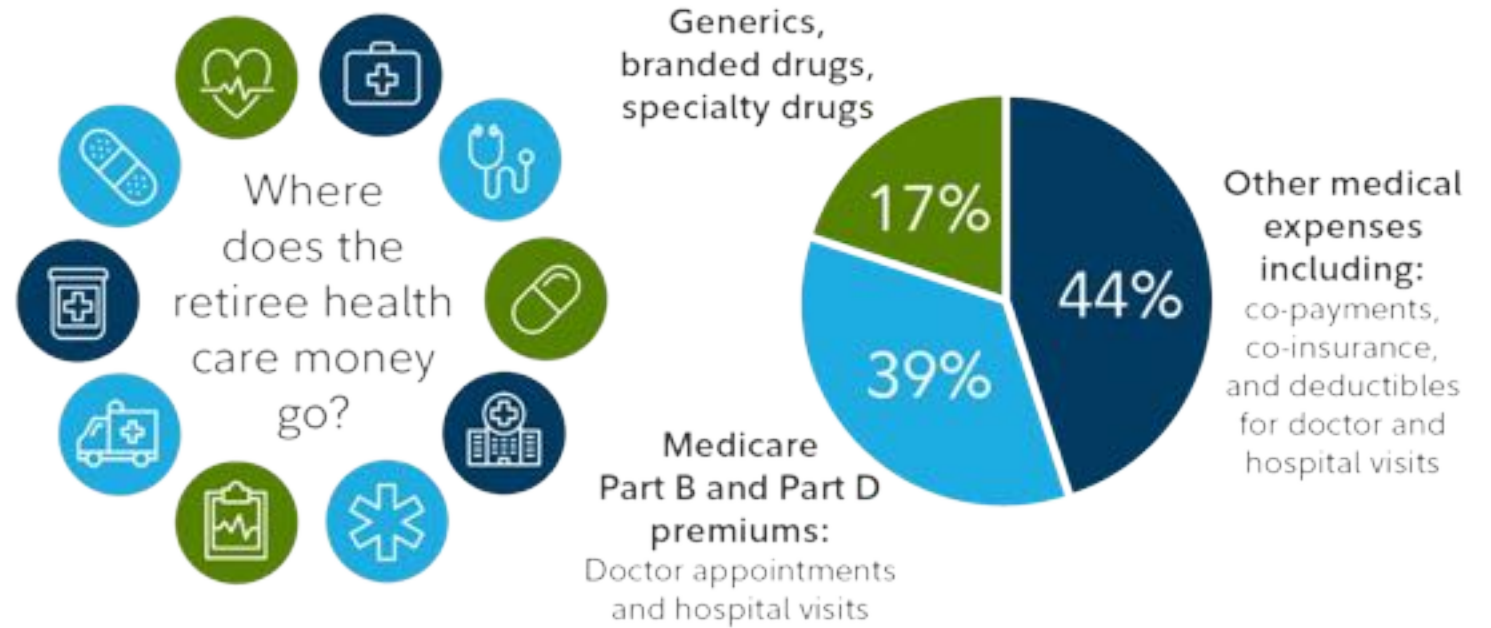
- *Don't let your legacy take a H.I.T*
 - **Healthcare**
 - **Inflation**
 - **Taxes**

**Do you think Medical &
Long Term Care Costs are
going up or down?**

Healthcare & LTC

According to the Fidelity Retiree Health Care Cost Estimate:

An average retired couple age 65 in 2021 may need approximately **\$315,000** saved (after tax) to cover health care expenses in retirement.”¹



The estimate **does not** include other health-related expenses, such as over-the-counter medications, most dental services and long-term care.”¹

¹“How to plan for rising health care costs.” Fidelity Viewpoint, Fidelity.com, August 2022

Healthcare & LTC

- 25% of retirees age 65 will face over \$50,000 in lifetime LTC expenditures.
- If you are a woman, you need to be especially aware. The possible absence of a family caregiver and a longer life expectancy could make your LTC cost twice as high or more.



	Homemaker Health Aide	\$4,000
	Adult Day Health Care	\$1,500
	Assisted Living Facility Private, One Bedroom	\$3,750
	Nursing Home Care Semi-Private Room	\$7,000
	Nursing Home Care Private Room	\$8,000

<https://www.soa.org/globalassets/assets/files/research/age-wise-series-2.pdf>

Healthcare & LTC

2024 Contribution Limits

In 2024, you can maximize your HSA deposits by contributing up to these amounts:



\$4,150

Single coverage



\$8,300

Family coverage



\$1,000

Extra if you are 55 or older

<https://www.mybenefitwalletsite.com/lmc/>



Always tax free

- Contributions
- Qualified expenses
- Investment gains



Use any time

Funds never expire



Pay for medical expenses

For you and your family

Healthcare & LTC

- **“Someone turning age 65 today has almost a 70% chance of needing some type of long-term care services and support in their remaining years..”***

*<https://acl.gov/ltc/basic-needs/how-much-care-will-you-need> - Last modified on 2/18/2020. site accessed 1/18/22.

3 Principles of Legacy Planning: Principle #1

- *Don't let your legacy take a H.I.T*
 - Healthcare
 - Inflation
 - Taxes

Do you think you will live longer than your parents did?

Longevity & Inflation

You may live much longer than you think.

Many people base their planning on what their grandparents or parents experienced, but **individual life expectancies have improved dramatically over the past century**. Current trends suggest that...



1 out of 3 males

&



1 out of 2 females

who are in their
mid-50s today
will live to be

90

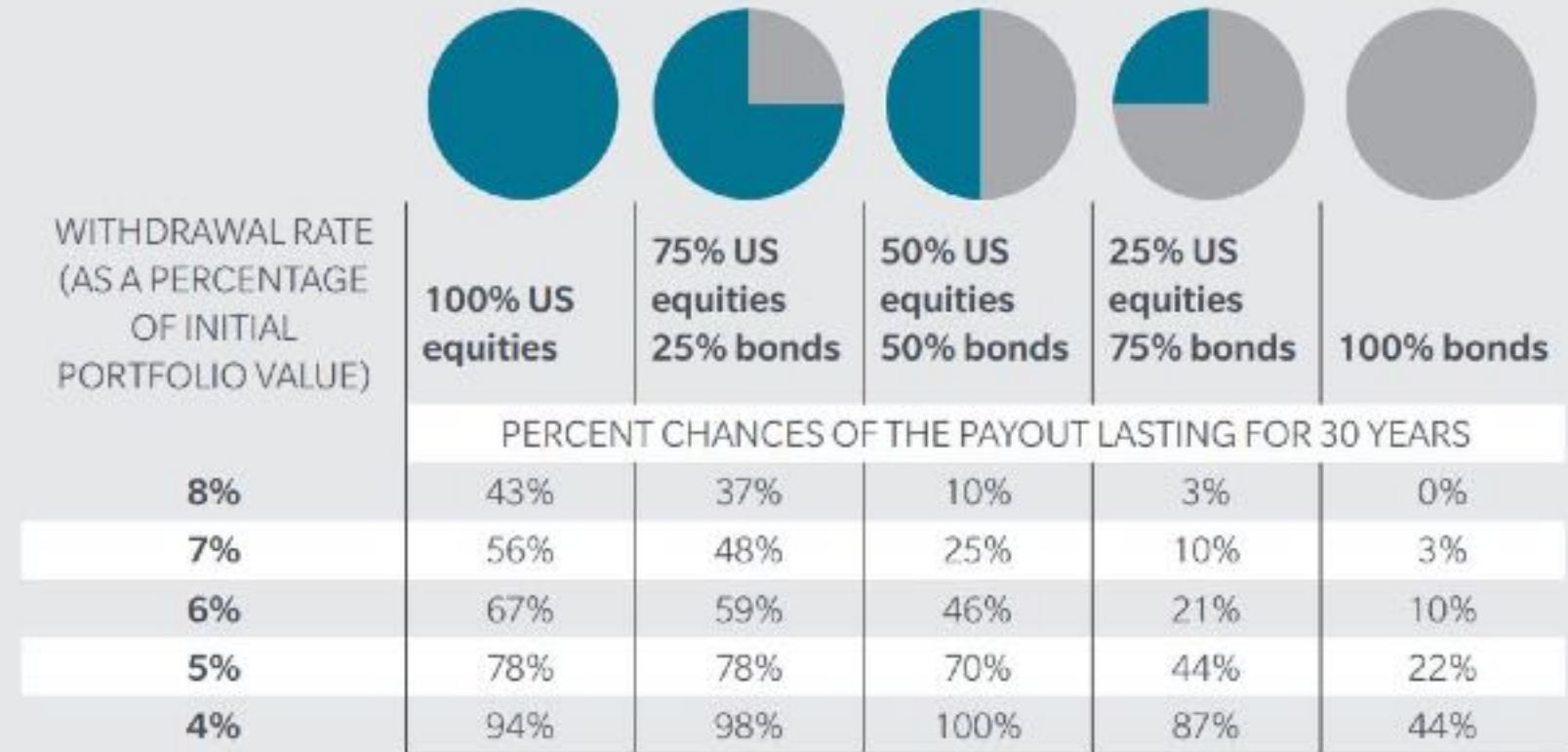
Will your **retirement income plan** be enough?

¹"Society of Actuaries (SOA) Ae Wise Longevity Infographic Series" Society of Actuaries, 2017.

Longevity & Inflation

The odds of your nest egg lasting 30 years

It's highly dependent on your portfolio allocations and annual withdrawal rate.



A well-diversified mix and lower withdrawal rate can increase your chances of long-term success.

https://www.mfs.com/content/dam/mfs-enterprise/mfsc.com/sales-tools/sales-ideas/mfse_diverse_sfl.pdf

3 Principles of Legacy Planning: Principle #1

- *Don't let your legacy take a H.I.T*
 - Healthcare
 - Inflation
 - **Taxes**

**Do you think tax rates are
going up or down in the
future?**

Top Federal Tax Rates



https://bradfordtaxinstitute.com/Free_Resources/Federal-Income-Tax-Rates.aspx - January 2022



How Income & Taxes Affect You



***Income
Taxes***



***Capital
Gains***



***Medicare
Premiums***



RMDs



***Taxation of
Social
Security***



***Estate
Taxes***

Tax Plan: Federal Income Taxes

FEDERAL INCOME TAX		
TAX RATE	MFJ	SINGLE
10%	\$0 – \$23,200	\$0 – \$11,600
12%	\$23,201 – \$94,300	\$11,601 – \$47,150
22%	\$94,301 – \$201,050	\$47,151 – \$100,525
24%	\$201,051 – \$383,900	\$100,526 – \$191,950
32%	\$383,901 – \$487,450	\$191,951 – \$243,725
35%	\$487,451 – \$731,200	\$243,726 – \$609,350
37%	Over \$731,200	Over \$609,350

www.irs.gov

Tax Plan: Long Term Capital Gains

LONG-TERM CAPITAL GAINS TAX			
Rates apply to LTCGs and qualified dividends, and are based on taxable income.			
TAX RATE	0% RATE	15% RATE	20% RATE
MFJ	≤ \$94,050	\$94,051 – \$583,750	> \$583,750
SINGLE	≤ \$47,025	\$47,026 – \$518,900	> \$518,900
ESTATES/TRUSTS	≤ \$3,150	\$3,151 – \$15,450	> \$15,450

www.irs.gov

Tax Plan: Medicare IRMAA

MEDICARE PREMIUMS & IRMAA SURCHARGE			
PART B PREMIUM	\$174.70		
PART A PREMIUM	Less than 30 Credits: \$505	30 – 39 Credits: \$278	
YOUR 2022 MAGI INCOME WAS:		IRMAA SURCHARGE:	
MFJ	SINGLE	PART B	PART D
\$206,000 or less	\$103,000 or less	-	-
\$206,001 – \$258,000	\$103,001 – \$129,000	\$69.90	\$12.90
\$258,001 – \$322,000	\$129,001 – \$161,000	\$174.70	\$33.30
\$322,001 – \$386,000	\$161,001 – \$193,000	\$279.50	\$53.80
\$386,001 – \$749,999	\$193,001 – \$499,999	\$384.30	\$74.20
\$750,000 or more	\$500,000 or more	\$419.30	\$81.00

Tax Plan: RMD

- An RMD is the annual Required Minimum Distribution that you must start taking out of your retirement account after you reach age 73. (Beginning in 2033, moves to 75.)
- The amount is determined by the fair market value of your IRAs at the end of the previous year, factored by your age and life expectancy.

Tax Plan: Social Security Taxation

PROVISIONAL INCOME	MFJ	SINGLE
0% TAXABLE	< \$32,000	< \$25,000
50% TAXABLE	\$32,000 – \$44,000	\$25,000 – \$34,000
85% TAXABLE	> \$44,000	> \$34,000

www.irs.gov

Provisional Income = Gross income + non-taxable interest + half of the social security amount

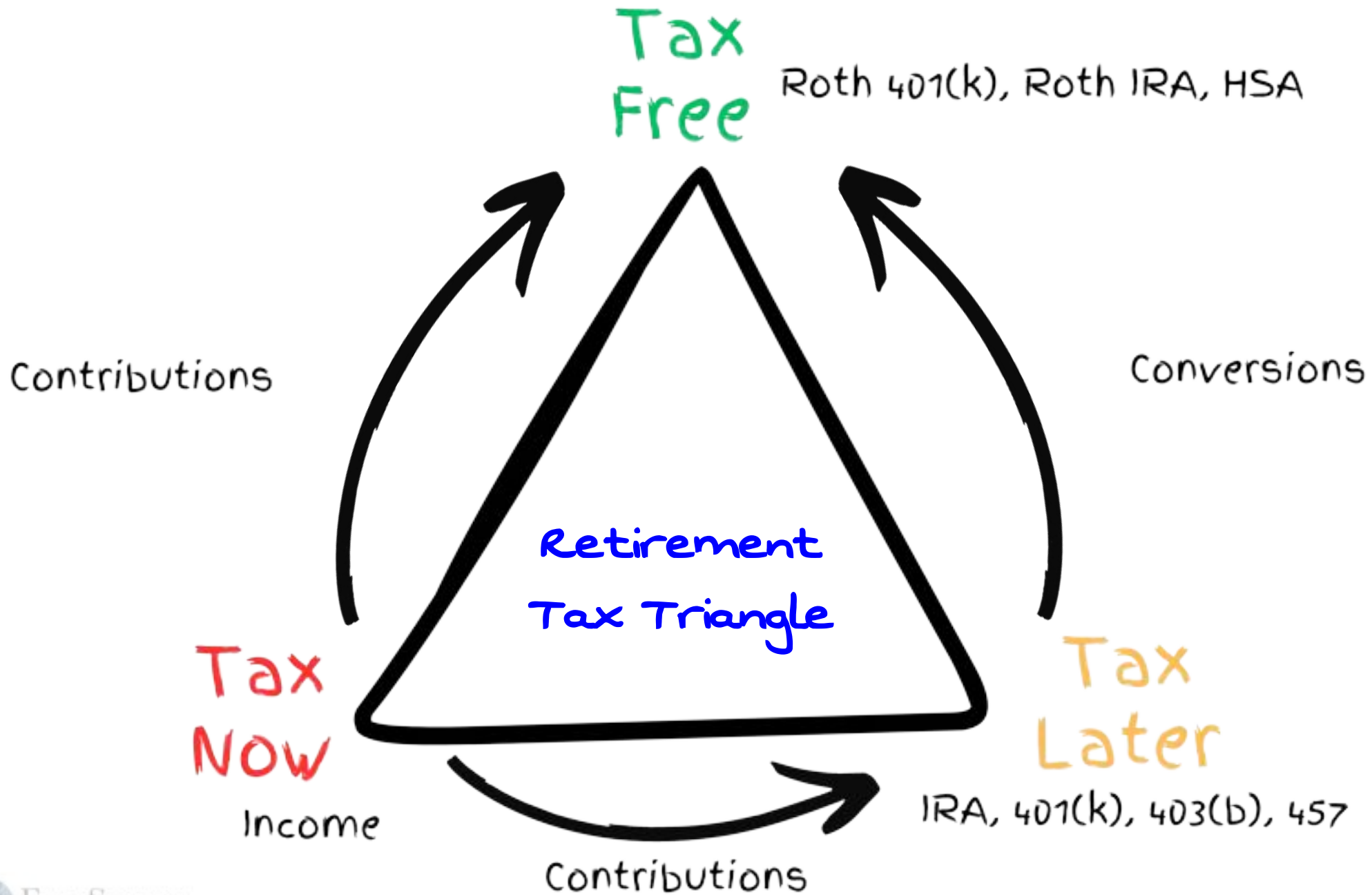
Tax Plan: Estate & Gift Tax

ESTATE & GIFT TAX		
LIFETIME EXEMPTION	TAX RATE	GIFT TAX ANNUAL EXCLUSION
\$13,610,000	40%	\$18,000

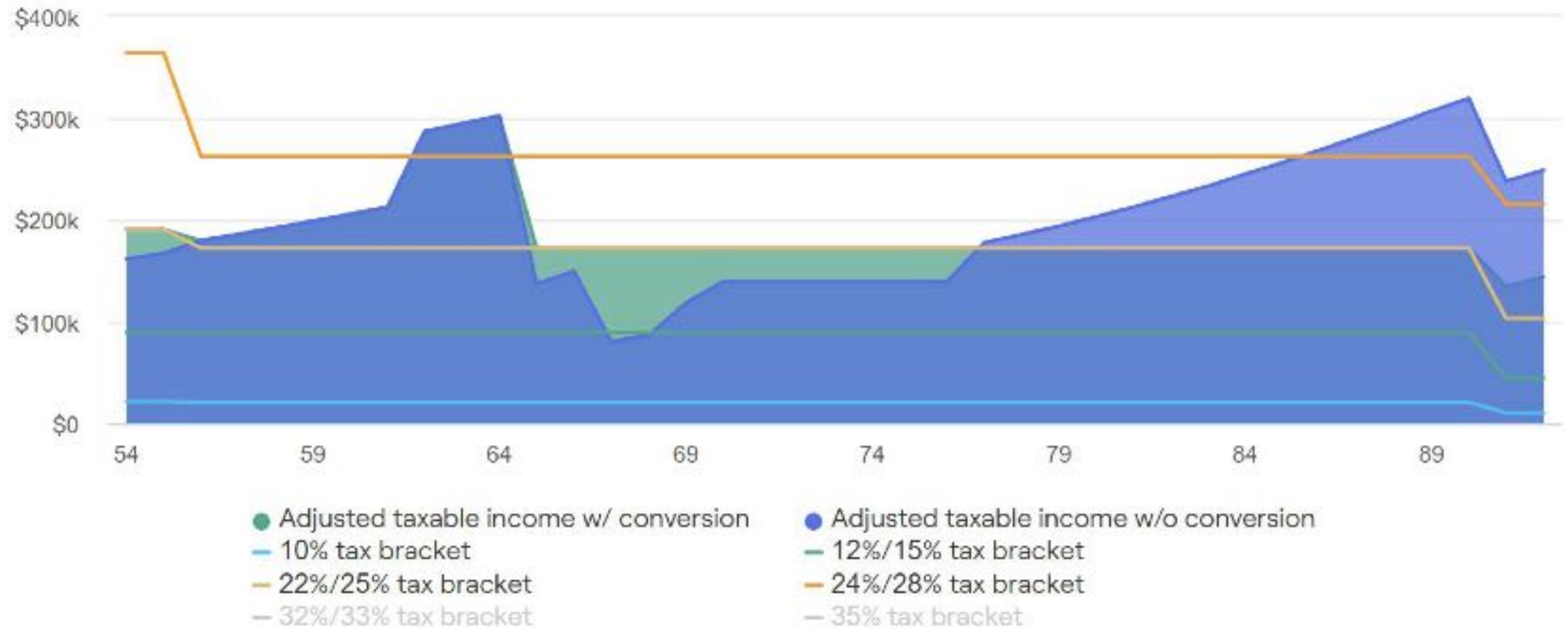
www.irs.gov

Financial & Estate Planning Risks: *Loss of Spouse*

- How does losing my spouse affect my financial / estate plan?
 - If your spouse left you their IRA as a beneficiary:
 - Consider how the increased RMDs might affect your income
 - Consider how the increased RMDs might affect your taxes
- If your income increases:
 - Consider how your Social Security might be affected
 - Consider how your Medicare premiums might be affected

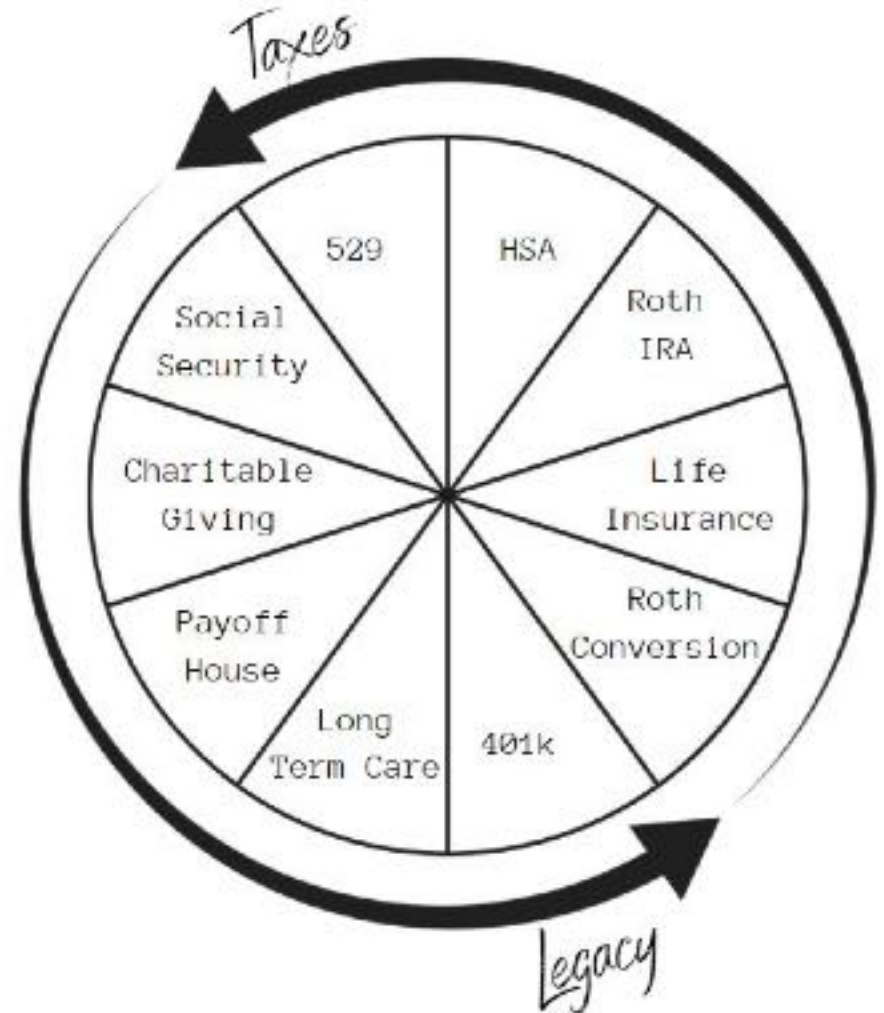


Is a Roth Conversion Right for you?



3 Principles of Legacy Planning: Principle #2

- *Every financial decision you make has tax & legacy implications, examples:*
 - *Roth or traditional contributions?*
 - *When to file for Social Security?*
 - *When can I retire?*
 - *How much should I give to charities?*



3 Principles of Legacy Planning: Principle #3

- *Make no financial decisions outside the context of a PLAN*



3 Principles of Legacy Planning Recap

1. *Don't let your legacy take a H.I.T*
2. *Every financial decision you make has tax & legacy implications.*
3. *Make no financial decisions outside the context of a
PLAN*

Engineering Your Legacy

1. *3 Principles of Legacy Planning*
2. *3 NEW Legacy & Tax Blind Spots*
3. *3 Strategies to Engineer Your Legacy*

3 NEW Legacy & Tax Blind Spots #1

- *Updated RMD ages from SECURE ACT*

Birth Date	Applicable RMD Age
Before July 1, 1949	70 1/2
July 1, 1949 - 1950	72
1951 - 1959	73
1960 or later	75

<https://www.adp.com/spark/articles/2023/03/new-rmd-provisions-a-closer-look-at-whats-changing-with-secure-20.aspx#:~:text=Under%20SECURE%202.0%2C%20the%20age,December%2031%20each%20following%20year.>

3 NEW Legacy & Tax Blind Spots #2

- *TCJA 2017 Sunset Provision*
 - *Income Tax Rates*
 - *Estate Tax Rates*

TCJA (2024)**ORDINARY INCOME TAX BRACKETS**

TAX RATE	MFJ BRACKETS	SINGLE BRACKETS
10%	\$0 - \$23,200	\$0 - \$11,600
12%	\$23,201 - \$94,300	\$11,601 - \$47,150
22%	\$94,301 - \$201,050	\$47,151 - \$100,525
24%	\$201,051 - \$383,900	\$100,526 - \$191,950
32%	\$383,901 - \$487,450	\$191,951 - \$243,725
35%	\$487,451 - \$731,200	\$243,726 - \$609,350
37%	Over \$731,200	Over \$609,350

TAX RATE TRUST BRACKETS

TAX RATE	TRUST BRACKETS
10%	\$0 - \$3,100
24%	\$3,101 - \$11,150
35%	\$11,151 - \$15,200
37%	Over \$15,200

POST-TCJA (2017 TAX NUMBERS INFLATED TO 2024)¹**ORDINARY INCOME TAX BRACKETS**

TAX RATE	MFJ BRACKETS	SINGLE BRACKETS
10%	\$0 - \$23,100	\$0 - \$11,550
15%	\$23,101 - \$94,100	\$11,551 - \$47,050
25%	\$94,101 - \$189,850	\$47,051 - \$113,950
28%	\$189,851 - \$289,250	\$113,951 - \$237,650
33%	\$289,251 - \$516,750	\$237,651 - \$516,750
35%	\$516,751 - \$583,750	\$516,751 - \$518,850
39.6%	Over \$583,750	Over \$518,850

TAX RATE TRUST BRACKETS

TAX RATE	TRUST BRACKETS
15%	\$0 - \$3,150
25%	\$3,151 - \$7,400
28%	\$7,401 - \$11,300
33%	\$11,301 - \$15,500
39.6%	Over \$15,500

TCJA (2024)**LONG-TERM CAPITAL GAINS TAX BRACKETS**

TAX RATE	MFJ BRACKETS	SINGLE BRACKETS
0%	\$0 - \$94,050	\$0 - \$47,025
15%	\$94,051 - \$583,750	\$47,026 - \$518,900
20%	Over \$583,750	Over \$518,900

	STANDARD DEDUCTION	PERSONAL EXEMPTIONS
MFJ	\$29,200	-
SINGLE	\$14,600	-
DEPENDENT	Up to \$14,600 ²	-

PERSONAL EXEMPTION PHASEOUT (PEP)

MFJ	-
SINGLE	-

POST-TCJA (2017 TAX NUMBERS INFLATED TO 2024)¹**LONG-TERM CAPITAL GAINS TAX BRACKETS**

TAX RATE	MFJ BRACKETS	SINGLE BRACKETS
0%	\$0 - \$94,100	\$0 - \$47,050
15%	\$94,101 - \$583,750	\$47,051 - \$518,850
20%	Over \$583,750	Over \$518,850

	STANDARD DEDUCTION	PERSONAL EXEMPTIONS
MFJ	\$15,750	\$10,100
SINGLE	\$7,850	\$5,050
DEPENDENT	Up to \$7,850 ²	\$5,050

PERSONAL EXEMPTION PHASEOUT (PEP)

MFJ	\$389,150 - \$511,650
SINGLE	\$324,300 - \$446,800

TCJA (2024)**ITEMIZED DEDUCTIONS LIMITS (SCHEDULE A)**

STATE & LOCAL TAXES (SALT)	\$10,000
MORTGAGE INTEREST	\$750,000
CHARITABLE DONATIONS MADE IN CASH	Subject to 60% AGI Limitation
DEDUCTIBILITY OF FINANCIAL ADVISORY FEES ³	-
PEASE LIMITATION THRESHOLD (MFJ)	-
PEASE LIMITATION THRESHOLD (SINGLE)	-

SECTION 199A (QBI) DEDUCTION

Up to 20% of QBI

CHILD & OTHER DEPENDENT TAX CREDIT

CHILD TAX CREDIT AMOUNT	\$2,000
CHILD TAX CREDIT REFUNDABLE PORTION	Up to \$1,700
OTHER DEPENDENT TAX CREDIT	\$500

POST-TCJA (2017 TAX NUMBERS INFLATED TO 2024)⁴**ITEMIZED DEDUCTIONS LIMITS (SCHEDULE A)**

STATE & LOCAL TAXES (SALT)	Unlimited
MORTGAGE INTEREST	\$1,000,000
CHARITABLE DONATIONS MADE IN CASH	Subject to 50% AGI Limitation
DEDUCTIBILITY OF FINANCIAL ADVISORY FEES ³	Subject to 2% AGI Floor
PEASE LIMITATION THRESHOLD (MFJ)	\$389,150
PEASE LIMITATION THRESHOLD (SINGLE)	\$324,300

SECTION 199A (QBI) DEDUCTION

-

CHILD & OTHER DEPENDENT TAX CREDIT

CHILD TAX CREDIT AMOUNT	\$1,000
CHILD TAX CREDIT REFUNDABLE PORTION	Up to \$1,000
OTHER DEPENDENT TAX CREDIT	-

TCJA (2024)**ALTERNATIVE MINIMUM TAX (AMT)**

AMT FACTOR	MFJ	SINGLE
Exemption Amount	\$133,300	\$85,700
28% Tax Rate on Income Over	\$232,600	\$232,600
Exempt Phaseout Threshold	\$1,218,700	\$609,350
Exemption Elimination	\$1,751,900	\$952,150

ESTATE & GIFT TAX LIFETIME EXEMPTION

\$13,610,000

POST-TCJA (2017 TAX NUMBERS INFLATED TO 2024)²**ALTERNATIVE MINIMUM TAX (AMT)**

AMT FACTOR	MFJ	SINGLE
Exemption Amount	\$104,800	\$67,300
28% Tax Rate on Income Over	\$232,900	\$232,900
Exempt Phaseout Threshold	\$199,500	\$149,700
Exemption Elimination	\$618,700	\$418,900

ESTATE & GIFT TAX LIFETIME EXEMPTION

\$6,810,000

3 NEW Legacy & Tax Blind Spots: #3

- *Inherited IRA 10 year rule*
 - *Updated through SECURE 1.0 law*
 - *For non-spousal beneficiaries*
 - *Stipulates that IRA assets must be distributed within 10 years*

Engineering Your Legacy

- 1. 3 Principles of Legacy Planning*
- 2. 3 NEW Legacy & Tax Blind Spots*
- 3. Strategies to Engineer Your Legacy*

Strategies to Engineer Your Legacy

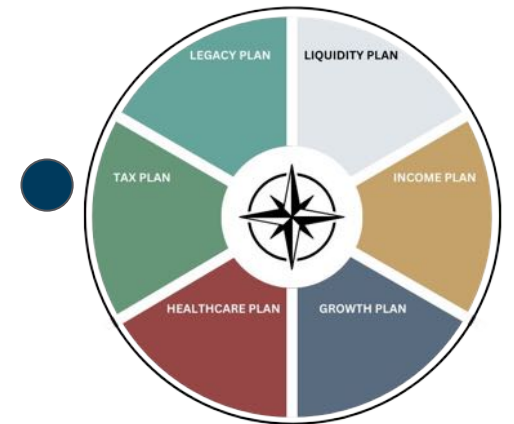
Required Minimum Distribution (RMD)

- An RMD is the annual Required Minimum Distribution that you must start taking out of your retirement account after you reach age 73 (or age 75)
- The amount is determined by the fair market value of your IRAs at the end of the previous year, factored by your age and life expectancy.
- If you are **STILL WORKING** when you reach your RMD age, you can postpone RMDs from your **CURRENT & ACTIVE 401(k)** until after you leave the company.

**Are you charitably
inclined?**

Tax Planning: Qualified Charitable Distribution

- In addition to the benefits of giving to charity, a QCD excludes the amount donated from taxable income, unlike regular withdrawals from an IRA.
- Your qualified charitable distributions can satisfy all or part the amount of your required minimum distribution (RMD) from your IRA.
- Up to \$105,000 per year



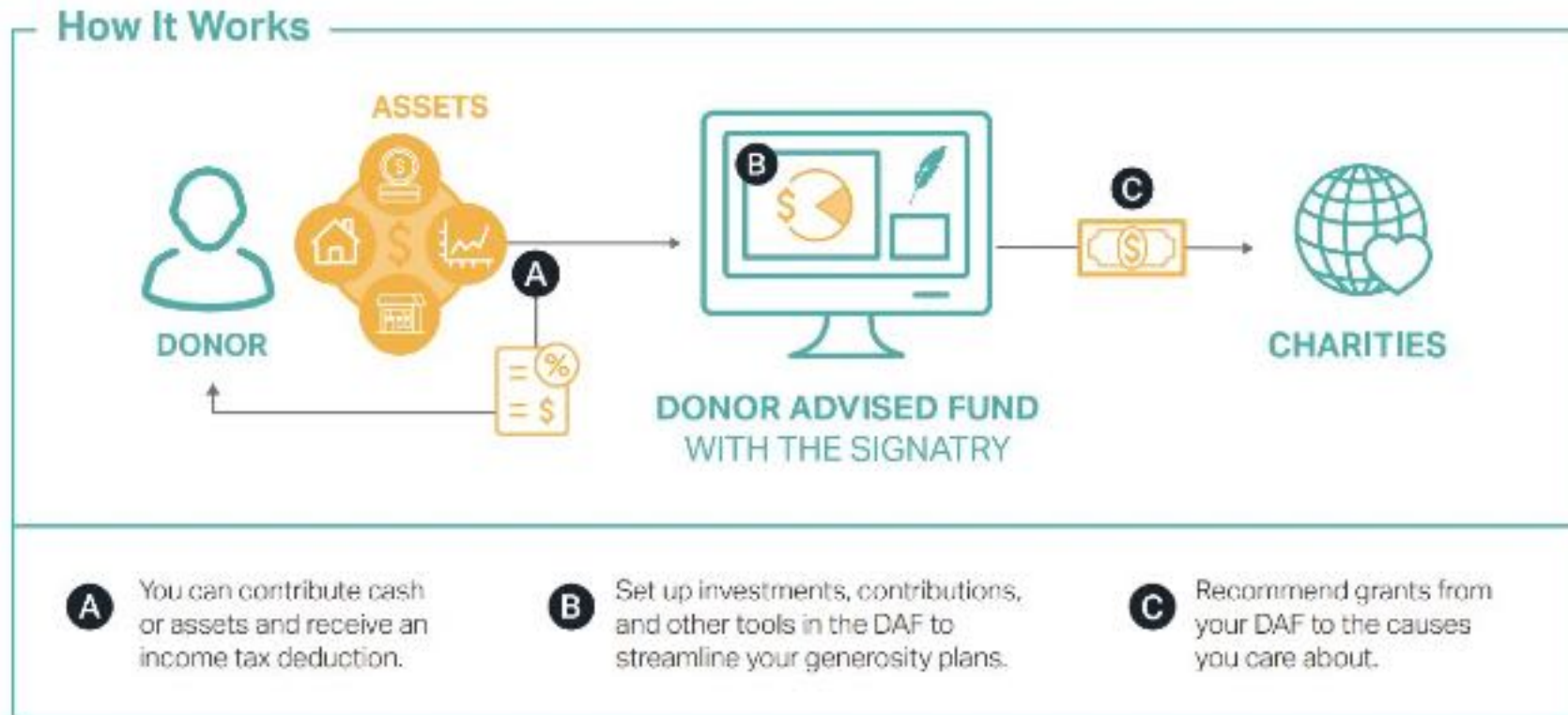
Strategies to Engineer Your Legacy

Giftting Appreciated Assets

- Able to give more
- Receive tax deduction in current year
- Can help review and prepare for portfolio rebalance

Strategies to Engineer Your Legacy

Donor Advised Funds



Strategies to Engineer Your Legacy

Donor Advised Funds

- Receive an income tax deduction for the year you contribute to your DAF, even if you choose to grant the money out at a later year.
- Invest your money in stocks or mutual funds.
- You can also include your fund as a beneficiary in your will or estate plan.
- Maximize your resources with the option to contribute complex assets, such as business interests, publicly traded securities, or real estate, instead of cash
- Take advantage of current tax laws before 2026
- Offset a Roth conversion

**Do you have company
stock in your 401(k)?**

Strategies to Engineer Your Legacy

Net Unrealized Appreciation (NUA)

- Do you have company stock in your 401(k) ?
- Is it highly appreciated?
- Cost when shares were purchased (cost basis) vs. today's value of those shares
- How does it work?
- Transfer stock out of your 401(k) to a non-qualified account (i.e. brokerage)
- Pay ordinary income tax now on the cost basis (i.e. the price you paid) amount
- Pay long term capital gain tax rate on the stock (rather than ordinary income tax)

Talk to a tax advisor or CPA BEFORE making the decision

**Are you considering
passing down tax-free
assets to heirs?**

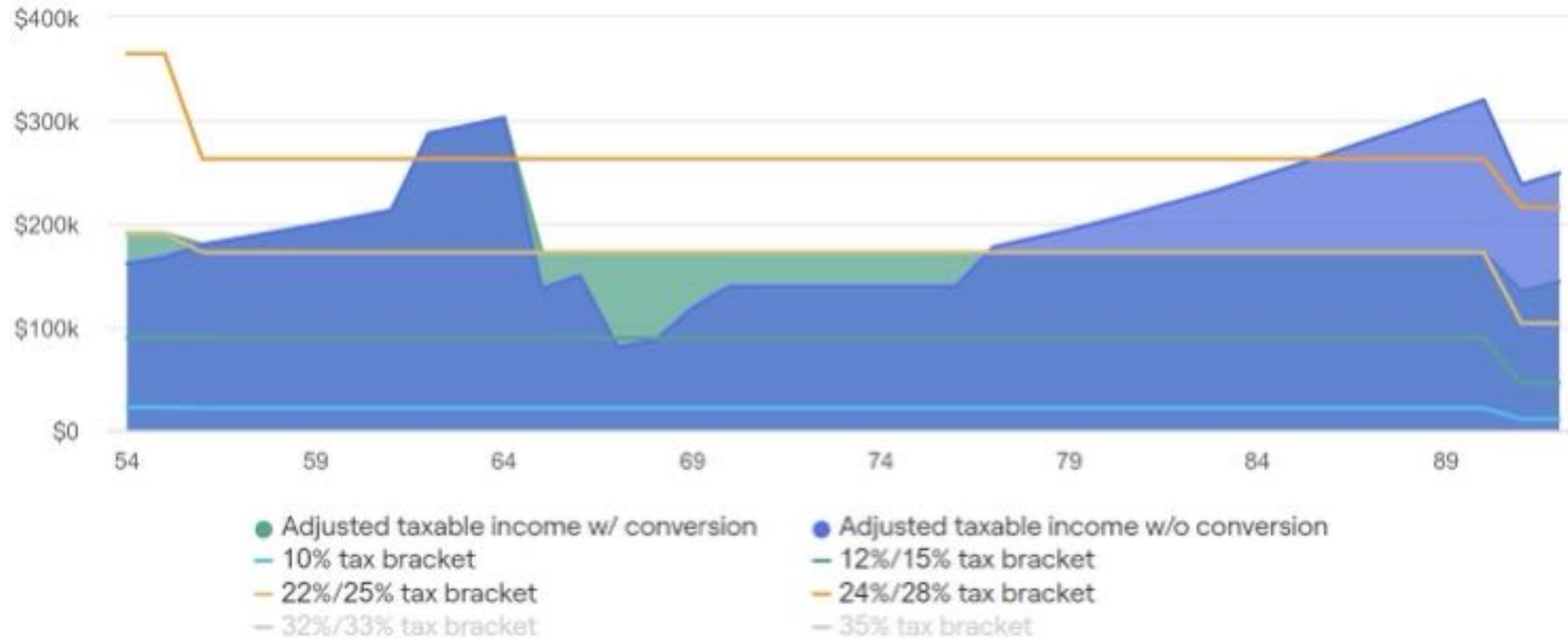
Strategies to Engineer Your Legacy

Roth Conversion

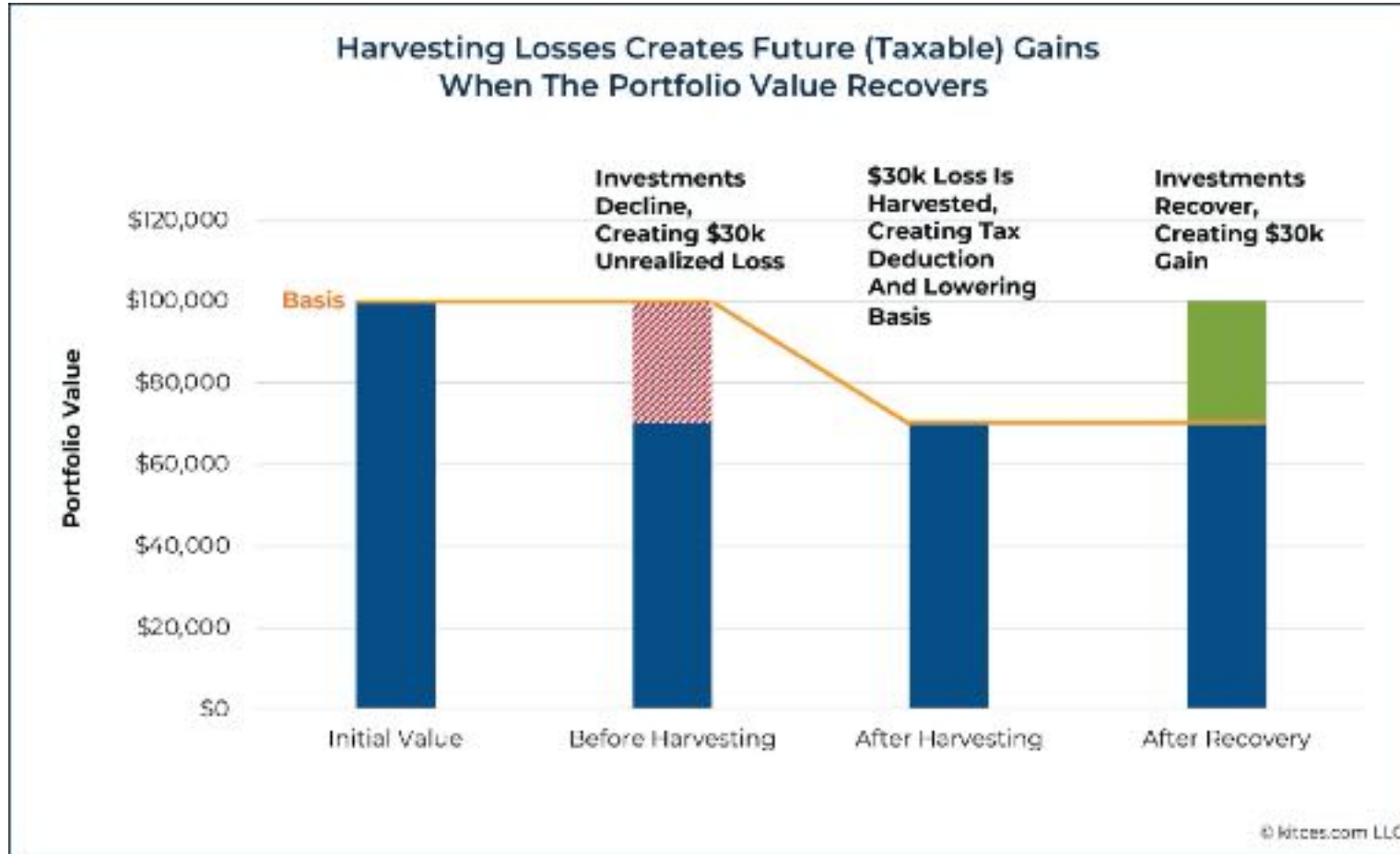
- Do you anticipate being in a higher tax bracket in the future?
- Are you concerned that the timing of Pensions, Social Security and RMDs will increase your tax rate?
- Can you “afford” to pay the taxes on a portion of your IRA or 401(k) for future tax-free withdrawals?

Talk to a tax advisor or CPA BEFORE making the decision

Strategies to Engineer Your Legacy: Roth IRA Conversion



Strategies to Engineer Your Legacy: Tax Loss Harvesting

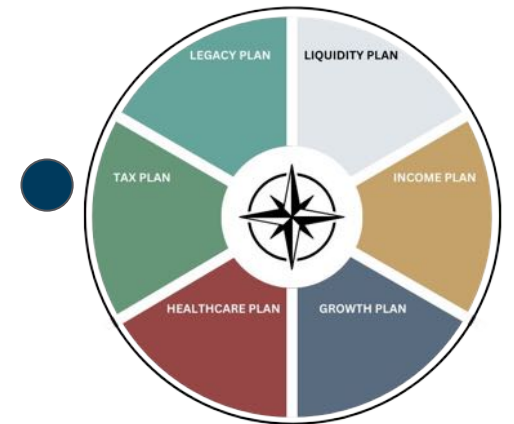


<https://www.kitces.com/blog/tax-loss-harvesting-best-practice-scaling-execution-challenges-wash-sale-rules/>

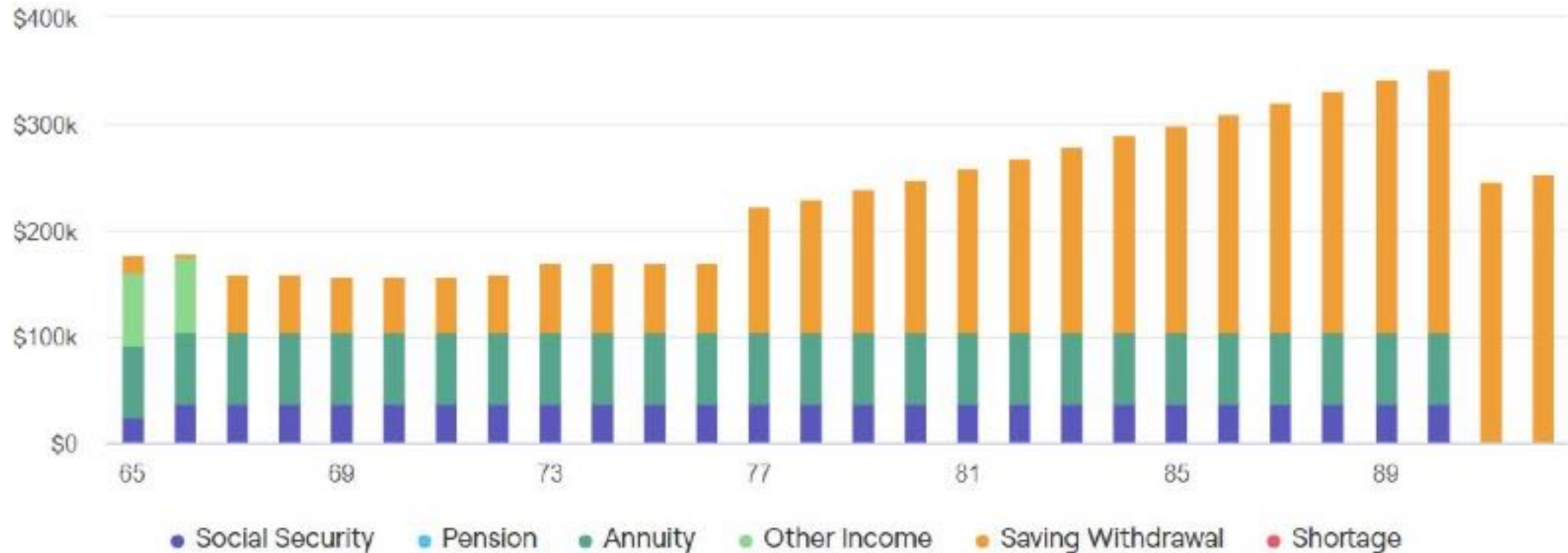
Strategies to Engineer Your Legacy : Life Insurance

- “Generally, life insurance proceeds you receive as a beneficiary due to the death of the insured person, aren't includable in gross income and you don't have to report them.” - IRS

<https://www.irs.gov/faqs/interest-dividends-other-types-of-income/life-insurance-disability-insurance-proceeds#:~:text=Generally%2C%20life%20insurance%20proceeds%20you,for%20more%20information%20about%20interest.>



Strategies to Engineer Your Legacy: Timing Withdrawals



Tax & Legacy Strategies Recap

- Qualified Charitable Distributions
- Gifting Appreciated Assets
- Donor Advised Funds
- Net Unrealized Appreciation
- Roth Conversions
- Tax Loss Harvesting
- Life Insurance
- Timing Withdrawals

Engineer Your Legacy Recap

- 3 Principles of Legacy Planning
- 3 New Legacy & Tax Blind Spots
- Tax-Efficient Withdrawal Strategies
- Managing Required Minimum Distributions (RMDs)
- Recent Tax Law Changes
- Strategies to Engineer Your Legacy

Questions?

- 3 Principles of Legacy Planning
- 3 New Legacy & Tax Blind Spots
- Tax-Efficient Withdrawal Strategies
- Managing Required Minimum Distributions (RMDs)
- Recent Tax Law Changes
- Strategies to Engineer Your Legacy



Questions?

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