

Disclaimer

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- Your financial and investment decisions and actions are ***strictly*** your own
- Presenters at our meetings should not be considered financial advisors unless they explicitly state they are licensed/certified in the area they are speaking about
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Family Tree Financial Planning

April 23, 2025

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Family Tree Financial Planning

Parents – Spouse - Children

- Funeral**
- Estate**
- Income & Assets**
- Medical**

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Funeral

- **lessons learned**
- **stress**
- **costs**
- **desires**

Estate

- **Avoid Probate**
- **Trust**
- **POD & TOD**
- **TOD deed on house**
- **Beneficiaries on automobiles**
- **Probate for remaining assets over \$25,000**
- **Estate planning instructions for spouse / heirs**

Estate Planning Instructions

Spouse / Beneficiary

Estate Planning Instructions

Updated 5-12-2024 (3 pages)

- funeral arrangements
- survivor SS benefits
- death certificates
- IRS Form 706
- specific asset beneficiaries & contingent beneficiaries
- inherited IRAs, Roth IRAs & HSAs
- probate

Income & Assets

- **Social security benefits for spouse**
- **Community property state**
- **Step up and step down in basis**

Income & Assets

- **Asset transfer delays**
- **Heirs' tax bracket**
- **Roth IRA conversions**

Survivor Income Impacts

- loss of income**
- tax bracket increase**
- taxable capital gains**
- taxable social security**
- IRMAA surcharges**
- Net Investment Income Tax**

Survivor Tax Bracket Change

Tax Rates

<u>2025</u>	<u>Single</u>	<u>Joint</u>	<u>2026?</u>
10%	\$11,925	\$23,850	10%
12%	\$48,475	\$96,950	15%
22%	\$103,350	\$206,700	25%
24%	\$197,300	\$394,600	28%
32%	\$250,525	\$501,050	33%
35%	\$626,350	\$751,600	35%

2025 Standard Deduction

\$17,000

\$33,200

Taxable Capital Gains

tax rate

taxable income

single

joint

0%

\$47,025

\$94,050

15%

\$518,900

\$583,750

Taxable Social Security

Combined Income

AGI + non taxable interest + half of SS

	up to \$25,000	not taxable
Single	Between \$25,000 to \$34,000	up to 50% taxable
	Over \$34,000	up to 85% taxable
	up to \$32,000	not taxable
Joint	Between \$32,000 to \$44,000	up to 50% taxable
	Over \$44,000	up to 85% taxable

IRMAA

Potential Impact of Death of a Spouse

AGI Threshold		% of Medicare	Cost	Part B Premium	
<u>Joint</u>	<u>Single</u>	<u>Cost Paid</u>	<u>Multiplier</u>	<u>Monthly</u>	<u>Annual</u>
\$0	\$0	25%	1.0	\$185	\$2,220
\$212,000	\$106,000	35%	1.4	\$259	\$3,108
\$266,000	\$133,000	50%	2.0	\$370	\$4,440
\$334,000	\$167,000	65%	2.6	\$481	\$5,772
\$400,000	\$200,000	80%	3.2	\$592	\$7,104
\$750,000	\$500,000	85%	3.4	\$629	\$7,548

Potential impact of death of spouse

\$200K joint AGI reduced to \$180K survivor AGI

Net Investment Income Tax

Taxable Incomes over

single \$200,000

joint \$250,000

Investment Income*

Over Limit

Taxed at 3.8%

*** dividends + interest + capital gains +
non pension annuities**

Roth IRA Conversions

- reduce future RMDs**
- optimize current tax bracket & rates**
- minimize income surcharges**
- optimize generational taxes**
- inherited tax free by beneficiaries**

Income & Assets

- **Non financial spouse?**
- **Gifting**
- **Financial planning instructions for spouse / heirs**

Financial Planning Instructions

Spouse / Beneficiary

Financial Planning Instructions

Updated 2-14-2025 (7 pages)

- utilities
- credit cards
- banks
- investments*
- SS, pensions, annuities
- medical, home, auto, life insurance
- HSA
- income & estimated taxes
- passwords

* MM, CDs, stocks, IRAs, I Bonds, etc

Medical

- **Traditional Medicare - Parts A, B, & D**
- **Supplement, dental, vision**
- **Medicare Advantage – Part C**
- **Nursing home insurance**
- **Medicaid 5 year gift look back**

Educate Yourself

- **Advisor newsletters**
- **Youtube videos**
- **Internet searches**
- **Library**

7 Key Milestone Ages

Kiplinger — Your retirement planning journey involves critical milestones that offer opportunities to maximize your savings, avoid penalties, and qualify for benefits. The SECURE 2.0 Act introduced new rules, such as adjusted Required Minimum Distribution (RMD) ages and enhanced catch-up contributions for those aged 60-63. Here are the seven milestone ages to note:

Age 50: Begin catch-up contributions to retirement accounts, allowing you to save more and reduce taxable income. Limits vary across 401(k), IRA, and SIMPLE plans.

Age 59½: Withdraw retirement account funds without a 10 percent early withdrawal penalty. Roth IRAs allow tax-free, penalty-free withdrawals of contributions at any time, with additional conditions for earnings.

Age 62: Become eligible for Social Security benefits, albeit at a reduced amount.

Age 65: Qualify for Medicare. Enrollment should occur within seven months of your 65th birthday to avoid late penalties, even if employer insurance is available.

Ages 66-67: Reach Full Retirement Age (FRA) for Social Security, depending on birth year, to receive full, unreduced benefits.

Age 70: Claim the maximum Social Security benefit.

Age 73: Begin Required Minimum Distributions (RMDs) from retirement accounts or face steep penalties.

IRA Mistakes to Avoid

Morningstar — Whether you're still planning for retirement or are currently retired, Individual Retirement Accounts (IRAs) can play a major role in your financial security. While opening an IRA is simple, the rules surrounding contributions, withdrawals, and rollovers can be complex, leading to costly mistakes. Here are some key takeaways to help you make the most of your IRA:

- **Start Early:** Contributing at the beginning of the year gives your money more time to grow
- **Choose the Right Type:** A Roth IRA isn't always the best choice. Traditional IRAs may provide more tax benefits depending on your situation.
- **Mix Contributions:** If you're unsure about future tax rates, splitting your contributions between traditional and Roth IRAs can provide flexibility
- **Don't Forget Your Spouse:** Even non-working spouses can contribute to an IRA if their partner earns enough income
- **Be Strategic with Withdrawals:** Required Minimum Distributions (RMDs) start at age 73 for traditional IRAs. If you don't need the money, consider reinvesting or donating via a Qualified Charitable Distribution (QCD) for tax benefits.
- **Understand Tax Rules:** A poorly planned rollover or backdoor Roth IRA conversion can trigger unnecessary taxes
- **Check Beneficiary Designations:** Outdated designations can lead to unintended consequences, so review them periodically