The Ways To Wealth

“Single Page Insights”

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Open Discussion Led By
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Taxes , Social Security & Roth IRAs

All 7 Magnificent Seven Stocks Ranked Since the 2022 Low

Ranked by price gain from each stock's late October 2022 level to early July 2026, with the S&P 500's own return marking the line to beat.

PERCENT GAIN SINCE LATE 2022

Price return only, excludes dividends. Figures are approximate and rounded.

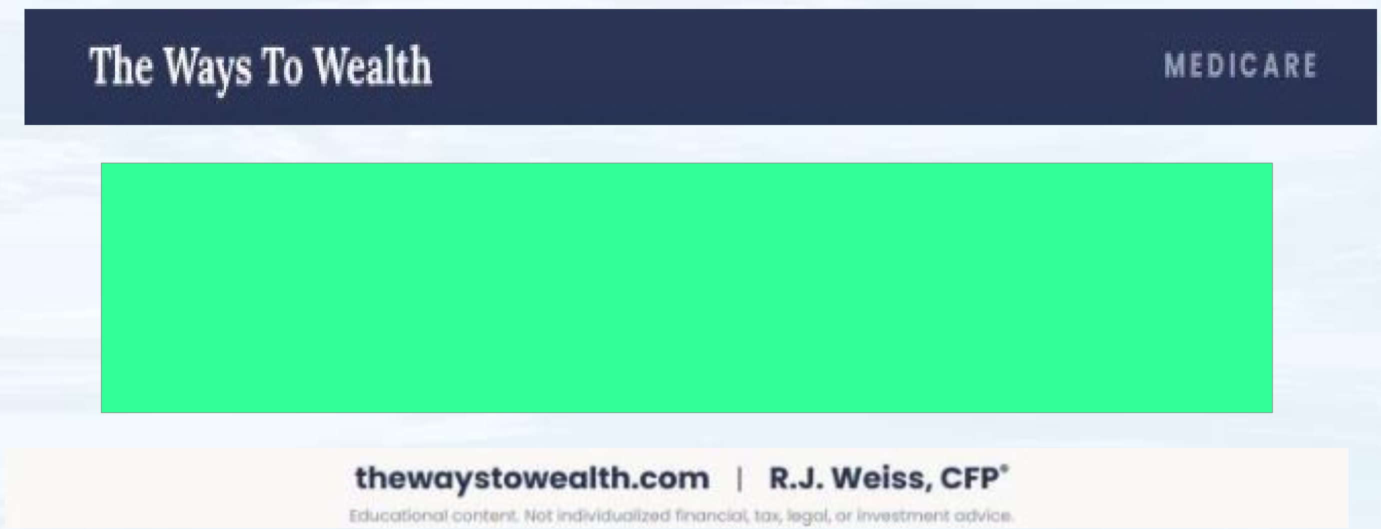
1	**Nvidia** NVDA AI chip demand pushed it past every other company in the group.	+1,463%
2	**Meta** META Ad revenue and profit margins recovered from their 2022 low.	+523%
3	**Alphabet** GOOG Search, YouTube, and cloud all kept growing.	+290%
4	**Amazon** AMZN Retail margins and AWS profit both improved.	+138%
Ref.	**The S&P 500 Index** A plain index fund. No stock picking required.	+109%
5	**Apple** AAPL iPhone upgrade cycles slowed down.	+98%
6	**Tesla** TSLA Deliveries grew, but so did price competition.	+76%
7	**Microsoft** MSFT A strong business bought at a rich 2022 price.	+72%

ALSO TRUE

4 of the 7 beat a plain index fund since the 2022 low. The other 3 did not, even though all seven get lumped together as the Magnificent Seven.

Credits

https://www.thewaystowealth.com/



Categories

- Retail – 29 slides (separate)
- Various – 80 slides (separate)
- Estate – 49 slides (separate)
- Medical – 37 slides (separate)
- Taxes – 21 slides
- Social Security – 18 slides
- Roth IRAs – 12 slides

Taxes

12 Types of Income the IRS Doesn't Tax in 2026

Not everything you receive counts as taxable income.

1. **Gifts (Any Amount)**
   Never taxable to the recipient. The $19,000 exclusion is a filing rule for the giver, not a tax on you.

2. **Inheritances**
   Not taxable income when received. Inherited traditional IRAs are taxed on withdrawal; inherited Roths generally are not.

3. **Life Insurance Proceeds**
   Death benefits paid to beneficiaries are income tax-free.

4. **Qualified Roth Distributions**
   Tax-free after the 5-year rule and age 59½. Contributions come out anytime.

5. **Child Support**
   Payments received are not taxable income to the recipient.

6. **Home Sale Gains (Up to $500K)**
   $250K single, $500K MFJ if you lived there 2 of the last 5 years.

7. **Municipal Bond Interest**
   Most muni bond interest is exempt from federal income tax.

8. **Workers' Comp & SSI**
   Both are tax-free. SSI is a separate program from Social Security retirement benefits, which can be taxed.

9. **Qualified Tips (Up to $25K)**
   Federal income tax deduction, 2025 to 2028. Payroll taxes still apply. Phases out above $150K.

10. **Overtime Pay (Up to $12,500)**
    Deduction for the FLSA overtime premium only, 2025 to 2028. Payroll taxes still apply.

11. **VA Disability Benefits**
    Excluded from federal income tax regardless of amount.

12. **Capital Gains (0% Rate)**
    Long-term gains with taxable income under $49,450 single or $98,900 MFJ.

ALSO NOT TAXABLE

HSA withdrawals for qualified medical expenses, employer health insurance contributions, alimony received under post-2018 agreements, and long-term care insurance payouts.

The QCD Rule Lets Your IRA Give to Charity Tax-Free

A qualified charitable distribution sends money **directly from your IRA to a charity**, and that income never lands on your tax return at all. For most retirees who give, it beats writing a check from the bank account, and here is why:

$0

TAX BENEFIT FROM A NORMAL CASH GIFT FOR MOST RETIREES

WHY THE QCD WINS

Most retirees take the standard deduction, so a regular donation changes their tax bill by nothing. A QCD works differently: **the withdrawal is excluded from income entirely**, deduction or no deduction.

1. **Age 70½ or older**, and it is the actual half-birthday, not just the year you reach it.
2. **Up to $111,000 per person in 2026**, from your own IRA; a married couple can each use their own limit.
3. **It counts toward your RMD**, which is the classic move: satisfy the required withdrawal without adding a dollar of taxable income.
4. **Staying out of your income protects everything keyed to it:** the IRMAA brackets, how much of your Social Security is taxed, and Medicare surcharges downstream.
5. **The check must go straight from the IRA custodian to the charity.** Touch the money yourself and it is a taxable withdrawal; donor-advised funds and private foundations do not qualify.

ONE HONEST LIMIT

A QCD only helps if you would give anyway; it is a better way to give, not a reason to. Under 70½, donating appreciated stock is usually the stronger move. And your 1099-R will not say "QCD" on it, so tell your tax preparer, or the exclusion silently never happens.

How an HSA Turns $8,750 a Year Into Triple-Tax-Free Money

No other account gives all three breaks at once. The third is the easiest to lose, and the mistakes cluster around age 65.

1 **Three Breaks in One Account**

Deductible going in, growth untaxed, and **withdrawals tax-free** for qualified care. The 2026 cap is $8,750 per family or $4,400 self-only, plus $1,000 at 55.

2 **The Plan Has to Qualify**

Your deductible must be at least **$1,700 self-only or $3,400 family**, with out-of-pocket no higher than $8,500 or $17,000.

3 **Medicare Stops New Contributions**

Once coverage begins you cannot contribute for those months. Part A can be retroactive **up to 6 months**, so generally stop 6 months before applying.

4 **The Beneficiary Rule Is Blunt**

A spouse can inherit it as an HSA. For a **non-spouse beneficiary**, the HSA generally ends and its value becomes taxable income.

Triple-tax-free describes federal treatment. State treatment varies, and California and New Jersey do not fully conform to federal HSA tax rules.

Sources: IRS Rev. Proc. 2025-19 and Publication 969. Limits prorate in a partial year of eligibility.

BOTTOM LINE

Medicare stops new contributions, not the tax benefits. Qualified medical withdrawals stay federally tax-free, and after 65 nonmedical withdrawals are taxable but no longer face the 20% penalty.

The Tax-Smart Withdrawal Order and When To Break It

The standard order works for most retirees. The exceptions matter just as much.

The Standard Order

WORKS FOR MOST RETIREES

- **RMDs first once they apply.** Start age depends on birth year. Skipping one triggers a 25% penalty.
- **Taxable brokerage next.** Gains taxed at 0%, 15%, or 20%. Lets tax-deferred accounts compound.
- **Traditional IRA/401(k).** Consider filling low tax brackets before RMDs begin. Can shrink future RMDs.
- **Roth accounts last.** $0 in taxes. No RMDs. Grows tax-free for you or heirs.

When To Break It

SITUATIONS THAT CHANGE THE MATH

- **Roth conversions in low-income years.** Pull less from traditional. Convert instead while the bracket is cheap.
- **Keep taxable cash for future tax bills.** Drain brokerage first and you may have no cash to cover RMD taxes later.
- **IRMAA cliff management.** Take more from traditional now to shrink future RMDs before they push you over $218,000 (MFJ).
- **QCDs after 70½.** Qualified charitable distributions satisfy RMDs tax-free. Changes the entire sequence.

BOTTOM LINE

The standard order is a starting point. Low-bracket Roth conversions, QCDs, capital-gain harvesting, and IRMAA cliffs can all change the order.

How a Retired Couple Pays $1,275 in Federal Tax on $75,000

Step by step, using the IRS worksheet and the 2026 deductions for a couple over 65.

Frank and Linda, both 67, MFJ: $32,000 SS + $18,000 pension + $25,000 IRA = **$75,000**

Taxable Social Security

IRS worksheet result: about $17,250 of $32,000 is taxable. Not 85% of the full benefit.

Adjusted Gross Income

$18,000 pension + $25,000 IRA + $17,250 taxable SS = $60,250

Total Deductions

$32,200 standard deduction + $3,300 age 65+ add-on + $12,000 enhanced senior deduction = $47,500

Estimated Federal Tax

$12,750 taxable income at 10% = **~$1,275**

Effective federal rate
on $75,000 of cash income

~1.7%
~$1,275 federal tax

BOTTOM LINE

"85% taxable" does not mean 85% of every Social Security check is taxed. The IRS worksheet decides how much of the benefit enters taxable income.

How a Married Couple Can Pay $0 in Federal Taxes on $120,000 in Retirement

Two things decide it: which accounts the money comes out of, and how much deduction the couple is entitled to in 2026.

THE INCOME, ONE ILLUSTRATIVE COUPLE	BOTH AGE 66
Social Security, both spouses	$48,000
Long-term gains and qualified dividends	$72,000
TOTAL INCOME	**$120,000**

$0

FEDERAL INCOME TAX

HOW IT GETS THERE

1. Deductions total **$47,500**: the $32,200 standard deduction, $1,650 each for being 65 or older, and $6,000 each from the senior deduction.

2. That erases the $40,800 of taxable Social Security. The $65,300 left is all long-term gains and qualified dividends, and a couple pays **0% up to $98,900**.

CHANGE ONE ACCOUNT AND THE ANSWER CHANGES

Take the same $120,000 with the $72,000 coming from a traditional IRA instead, and that income is ordinary, not capital gain. The federal tax goes from $0 to **$7,340**.

Illustrative example. Assumes both spouses are 66, file jointly, take the standard deduction, and have no other income or tax-exempt interest. State tax may still apply, and the senior deduction is scheduled to end after 2028. 2026 figures from IRS Rev. Proc. 2025-32.

What the 3.8% Net Investment Income Tax Actually Taxes

It applies once modified adjusted gross income crosses the threshold below. It then taxes the smaller of your net investment income or the amount over that line.

SINGLE OR HOH

$200,000

MAGI threshold where the tax can start applying.

vs.

MARRIED FILING JOINTLY

$250,000

Threshold for joint filers. MFS is $125,000.

What Counts

INTEREST & DIVIDENDS — **Taxable**
Ordinary and qualified dividends are both included.

CAPITAL GAINS — **Taxable**
Gains from selling stocks, funds, or real estate.

RENTAL & ROYALTY — **Taxable**
Passive rental income and royalties are included.

What Doesn't

WAGES & SELF-EMPLOYMENT — **Excluded**
Earned income is never subject to this tax.

RETIREMENT WITHDRAWALS — **Excluded**
401(k) and IRA distributions are not investment income.

MUNICIPAL BOND INTEREST — **Excluded**
Tax-exempt interest stays outside the calculation.

BOTTOM LINE

The 3.8% applies to whichever is smaller, your net investment income or the amount your MAGI is over the threshold, not your entire income.

The Tax on Social Security Starts at a 1983 Number

Benefits become taxable once combined income passes $25,000 single or $32,000 married. Those lines were set in 1983 and have been adjusted exactly zero times since.

1 in 10	About Half
BENEFICIARIES TAXED WHEN THE RULE BEGAN	BENEFICIARY FAMILIES TAXED TODAY

Every COLA pushes more retirees over lines that never move. Indexed to inflation, **$25,000 would sit near $78,000 today**, and $32,000 near $100,000.

Combined income over **$25,000 single / $32,000 married**	Up to 50% taxable
Over **$34,000 / $44,000**, the tier added in 1993, also unindexed	Up to 85% taxable
Combined income = AGI + tax-exempt interest + **half your benefit**	The formula

WHAT YOU CONTROL

The lines will not move, but combined income can: Roth withdrawals do not count, QCDs keep IRA gifts out of the formula, and the temporary $6,000 senior deduction softens the bill through 2028.

Source: SSA Office of Retirement Policy; CBO. Thresholds set by the 1983 amendments; 85% tier added 1993.

The Tax Torpedo That Hits Middle-Class Retirees

Planners call it the tax torpedo, and it strikes a specific band of retirees: **the middle**. High incomes sail over it, low incomes sail under it, and the household in between pays tax rates neither would believe.

HOW THE TORPEDO WORKS

Whether your Social Security is taxed depends on **"combined income"**: adjusted gross income, plus tax-exempt interest, plus half your Social Security. Above thresholds of **$25,000 single and $32,000 joint**, each extra IRA dollar you withdraw drags **up to 85 cents of Social Security into taxable income with it**. One withdrawn dollar, up to $1.85 taxed: in the 22% bracket, that is **an effective rate of up to 40.7%** on money you thought was taxed at 22%.

1. **The thresholds have never been inflation-adjusted**, unchanged since 1984 and 1993, which is why a rule written for high earners now reaches ordinary retirees every year.
2. **Roth withdrawals defuse it:** they never enter combined income, so a Roth dollar spends clean while an IRA dollar can arm the torpedo.
3. **Sequencing defuses it too:** drawing IRA money in the early, lower-income years while delaying Social Security shrinks the balance that later collides with the benefit.

WHO SHOULD ACTUALLY CHECK

The torpedo zone is roughly the middle: households whose income sits in the phase-in band. Below it, Social Security stays untaxed; well above it, the 85% maximum is already reached and the rate returns to normal. One projection with your own numbers shows whether you are in the water.

A $10,000 IRA Withdrawal Can Add $18,500 to Your Taxable Income

Traditional IRA and 401(k) withdrawals do not reduce your Social Security benefit under the earnings test. They can make more of it taxable.

THE SAME WITHDRAWAL, COUNTED TWO WAYS

A married couple above $44,000 of combined income, while benefits are still phasing in, withdraws $10,000.

85 PERCENT PHASE-IN RANGE, MARRIED FILING JOINTLY. SOURCE: IRS PUBLICATION 915

22.2%	40.7%	Zero
Effective federal marginal rate inside the 12% bracket	Effective federal marginal rate inside the 22% bracket	What a qualified Roth withdrawal adds to the formula

Assumes the full $18,500 remains within the stated tax bracket.

WHERE IT STOPS

Once 85 percent of your benefits already count as taxable, the next dollar is taxed at your plain bracket rate with nothing dragged along.

A 0% Long-Term Gain Can Make More Social Security Taxable

A gain can raise combined income and pull more of the benefit into taxable income.

Before the Gain

$31,000 COMBINED

$3,000 of SS Taxable

Say Diane is single and retired. Her $24,000 Social Security benefit plus $19,000 of other income puts her combined income at $31,000.

COMBINED INCOME $31,000

Other income plus half her Social Security benefit.

TAXABLE PORTION $3,000

Just the amount over the $25,000 threshold, at 50 cents per dollar.

SS INCLUSION Up to 50%

Combined income sits in the first taxable tier.

VS.

After a $15,000 Long-Term Gain

$46,000 COMBINED

$14,700 of SS Taxable

Same $24,000 benefit, but a $15,000 long-term capital gain pushes her combined income past the second threshold.

COMBINED INCOME $46,000

Same other income, plus the gain, plus half her benefit.

TAXABLE PORTION $14,700

Combined income clears $34,000, pulling in far more of the benefit.

SS INCLUSION Up to 85%

The gain moved her above the $34,000 threshold, where up to 85% of benefits may become taxable.

WHAT DECIDES IT

A long-term capital gain may be taxed at 0 percent, but it still counts toward combined income, which determines how much Social Security becomes taxable.

Selling Your Home Tax-Free Ends at a 1997 Number

The exclusion, $250,000 of gain single and $500,000 married, was set in 1997 and has never been adjusted. Back then it covered nearly every house in America. It doesn't anymore.

1997, WHEN THE LINE WAS DRAWN	IF IT HAD BEEN INDEXED
$129,000	**~$500K / $1M**
The median U.S. home price. The exclusion shielded almost every sale.	Where the limits would sit today. The real protection has been cut in half.

The National Association of Realtors estimates **over 13 million homeowners** would exceed the exclusion if they sold today, mostly longtime owners who simply stayed put.

THE LEVERS SELLERS FORGET

The tax is on the **gain, not the price**: sale price minus what you paid, minus **every documented improvement**, minus selling costs. The new roof, the remodel, the addition, each receipt raises your basis and shrinks the taxable gain. That shoebox of receipts is a tax document.

THE UNCOMFORTABLE ALTERNATIVE

Heirs inherit a home at its current market value, erasing the gain entirely. That step-up is why some longtime owners run the math and choose never to sell at all. It is a strange thing for a tax code to encourage, and it does.

IRC Section 121, Taxpayer Relief Act of 1997. Requires 2-of-5-year ownership and use. Sources: CRS, NAR, IRS.

The Smartest Way to Give to Charity After 70½

Most retirees take the standard deduction, which means the checks they write to church and charity earn **no tax benefit at all**. One move fixes that, and it is called the Qualified Charitable Distribution.

HOW A QCD WORKS

Your IRA custodian sends money **directly to the charity**, up to **$111,000 per person in 2026**. It counts toward your required minimum distribution, and **it never touches your taxable income**. That keeps your gift out of the numbers that set Medicare IRMAA surcharges, the tax on your Social Security, and the new senior deduction phase-out. A pre-tax gift, no itemizing required.

1. **Age 70½ exactly**, on the day of the transfer. Not 73; the QCD starts earlier than RMDs do.
2. **IRAs only**, not 401(k)s, and the check must go custodian-to-charity. Touch the money yourself and it becomes a taxable withdrawal.
3. **Real charities only:** donor-advised funds and private foundations do not qualify. Keep the charity's receipt.
4. **Tell your tax preparer.** The custodian's 1099-R reports it like any distribution; the QCD label goes on your return, and missed labels are how tax-free gifts get taxed.

WHY 2026 MAKES IT EVEN BETTER

New rules put a floor under itemized donations and cap the benefit for big givers. The QCD skips all of it. For a charitably-minded retiree with an IRA, it is usually the first dollar that should ever leave the account.

Why Taxes Go Up After a Spouse Dies

Planners call it **the widow's penalty**: household income drops, and the tax bill on what remains goes up. The year of death is the last joint return; after that, the survivor usually files single, and three things jump at once:

THE STANDARD DEDUCTION HALVES	From **$32,200** filing jointly to **$16,100** filing single in 2026. The first shield against tax is cut in half overnight.
THE BRACKETS COMPRESS	Filing jointly, the 22% bracket starts at **$100,801**. Filing single, it starts at **$50,401**. **The same income is taxed at higher rates** simply because one chair is empty.
THE IRMAA LINES HALVE	Medicare surcharges begin above **$218,000** of income for a couple, but above **$109,000** for a single filer. A Roth conversion or home sale that was safe before can now trigger a surcharge.

THE CRUEL ARITHMETIC

The survivor keeps the larger Social Security check and loses the smaller one, so income falls perhaps 25%. But with half the deduction and half the bracket room, **the tax rate on what remains rises**. Less money, taxed harder.

WHY THIS IS A COUPLES' DECISION

The cheap joint brackets exist only while there are two of you, which is why Roth conversions, account titling, and withdrawal order are planned together, in advance. Waiting until the penalty applies means planning at the worst rates on the menu.

6 Federal Tax Limits That Can Be Twice as High for Married Couples

Some double on a joint return. Others require separate accounts, separate gifts or an election after one spouse dies.

THE LIMIT	ONE PERSON	MARRIED COUPLE
Standard Deduction Requires filing a joint return	$16,100	**$32,200**
Estate and Gift Exemption Combined only if Form 706 elects portability	$15M	**$30M**
Home Sale Gain Excluded Maximums; ownership and use tests apply	$250,000	**$500,000**
Annual Gift Per Recipient Each spouse has a separate $19,000	$19,000	**$38,000**
Top of the 0% Gains Bracket Taxable income on a joint return	$49,450	**$98,900**
IRA Contributions Under 50 Separate IRA each; $8,600 at 50 or older	$7,500	**$15,000**

NOT EVERYTHING DOUBLES

The 2026 SALT cap is $40,400 for both single and joint filers. The top tax bracket begins above $640,600 single but $768,700 jointly, creating a potential marriage penalty for two similar high earners.

Harvesting Gains at 0% Is Legal, and There's No Wash-Sale Rule on Winners

The best window is often a temporarily low-income year, especially after retirement but before Social Security and RMDs begin.

$98,900

WHERE THE 0% RATE ENDS, MARRIED FILING JOINTLY

HOW MUCH ROOM YOU ACTUALLY HAVE

The $98,900 ceiling includes the gain and all other taxable income. **Subtract the rest of your taxable income to estimate how much 0% room remains.**

THE SELL AND REBUY, IN ORDER

Sell

Shares held more than a year, up to your remaining room

0% Rate

The gain stays inside the federal 0% capital-gains bracket

Buy It Back

Same day if you want. The wash-sale rule covers losses, not gains

The catch: the gain still raises your adjusted gross income, which can pull more of your Social Security into taxable income and set a higher Medicare premium two years later.

ALSO TRUE

This is a bracket, not a cliff. If an additional $1,000 of long-term gain crosses the $98,900 line, that portion moves into the 15% federal bracket. State tax and other income-based costs may still apply.

12 Tax Abbreviations You Should Know

These show up on your return, your IRA statements, and your Medicare notices. Here is what each one means.

AGI
ADJUSTED GROSS INCOME

Income before deductions are applied.

MAGI
MODIFIED AGI

Sets IRA, Roth, and IRMAA limits.

RMD
REQUIRED MIN. DISTRIBUTION

Yearly withdrawal owed from retirement accounts.

QCD
QUALIFIED CHARITABLE DISTRIBUTION

IRA-to-charity gift that can count as your RMD.

IRMAA
INCOME-RELATED ADJUSTMENT

Surcharge on Medicare Part B and D premiums.

NIIT
NET INVESTMENT INCOME TAX

3.8% tax above $200,000 single, $250,000 joint.

LTCG
LONG-TERM CAPITAL GAINS

Taxed at 0%, 15%, or 20% based on income.

SALT
STATE AND LOCAL TAX DED.

Capped at $40,400 for most filers in 2026.

HSA
HEALTH SAVINGS ACCOUNT

Tax-advantaged account tied to an HDHP.

FSA
FLEXIBLE SPENDING ACCOUNT

Employer account, generally use-it-or-lose-it.

AMT
ALTERNATIVE MINIMUM TAX

Can limit deductions for some higher earners.

SECA
SELF-EMPLOYMENT CONTRIB. ACT

Self-employed SS and Medicare tax: 15.3%.

ALSO TRUE

These are simplified definitions. Exact thresholds shift with filing status and can change year to year.

Why Tax Brackets Matter More After You Stop Working

One withdrawal can make more Social Security taxable,
then ripple into capital gains, Medicare premiums, and other tax decisions.

How a $10,000 IRA Withdrawal Can Add $18,500 to AGI

Single retiree, $40,000 in Social Security, no other income besides traditional IRA withdrawals. Hypothetical example.

	BEFORE	AFTER
Traditional IRA Withdrawal	$20,000	$30,000
Taxable Social Security	$9,600	$18,100
Adjusted Gross Income	$29,600	$48,100

THE DOMINO EFFECT

This is not an 85% tax rate. It means up to 85% of the benefit can be included in taxable income.

WHICH THEN AFFECTS

Capital Gains
More ordinary income can push some long-term gains and qualified dividends from the 0% rate into the 15% bracket.

Medicare (IRMAA)
Higher income can raise Part B and Part D premiums two years later.

Roth Conversions
A larger withdrawal can use up low tax brackets you wanted for a conversion.

BOTTOM LINE

Which account you tap can matter as much as how much you spend. One withdrawal can change how Social Security, capital gains, Medicare, and future tax planning all interact.

The Smartest Tax Moves for Every Decade, 20s to 70s

What to weigh in each decade, since the right account depends on your tax bracket now versus later.

Your 20s FOUNDATION

- **401(k) to match:** free money, first stop
- **Roth IRA:** best while your bracket is low
- **Saver's Credit:** up to $1,000 back at lower incomes

Your 30s BUILD THE BASE

- **Pre-tax 401(k):** deduct now if your bracket is high
- **HSA if HDHP:** triple tax-free
- **529 for kids:** state deduction in 30+ states

Your 40s PEAK EARNING

- **Max 401(k):** $24,500 in 2026
- **Pre-tax and Roth:** leave room to convert later
- **Tax-loss harvest:** offset gains, plus $3K income

Your 50s CATCH UP

- **401(k) catch-up:** +$8,000/yr at 50+
- **IRA catch-up:** +$1,100/yr at 50+
- **Backdoor Roth:** a path over the income caps

Your 60s TRANSITION

- **Super catch-up 60 to 63:** +$11,250/yr
- **Roth conversions:** use gap-year brackets
- **0% LTCG bracket:** sell in low-income years

Your 70s+ TRANSFER & DRAW

- **RMDs at 73:** time withdrawals around your bracket
- **QCD:** give from your IRA, skip the income
- **Step-up basis:** hold appreciated assets for heirs

BOTTOM LINE

The biggest wins come from matching the account to your bracket: **pre-tax** when today's rate is high, **Roth** when it is low or set to rise.

Sources: IRS Rev. Proc. 2025-32 & Notice 2025-67 (2026 limits). Federal figures; state rules vary.

How Retirement Accounts Get Taxed Differently

The order you draw from these determines your tax bill, your IRMAA bracket, and how much of your Social Security is taxable.

1. Pretax: 401(k), Traditional IRA, 403(b). **Taxed as ordinary income.** Every dollar withdrawn adds to MAGI. Pension income counts the same way. Often used to fill lower tax brackets before Social Security pushes rates higher.
2. Roth: Roth IRA, Roth 401(k). **Tax-free withdrawals.** Qualified distributions don't count toward MAGI. Use to stay below IRMAA thresholds ($109,000 single / $218,000 MFJ in 2026) or to cover expenses without triggering SS taxation.
3. Taxable Brokerage. **Tax on realized gains, dividends, and interest.** Cost basis returned tax-free. The 0% long-term capital gains rate applies up to $49,450 single / $98,900 MFJ in 2026.
4. Health Savings Account (HSA). **Tax-free for qualified medical expenses.** After 65, non-medical withdrawals are taxed as ordinary income with no penalty, functioning like a traditional IRA.

Raises Your MAGI

COSTS YOU

- 401(k), IRA, pension withdrawals
- Wages and self-employment
- Taxable dividends and interest
- Up to 85% of Social Security

Generally Does Not

FREE MOVES

- Qualified Roth withdrawals
- HSA withdrawals (medical)
- Return of cost basis (brokerage)
- Loans (not withdrawals)

THE PART MOST PEOPLE MISS

Drawing only from pretax can push MAGI above IRMAA cliffs and make up to 85% of Social Security taxable. Mix sources to lower the total bill.

5 Estate Planning Moves That Can Lower Your Tax Bill

The account types you hold and the timing of withdrawals shape your family's total tax bill, not just your heirs'.

1. **Use Roth Conversions When the Tax Rate Is Lower**

   You pay the tax now so heirs may receive **tax-free withdrawals** later. The strategy works best when your current rate is lower than the expected family rate.

2. **Reduce Large Tax-Deferred Balances**

   Most adult children must empty inherited IRAs within **10 years**, and annual RMDs may also apply. At a 30% combined rate, a $1 million inherited IRA could create about $300,000 in taxes.

3. **Hold Appreciated Assets in Taxable Accounts**

   Stocks and real estate held in taxable accounts generally get a **new basis at death**, reducing tax on gains that built up during your lifetime.

4. **Use Annual Gifts Carefully**

   Each spouse can separately give **$19,000 per recipient** in 2026 ($38,000 per couple). This mainly helps families near the estate tax threshold, and appreciated gifts generally carry over your basis.

5. **Coordinate Beneficiary Designations**

   Spouses, adult children, charities, and trusts can face **different withdrawal rules**. Beneficiary forms generally control retirement-plan payments, ahead of your will.

2026 FEDERAL ESTATE TAX EXCLUSION

$15 million per person. Couples may preserve up to $30 million with proper portability planning. The amount has no scheduled sunset and is indexed for inflation.

Social Security

Social Security COLA 2027: The Estimate Is Now 3.8%

The Senior Citizens League's August projection for next year's raise, a full point above 2026's 2.8%, and the largest since 2023 if it holds.

3.8%

About **$74 more per month** for the average retirement check.

Based on **third-quarter inflation** (July through September CPI-W).

The official number arrives **mid-October**, effective with January's payment.

BEFORE ANYONE CELEBRATES

A COLA is not a raise. It reimburses inflation you have **already been paying** all year, and the 2027 Part B premium, announced in the fall, gets deducted before the increase reaches your bank.

WHAT ACTUALLY REQUIRES ACTION

Nothing, to receive it; the adjustment is automatic. The planning move is checking whether a bigger check pushes your combined income over a tax threshold or an IRMAA line, both of which are famously unforgiving.

Source: The Senior Citizens League COLA Watch, August 2026 projection. Estimates change monthly until the SSA's official October announcement.

9 Things Social Security Will Never Do

Impersonating SSA is one of the most reported government scams in America. The defense is knowing the real agency's rules, because **the scam is always something SSA never does:**

1. **Threaten you with arrest** or legal action over the phone. Not for any reason, not ever.
2. **"Suspend" your Social Security number.** Numbers are not suspended. The entire premise is fiction.
3. **Demand payment by gift card, wire, crypto, or cash** in the mail. No government agency collects this way.
4. **Ask you to move your money** to "protect it" or to a "safe account." That account belongs to the caller.
5. **Call out of the blue demanding personal information.** SSA contact almost always starts with a letter you expected.
6. **Text or email you links** to click or attachments to open.
7. **Charge you** for a new card, a benefit application, or "processing." Every SSA service is free.
8. **Promise a benefit increase in exchange for a fee** or your bank details.
9. **Demand secrecy.** "Do not tell your family or your bank" is the single loudest scam signature there is.

THE HOUSE RULE TO SET TODAY

Any Social Security call, hang up, then dial SSA yourself at the number on ssa.gov or your benefit letter. Real business survives a callback. Scams never do. Report attempts at oig.ssa.gov.

Sources: SSA Office of the Inspector General and FTC consumer guidance.

Social Security Says It Overpaid You. Now What?

The notice demands the money back, and under current policy the default recovery can take **up to half of a retirement or disability check** until the debt clears. You have three doors, and a clock.

1. **The amount is wrong? Appeal.** Form SSA-561.
   You have 60 days to ask for reconsideration, and you can demand the calculation behind the number first.

2. **Not your fault and can't afford it? Waiver.** Form SSA-632.
   Forgives the debt entirely if both are true. No time limit, and debts of $2,000 or less can often be waived with a phone call.

3. **You owe it, but not at that pace? Ask for a lower rate.**
   A withholding you can live with is negotiable. Bring your monthly budget; that is the whole argument.

THE 30-DAY CLOCK

File an appeal or waiver **within 30 days of the notice** and collection pauses entirely while your case is decided. Wait, and withholding can begin while you argue.

THE ONE WRONG MOVE

Ignoring the letter. The debt does not expire, the check shrinks on schedule, and every protection above works better before withholding starts than after.

Withholding defaults under current SSA policy: retirement, survivor, and SSDI up to 50%; SSI 10%. Rules have changed repeatedly; your notice controls.

Dad Died on the 28th. His Check Went Back.

A hypothetical every family eventually lives. Social Security pays no benefit for the month of death, not even for 28 days of it, and the money leaves the account on its own.

JULY 28

Dad passes away. The funeral home reports the death to Social Security, as they almost always do.

EARLY AUGUST

A payment still lands in his account. It is **July's benefit**, because Social Security always pays one month behind.

DAYS LATER

The Treasury **pulls that payment back out of the bank automatically.** No benefit is payable for the month of death, no matter the date.

WHY THE FAMILY SHOULD NOT SPEND IT

The reversal happens even if the account is closed or the money moved, and it simply becomes **a debt owed back**. The one payment that is safe is the one received in the month of death, which covers the prior month.

WHAT THE SURVIVOR KEEPS

A surviving spouse can switch to the larger of the two checks, and may qualify for the one-time $255 lump-sum death payment. The month-of-death clawback is the rule; the survivor benefits are the rest of the story.

While Nobody Can Predict the Market, Social Security Pays a Guaranteed 8% After 67

Full retirement age is 67 for anyone born in 1960 or later. From that point until 70, Social Security adds two-thirds of one percent to your benefit for every month you wait. The credits stop at 70.

WHAT A $2,000 FULL RETIREMENT AGE BENEFIT PAYS

Hypothetical worker with a full retirement age of 67. Reduction and credit percentages are set by law. Figures are before taxes, Medicare premiums, and future cost-of-living adjustments.

ALSO TRUE

The 8% is a trade, not free money. You skip three years of checks and the break-even lands near 82, so health and the survivor benefit usually decide this more than the percentage does.

The Senior Deduction Won't Make Social Security Tax-Free

The new $6,000 deduction for filers 65 and older lowers taxable income. It does not touch adjusted gross income, which is what decides how much of your Social Security gets taxed.

THE BELIEF

Social Security Is Now Tax-Free

A common read of the new deduction after it was pitched as ending tax on Social Security.

VS.

THE RULE

Still Taxed By Formula

Up to 85% of benefits can still be taxable, based on combined income, not this deduction.

WORKED EXAMPLE: ROBERT, AGE 67, SINGLE

His Combined Income

SOCIAL SECURITY — **$24,000**

Half counted toward combined income, or $12,000.

OTHER INCOME — **$30,000**

Pension and IRA withdrawals, included in full.

COMBINED INCOME — **$42,000**

Above the $34,000 single filer threshold. Up to 85% of his benefit can be taxable.

Where the $6,000 Applies

REDUCES — **Taxable Income**

Applies after combined income is already determined.

DOES NOT REDUCE — **AGI**

It is not an above-the-line adjustment to income.

EFFECT ON THE FORMULA — **None**

Applies after the taxable Social Security amount is already calculated.

THE EXCEPTION

The deduction can still shrink the tax owed on whatever share of Social Security ends up taxable, since it lowers overall taxable income. It cannot move that share back out of the taxable column.

What Happens to Your Social Security Check If the Trust Fund Runs Dry

Depletion is a funding shortfall, not a shutdown. What changes is how much of your scheduled benefit ongoing payroll taxes can still cover.

THE COMMON BELIEF

Checks Stop

That trust fund depletion means Social Security shuts off benefit payments entirely.

vs.

WHAT ACTUALLY HAPPENS

Checks Continue

Incoming payroll taxes keep funding benefits, just at less than the full scheduled amount.

2026 TRUSTEES REPORT PROJECTIONS

OASI FUND DEPLETES — **Q4 2032**

The retirement and survivors trust fund, on its own, per the 2026 Trustees Report.

BENEFITS STILL PAYABLE — **78%**

What ongoing payroll tax revenue alone would cover, without any change in the law.

DISABILITY FUND (DI) — **100%**

Projected to pay full scheduled benefits through 2100, the end of the projection window.

WHAT IT COSTS YOU

Without action from Congress before 2032, this would mean an automatic cut of about 22% to OASI benefits, not a stop in payments.

Why More Retirees End Up Paying Tax on Social Security

The combined-income thresholds that decide how much of your benefit is taxed were set in 1983 and have never been adjusted for inflation.

COMBINED INCOME, 2016

$23,000

Below the $25,000 threshold. None of Tom's benefit is taxed.

VS.

COMBINED INCOME, 2026

$26,000

Above the $25,000 threshold. Part of it is now taxed.

2016 TOM'S COMBINED INCOME

PENSION — **$14,000**

A fixed pension, unchanged in both years.

HALF OF SS BENEFIT — **$9,000**

Half of an $18,000 annual Social Security benefit.

COMBINED INCOME — **$23,000**

Below the $25,000 single filer threshold.

2026 TOM'S COMBINED INCOME

PENSION — **$14,000**

The same fixed pension, ten years later.

HALF OF SS BENEFIT — **$12,000**

Half of a $24,000 benefit, grown only by COLA.

COMBINED INCOME — **$26,000**

Now $1,000 past the $25,000 threshold.

WHAT IT COSTS YOU

Tom's pension never changed. Cost-of-living adjustments alone pushed his combined income past a threshold frozen since 1983, making $500 of his Social Security taxable for the first time.

Social Security Rules of Thumb

When each one works. And when it does not.

1. **"Always Delay to 70"**
   Works: Healthy, with savings or income to bridge the gap
   Breaks: Poor health, no savings, or a need for cash now

2. **"Break-Even Is Around Age 80"**
   Works: A useful starting point for single filers
   Breaks: Ignores survivor benefits, COLA growth, and taxes

3. **"Higher Earner Delays, Lower Claims Early"**
   Works: Large earnings gap between spouses
   Breaks: Similar earnings, or the lower earner is much younger

4. **"Claim Early if Health Is Poor"**
   Works: Serious diagnosis with shortened life expectancy
   Breaks: Married couples, because the survivor keeps the higher record

8%/yr
Delayed retirement credits from FRA to 70, on top of COLA

~30%
Permanent reduction for claiming at 62 (FRA of 67)

THE PART MOST PEOPLE MISS

Every rule assumes one variable matters most. Social Security interacts with taxes, IRMAA, and survivor benefits at the same time.

When Claiming Social Security at 62, 67, or 70 Makes Sense

There is no single right claiming age, only conditions that favor one over another. The figures below are maximum-benefit examples. Your own numbers depend on your earnings record.

2026 MAX AT 62	2026 MAX AT FRA	2026 MAX AT 70
$2,969/mo	$4,152/mo	$5,181/mo

FIND YOUR ROW

Claim at 62 — 30% CUT IF FRA IS 67

Fits when health limits life expectancy, income is needed now, or you are working under the $24,480 earnings-test limit.

Claim at FRA — FULL BENEFIT, 67 IF BORN 1960+

Fits with average health, work or savings to bridge the early years, or a spouse with a benefit of similar size.

Delay to 70 — 24% OVER FRA, THEN CREDITS STOP

Fits with good health and longevity, other income to cover the gap years, or the higher earner in a married couple.

Split strategy — ONE EARLY, ONE LATE

The lower earner claims early for income now while the higher earner delays to protect the survivor.

EASY TO MISS

If the higher earner claims early, the survivor benefit can be lower for life. Delaying the larger benefit can protect the surviving spouse.

What Retiring and Claiming at 62 Can Cost Over 25 Years

Retiring at 62 and claiming Social Security at 62 are two separate decisions. The costs below assume Barbara does both.

SCENARIO	SALARY	SAVED	SS AT 67
Barbara, 62	$65,000	$350,000	$2,200/mo

1 **Social Security Cut (Permanent)** **-$66,000**
A 30% cut: $1,540/mo instead of $2,200, net of the $92,400 in early checks from 62 to 67. Cash break-even is roughly age 79.

2 **Earlier Portfolio Drawdowns** **-$100,000**
5 years at $20,000/yr from savings to bridge a lifestyle gap. Applies only if the check does not cover full spending.

3 **Lost Retirement Contributions** **-$32,500**
Assumes $6,500/yr that would have gone into retirement savings. A higher 401(k) deferral, employer match, or catch-up contributions raise the long-term cost.

4 **Health Insurance Bridge (62 to 65)** **-$32,400**
About $900/mo for 3 years before Medicare. ACA premium subsidies cut this substantially at low MAGI.

POSSIBLE COST IF EVERY ROW APPLIES **-$230,900**
This does not price in five healthier years, lower work expenses, personal health, or the value of time. It also excludes growth on early Social Security checks if invested.

Tom Claimed at 62. His Widow Is Still Paying for It at 84.

A hypothetical couple, real rules. Say Tom's full-retirement-age benefit is **$2,400 a month**, and his wife's own benefit is smaller. When he dies first, her survivor check is built on **his claiming decision**, forever:

IF TOM CLAIMS AT	HIS CHECK	HER CHECK, FOR LIFE
62 30% early cut	$1,680	$1,980
67 his full amount	$2,400	$2,400
70 plus 8% a year	$2,976	$2,976

The spread between his 62 and his 70: **$996 a month, every month, for the rest of her life.** Twenty years widowed is roughly $239,000.

THE RULE INSIDE THE STORY

A widow's floor is 82.5% of the deceased's full benefit, which is why Tom's early claim costs her $420 a month rather than his whole 30% cut. And the decision that sets her check is the higher earner's alone: the lower earner can claim early with almost no effect on the survivor math. Claiming at 62 can still be right when health or cash flow says so; the survivor check is the price tag to read first.

Hypothetical example using 2026 rules for a worker with a full retirement age of 67; survivor assumed to claim at her own full retirement age. Individual amounts vary.

VIRAL POST REALITY CHECK

When You Retire at 62 vs. 70

Viral posts love saying the hidden math will shock you. It isn't really hidden, it just leaves a few things out. Here's a closer look at what the post claims, and what's missing.

The Viral Post

AS POSTED

$1,080/mo

That's a massive difference, every single month, the post says.

CLAIM AT 62	$1,400/mo
For life, starting right away.	
CLAIM AT 70	$2,480/mo
For life, starting eight years later.	
HEAD START	$134,400
What the 62 claimer banks while you wait, per the post.	
BREAK-EVEN	80 Yrs, 5 Mo
The age the post says you must live past to come out ahead.	

VS.

What's Missing

FIDUCIARY STANDARD

Not Fixed

The gap and the break-even age both move once real variables enter.

THE RAISE	Grows Both
The same COLA applies to each check, so the dollar gap widens every year.	
SURVIVOR	Bigger Check
A higher benefit also raises what a surviving spouse can collect for life.	
THE CASH	Not Idle
Investing or spending the early checks changes the break-even math.	
EARNINGS TEST	Can Withhold
Working before full retirement age can temporarily reduce the 62 check.	

DECIDING VARIABLE

The break-even age is one input, not the answer. Health, other income, and whether a spouse would lean on the survivor benefit usually matter more than living past 80 years, 5 months.

A Spouse Who Never Worked Still Gets 50% of Your Benefit

The spousal benefit is half of your full retirement age amount, and it takes their own full retirement age to collect the whole 50%.

HOW THE HOUSEHOLD CHECK CHANGES

Hypothetical example. Your full retirement age benefit is $2,000 a month, and your spouse claims a spousal benefit at their own full retirement age.

MONTHLY SOCIAL SECURITY BENEFITS, HYPOTHETICAL EXAMPLE

WHAT THE 50% DEPENDS ON

As Little as 32.5%	You First	Not Age 70
What they may receive if they claim at 62	Their benefit cannot start until you file first	Delaying your own claim does not raise their 50%

ALSO TRUE

Delaying past your full retirement age does not raise their spousal check. It does raise the survivor benefit they keep for life, which should be considered when deciding when to claim.

When One Spouse Claims Early and the Other Delays

A worked example. The survivor check difference can exceed $1,400 per month, and the survivor rule is what the strategy is built around.

Mark (66), FRA benefit $2,600/mo | **Linda (62)**, FRA benefit $1,400/mo. Both have an FRA of 67.

Both Claim at 62

Mark at 62	$1,820/mo
Linda at 62	$980/mo
Combined	$2,800/mo
If Mark dies	$1,820/mo

Split Strategy

Mark delays to 70	$3,224/mo
Linda claims at 62	$980/mo
Combined	$4,204/mo
If Mark dies	$3,224/mo

WHAT THE SURVIVOR KEEPS

Both claim at 62 — $1,820/mo

Split strategy — $3,224/mo

Difference: **$1,404/mo, or $16,848 more per year** for the surviving spouse.

THE TRADEOFF

Linda's $980/mo is the only Social Security income until Mark claims at 70, so the household needs savings, a pension, or work income to bridge the gap. Delaying does not require working to 70.

EASY TO MISS

Because Linda claimed her own benefit at 62, a later spousal top-up may be reduced. The full 50% spousal maximum generally requires claiming at full retirement age.

Claiming Social Security Early Can Shrink Your Spouse's Survivor Check

Your claiming age sets more than your own benefit. If you are the higher earner, it can also cap what your spouse collects as a survivor after you are gone.

SAY ROBERT'S PIA IS $2,400

Claims At 62 EARLY

HIS OWN CHECK $1,680/mo

70% of his PIA, permanently reduced for claiming early.

HER SURVIVOR CHECK $1,980/mo

Protected at 82.5% of his PIA, a floor higher than his own reduced check.

Waits Until 70 DELAYED

HIS OWN CHECK $2,976/mo

124% of his PIA, with delayed retirement credits included.

HER SURVIVOR CHECK $2,976/mo

Inherits his full delayed-credit amount if he dies first.

The catch: this only matters for the higher earner in a couple. If a spouse's own benefit would already exceed the survivor amount, they keep their own check instead, and the higher earner's claiming age changes nothing for them.

WHAT DECIDES IT

The deciding variable is who is likely to need the income longer. A spouse expected to outlive the higher earner by many years may value a larger survivor check more than extra cash flow today.

Social Security Rules for Divorced Spouses

Your ex's remarriage does not reduce your benefit. Your own remarriage might. Here are the 6 rules that determine what you get.

1. **The Marriage Must Have Lasted 10 Years**
   Measured from marriage to divorce finalization. 9 years, 364 days does not qualify.

2. **You Must Be Currently Unmarried**
   Remarrying ends the benefit on this ex. If that marriage also ends, eligibility comes back.

3. **Your Ex's Remarriage Changes Nothing**
   A current spouse and a former spouse can both collect on the same record without reducing either check.

4. **Claiming Early Permanently Reduces It**
   Up to 50% of your ex's PIA at full retirement age, about 32.5% if you claim at 62 instead.

5. **You Get the Higher Benefit, Not Both**
   Social Security pays whichever is larger: your own retirement benefit or the divorced spousal benefit.

6. **You Can Apply Without Your Ex's Involvement**
   If divorced 2+ years and your ex is 62 or older, you can claim even if they have not filed. A divorce decree cannot block it.

EASY TO MISS

If your ex dies, the benefit can rise from 50% to up to 100% of their full benefit. Remarriage after age 60 does not disqualify you from this survivor benefit.

The 10-Year Rule Behind Social Security Divorced Spouse Benefits

Ten years of marriage is usually the line for claiming a divorced spouse benefit on an ex's record. One day short can mean no benefit on that record.

UNDER 10 YEARS

Just Under 10 Years

No divorced-spouse benefit exists, no matter how the marriage otherwise qualifies.

vs.

10 YEARS OR MORE

10 Full Years

A divorced spouse can claim up to 50% of the ex's full retirement age benefit.

WHAT ELSE HAS TO BE TRUE

Currently Unmarried

Remarrying generally ends eligibility on the ex's record, though it can resume if that later marriage ends.

You And Your Ex Are 62+

The ex must also be eligible for retirement or disability benefits. If they have not filed yet, the divorce generally needs to be final for at least two years.

THE EXCEPTION

If you divorced and remarried the same person, Social Security can combine both marriages toward the 10-year threshold, as long as the remarriage happened no later than the year after the divorce became final.

Roth IRAs

ROTH IRA RULES

After 59½, Only One Roth Five-Year Rule Still Matters

There are two Roth five-year rules, and after age 59½ only one of them can still cost you.

The Conversion Clock

10% PENALTY · PER CONVERSION

WHAT IT DOES

Triggers a 10% penalty on converted dollars pulled within five years.

WHO IT AFFECTS

Only people under age 59½.

PAST 59½

The penalty it guards against is already gone.

MOOT AFTER 59½

The Earnings Clock

TAX-FREE GROWTH · ONE CLOCK

WHAT IT DOES

Decides whether your Roth earnings come out tax-free.

WHEN IT BITES

Only if your first Roth IRA is under five years old.

PAST 59½

Earnings are taxed if unmet, but never penalized.

STILL YOURS AFTER 59½

THE BOTTOM LINE

Open any Roth IRA five or more years ago and both clocks are behind you. If your first Roth is newer, only the earnings are taxable, and the 10% penalty is off the table for good.

The Roth IRA Comes With Two 5-Year Rules

Most of the confusion about Roth withdrawals comes from one fact: **there are two different clocks with the same name**, and they answer different questions.

CLOCK 1 The Account Clock, for Tax-Free Earnings

Earnings come out completely tax-free once you are **59½ and 5 years past your first Roth contribution ever**. One clock, started January 1 of that first year, covering every Roth IRA you will ever own. The catch that surprises retirees: **open your first Roth at 62, and the earnings are not tax-free until 67**, even though you are past 59½.

CLOCK 2 The Conversion Clock, for the 10% Penalty

Each Roth conversion starts **its own 5-year clock** for penalty-free access to the converted dollars **before 59½**. After 59½, this clock stops mattering entirely, which is why retirees converting in their 60s can ignore it and only watch Clock 1.

ALWAYS TRUE, NO CLOCK REQUIRED

Your **direct contributions come out first, anytime, at any age, tax and penalty free**. The IRS ordering rules put contributions ahead of conversions and earnings automatically. The clocks only ever apply to money the account earned or converted.

THE $1 MOVE

Clock 1 starts with any contribution, of any size. Opening a Roth with a single dollar today starts the forever clock, so that when the big conversion or rollover comes years from now, the 5 years are already served.

How a Roth Conversion Moves Through Your Tax Return

A $50,000 conversion does not cost $50,000 in taxes. Here is what actually happens, step by step.

1. **You Convert $50,000 From Traditional to Roth**
   The money moves. Withholding is optional; paying the tax from outside savings keeps more in the Roth, and estimated payments may be needed.

2. **The Taxable Amount Is Added to Your Income**
   For most people that is the full $50,000, stacked on all other income. After-tax basis tracked on Form 8606 can reduce the taxable share.

3. **Your Tax Bracket May Change**
   The first dollars fill the room left in your current bracket. Only the overflow is taxed at the next rate.

4. **Medicare Premiums, Two Years Later**
   IRMAA uses a **2-year lookback**. If 2026 income crosses a threshold, Part B and D premiums rise in **2028**, for one year.

5. **State Tax Check**
   Most states tax conversions as ordinary income. Some exempt part or all of retirement income.

6. **Net Cost of the Conversion**
   Federal tax + state tax + possible IRMAA or subsidy effects. The cost varies widely; on $50,000 it can easily reach **five figures**.

EASY TO MISS

A conversion can also affect Social Security taxation, ACA premium subsidies, deductions, and credits. It can trigger tax on income you already had.

The Three Windows When Roth Conversions Often Make Sense

The right year to convert depends on one variable: whether this year's bracket runs lower than the bracket RMDs, Social Security, or a surviving spouse's filing status will eventually create.

WINDOW ONE Before RMDs Start

Opens when: you are retired and have not yet reached the age your RMDs begin, with no forced withdrawal yet inflating income.

Watch for: converting too much in one year can land you in the same high bracket RMDs would have caused.

WINDOW TWO Retired, Not Yet Claiming Social Security

Opens when: you have stopped working but not started benefits, often a lower-income retirement year.

Watch for: ACA marketplace coverage means a large conversion can raise your premium by shrinking the subsidy.

WINDOW THREE A Temporary Low-Income Year

Opens when: a layoff, sabbatical, or business loss drops your bracket for one year that will not repeat.

Watch for: it only pays off if you pay the tax from outside savings, not from the converted funds.

WHAT DECIDES IT

None of these windows make a conversion correct on their own. What decides it is whether this year's bracket is lower than the bracket RMDs, Social Security, or a survivor's filing status will eventually create, and whether the tax can be paid without touching the IRA.

The Cheapest Years to Convert to Roth End When Social Security Starts

Before benefits begin, a conversion is taxed at your ordinary bracket. Once they start, each converted dollar can also drag your benefits into tax.

THE OPEN WINDOW

Before Social Security

SS IN THE FORMULA **Not Counted**

Benefits are not yet in your combined income.

EACH $1 BECOMES **$1.00**

It stays $1 of taxable income.

REAL MARGINAL RATE **22%**

The conversion lands in your ordinary 22% bracket.

THE TORPEDO

After Social Security

SS IN THE FORMULA **Counted**

Up to 85% of benefits can become taxable.

EACH $1 BECOMES **$1.85**

It drags 85 cents of benefits in with it.

REAL MARGINAL RATE **40.7%**

The drag inflates that same 22% bracket.

WHAT DECIDES IT

This favors people whose retirement bracket will be the same or higher than it is now. If you currently earn more than you expect to in retirement, waiting and converting later can still win.

Why Some Retirees Still Convert to Roth After 63

For many people, conversions before 63 fall outside Medicare's two-year IRMAA lookback. After that, the surcharge may matter, but it does not automatically end the Roth conversion case.

BEFORE AGE 63 **Often outside the IRMAA lookback.** A conversion before 63 usually cannot affect Medicare premiums at 65, since IRMAA uses income from two years earlier.

Large pre-tax balance

If future RMDs, which start at 73 (75 if you were born in 1960 or later), are likely to trigger IRMAA most years, one year of surcharge now may still reduce lifetime taxes.

Higher tax bracket later

If RMDs may push you into a higher bracket later, converting can still work after IRMAA is included.

Surviving spouse risk

A surviving spouse may later file as single, which can raise the tax cost of the same income.

Heirs in a higher bracket

Many non-spouse heirs must empty inherited IRAs within 10 years, often during their own working years.

Temporary low-income year

A gap year before Social Security or RMDs may create room for a conversion, even after age 63.

> **BOTTOM LINE**
> IRMAA can make a Roth conversion more expensive for one year. Lower future RMDs, lower widow or widower taxes, or lower taxes for heirs can last much longer.

Roth Conversions Still Work After RMDs Begin

The RMD due for that year has to come out first, and it cannot be the money used to fund the conversion.

STEP 1

Satisfy the RMD

Withdraw the full required amount for the year. This portion cannot be converted.

then

STEP 2

Convert What's Left

Once the RMD is met, remaining IRA funds are eligible to convert.

What Counts As the RMD

FIRST DOLLARS OUT	Treated as RMD
Any IRA withdrawal in an RMD year counts toward it before anything else.	
CAN IT BE CONVERTED	No
RMD amounts are not eligible for rollover or conversion.	
MULTIPLE IRAS	All Must Be Met
Every IRA's RMD counts toward the total that must come out first.	

After the RMD Is Met

REMAINING BALANCE	Eligible
Any amount beyond the RMD can be converted the same year.	
TAX TREATMENT	Ordinary Income
Both the RMD and the converted amount are taxable when taken.	
DELAYED FIRST RMD	No Conversion Yet
Waiting until April 1 to take it blocks conversions until it is taken.	

EASY TO MISS

If you own more than one IRA, the total RMD across all of them must be satisfied before converting from any single account, not just the RMD on the account being converted.

Fill Your Bracket With Roth Conversions, Then Stop

The top of the 12% bracket is the popular target, but the same math works in any bracket. Convert up to the ceiling of the bracket you are already in, and stop before the next rate.

2026 BRACKET CEILINGS (TAXABLE INCOME)

YOUR BRACKET	SINGLE CEILING	JOINT CEILING	NEXT RATE
12%	$50,400	$100,800	22%
22%	$105,700	$211,400	24%
24%	$201,775	$403,550	32%

THREE STEPS TO YOUR NUMBER

1. **Find Your Bracket Ceiling**
   The figures above are taxable income, so the standard deduction of $16,100 single or $32,200 joint comes off your gross income first.

2. **Subtract Your Other Taxable Income**
   Wages, pensions, and the taxable share of Social Security. A conversion can pull more of your Social Security into taxable income, so include that effect.

3. **Convert the Gap by December 31**
   Any year works, not just retirement. The room is widest after retirement and before RMDs begin at 73 (born before 1960) or 75 (born 1960 or later).

WHAT IT COSTS YOU

Bracket math is not the only line. Cross $109,000 single or $218,000 joint in MAGI and IRMAA adds about $1,148 per person to Medicare premiums two years later, generally for that one year's income only.

When Roth Conversions Raise Medicare Costs

Medicare bases your premiums on income from two years earlier, so a conversion today shows up as a surcharge you will not see for 24 months.

EXAMPLE

Carol, 63, retiring early. $500,000 in a traditional IRA, converting $200,000 to Roth before Medicare at 65, on $40,000 of other income.

All $200K in One Year

MAGI	$240,000
PART B + D/MO	$649 + $83
ANNUAL IRMAA	~$6,355
INCOME TAX	32% bracket
TOTAL COST	$55,059

Stay Below IRMAA

≈$67K per year

MAGI/YR	≈$107,000
PART B + D/MO	$203 + $0
ANNUAL IRMAA	$0
INCOME TAX	24% bracket
TOTAL COST	$40,938

2026 IRMAA Brackets (Single Filer)

MAGI TWO YEARS PRIOR		
$109,001 – $137,000	$284.10	+$81
$137,001 – $171,000	$405.80	+$203
$171,001 – $205,000	**$527.50**	**+$325**
$205,000 to $205,001 adds $1,735 a year		
$205,001 – $500,000	**$649.20**	**+$446**
Above $500,000	$689.90	+$487

THE REAL TRADEOFF

This is not just about dodging IRMAA. Spreading it out costs $14,121 less overall, tax and IRMAA combined. A single large-year conversion still makes sense for a much bigger IRA, a looming RMD spike, or a forced timeline like an inherited IRA's 10-year rule.

Why an Inherited Roth IRA Has No Yearly Withdrawal Rule

Both accounts share the same 10-year deadline for most heirs. What differs is whether anything has to come out before that final year.

TRADITIONAL IRA		ROTH IRA
RMDs Can Apply Required each year if the original owner had already started RMDs.	vs.	**No Yearly RMDs Apply** The 10-year deadline still applies, but no yearly RMD schedule carries over from the original owner.

Inherited Traditional

YEARS 1 TO 9

RMDs May Apply

Required annually if the original owner had already started their own RMDs.

YEAR 10 DEADLINE

Empty The Account

The full balance must be withdrawn by December 31 of the 10th year.

TAXATION

Ordinary Income

Each withdrawal is taxed as regular income in the year it is taken.

Inherited Roth

YEARS 1 TO 9

No Requirement

Withdraw any amount, skip years, or leave it untouched. The pace is yours.

YEAR 10 DEADLINE

Empty The Account

The same 10-year deadline applies, even with nothing required before it.

TAXATION

Generally Tax-Free

As long as the original Roth was funded at least 5 years earlier.

BOTTOM LINE

Both accounts share the same 10-year deadline. Only a traditional IRA can also require withdrawals along the way. A Roth heir can wait until year 10 to take out a single dollar.

How a Backdoor Roth IRA Works

A legal route into a Roth IRA for earners above the income limit, and the order matters.

1. Check whether you can contribute directly

In 2026, direct Roth contributions phase out from $153,000 to $168,000 single, and $242,000 to $252,000 married filing jointly. Inside the range, a partial direct contribution is still allowed.

2. Check the pro-rata rule first

If you have pre-tax money in a traditional, SEP, or SIMPLE IRA on Dec. 31, the IRS treats part of the Roth conversion as taxable. One fix is rolling that pre-tax IRA money into a current 401(k) before year-end, if the plan accepts it.

3. Contribute after-tax dollars to a traditional IRA

Up to $7,500, or $8,600 if age 50 or older.

4. Convert that money to a Roth IRA

Convert soon after contributing. Investing before conversion can create taxable earnings.

5. Invest the funds inside the Roth

Converting alone leaves the money in cash. Pick investments once it lands.

6. File Form 8606

This documents the nondeductible contribution and the Roth conversion so the IRS can track your basis.

The Backdoor Roth Trap Most People Miss

The IRS pro-rata rule can turn a "tax-free" conversion into a tax bill.

SCENARIO

Linda, 55 | Income: $280,000

Too much income to contribute directly to a Roth IRA. She uses the backdoor: $8,600 into a Traditional IRA, then converts it to Roth.

WHAT SHE FORGOT

She also has **$150,000 in a rollover IRA** from an old 401(k). The IRS counts every traditional IRA balance combined, not just the new one.

Rollover IRA (pre-tax) $150,000

New contribution (after-tax) $8,600

TAXABLE PORTION OF HER CONVERSION

94.6%

$150,000 / $158,600 = 94.6% of any conversion is taxed

THE FIX

Roll the $150,000 into a current employer 401(k) before converting, if the plan accepts incoming IRA rollovers. A 401(k) balance is left out of the pro-rata math, so the backdoor Roth works as intended.