Upcoming Financial Decisions as You Approach Age 65 and Beyond (v3.0)

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Class Outline
● Retirement Income (Three-legged Stool)
  ■ Social Security and/or TRS (Teacher’s Retirement System)
  ■ Personal Savings (401K, IRA, RMDs, Roth 401K, Roth IRA)
  ■ Corporate Pensions
● Healthcare (Options, Premiums, Expenses)
  ■ Medicare (Parts A-Hosp; B; C-Medicare Advantage; D-Rx)
  ■ Medicare Supplement Insurance (Medigap)
  ■ Long Term Care (LTC) Insurance
● Taxes
  ■ Property Taxes when over age 65
  ■ Income Tax implications on retirement income

Social Security Benefits
● Retirement (Age 62-70)
  ■ FRA – Full Retirement Age
  ■ TRS – Teacher Retirement System/other gov. pension reduction
● Widow/er (Age 60+, 60+disabled, w/child <16 or disabled)
● Dependents (Child<18, child<20 & full-time prim./sec. student, or disabled before age 22, limited to 2x FRA)
● Divorcee – 62+, married for 10 years, unmarried for 2
● Disability – Administered by SSA (Gen. Fund Expense)
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Social Security Eligibility - FRA (Full Retirement Age - birth year)

<table>
<thead>
<tr>
<th>Birth Year</th>
<th>FRA</th>
<th>Months</th>
<th>$1000 benefit reduced by</th>
<th>$1000 benefit reduced to</th>
<th>$1000 benefit increased to</th>
</tr>
</thead>
<tbody>
<tr>
<td>1943-54</td>
<td>66</td>
<td>0</td>
<td>$750</td>
<td>$350</td>
<td>$1,320</td>
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<tr>
<td>1955</td>
<td>66</td>
<td>6 months</td>
<td>$741</td>
<td>$345</td>
<td>$1,307</td>
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<tr>
<td>1956</td>
<td>66</td>
<td>8 months</td>
<td>$733</td>
<td>$341</td>
<td>$1,293</td>
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<tr>
<td>1957</td>
<td>66</td>
<td>10 months</td>
<td>$725</td>
<td>$337</td>
<td>$1,280</td>
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<tr>
<td>1958</td>
<td>66</td>
<td>12 months</td>
<td>$716</td>
<td>$333</td>
<td>$1,267</td>
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<tr>
<td>1959</td>
<td>66</td>
<td>14 months</td>
<td>$708</td>
<td>$329</td>
<td>$1,253</td>
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<tr>
<td>1960+</td>
<td>67</td>
<td>0</td>
<td>$700</td>
<td>$325</td>
<td>$1,240</td>
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</table>
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Social Security Q&A

- Q1 – Spousal Benefits
- Q2 – Widow(er)s Benefits
- Q3 – Survivor Benefits
- Q4 – Age 70 Benefits
- Q5 – Offset Rules (WEP)
- Q6 – Increases in SS if still working
- Q7 – Returning SS Benefits upon death

Working in Retirement

Years before full retirement age: $1 of SS benefits deducted for each $2 earned above $19,560 (2022) or $1,630 / month.

Year of full retirement age: $1 of SS benefits deducted for each $3 earned above $51,960 (2022) or $4,330 / month until the month you reach FRA.

No deductions in earnings once you reach Full Retirement Age.

Estimated Average Monthly SS Benefits Payable in 2022

<table>
<thead>
<tr>
<th>Category</th>
<th>Before 5.9% COLA</th>
<th>After 5.9% COLA</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Retired Workers</td>
<td>$1,565</td>
<td>$1,657</td>
</tr>
<tr>
<td>Aged Couple, Both Receiving Benefits</td>
<td>$2,599</td>
<td>$2,753</td>
</tr>
<tr>
<td>Widowed Mother and Two Children</td>
<td>$3,009</td>
<td>$3,187</td>
</tr>
<tr>
<td>Aged Widow(er) Alone</td>
<td>$1,467</td>
<td>$1,533</td>
</tr>
<tr>
<td>Disabled Worker, Spouse and 1+ Children</td>
<td>$2,250</td>
<td>$2,383</td>
</tr>
<tr>
<td>All Disabled Workers</td>
<td>$1,282</td>
<td>$1,358</td>
</tr>
</tbody>
</table>
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Taxable Social Security

- **Single**
  - < $25,000 0%
  - $25-34,000 50%
  - > $34,000 85%

- **Married**
  - < $32,000 0%
  - $32-44,000 50%
  - > $44,000 85%

Social Security

- [www.SSA.gov](http://www.SSA.gov) 1-800-772-1213
  - Set up an online account for each person SSA.gov/myAccount
  - Share password with spouse (consider dementia)
- Local Offices – M, T, H, F 9-4, W 9-Noon
  - Denton – 2201 Colorado Blvd – 1-888-717-1530
  - McKinney – 3250 Craig Dr – 1-866-931-2731
- Dallas Morning News – every Sunday in the Metro Section
  - Tom Margenau has Q&A about SS
    (Thomas.Margenau@comcast.net)
  - Retired 32-year employee with SSA
  - Book available called: Social Security: Simple & Smart

Helpful Social Security Contacts

- Plan Your Retirement: [www.ssa.gov/retire2](http://www.ssa.gov/retire2)
- Get Your Statement: [www.ssa.gov/myaccount](http://www.ssa.gov/myaccount)
- When to receive benefits: [www.ssa.gov/pubs.10147.html](http://www.ssa.gov/pubs.10147.html)
- Survivor Benefits: [www.ssa.gov/pubs/10084.html](http://www.ssa.gov/pubs/10084.html)
- SS Toll Free number: 1-800-772-1213
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Retirement & Retirement Income

- Income and/or Deferred Income
- Corporate or Government Pensions
- Taxable Savings Withdrawals
- Social Security
- Non-taxable Savings Withdrawals
- Cost Recovery (Prepaid LTC & Life Ins Prem)

Pension Payout Options

- If you have a pension plan with your employer or former employer, you need to determine what payout options are available to you. Choices could include:
  - Lump Sum (would need to reinvest to continue income stream)
  - 100/100 Joint Life Annuity (lowest monthly payout)
  - 100/75 Joint Life Annuity (lower payout after death)
  - 100/50 Joint Life Annuity (ditto)
  - Single Life Annuity (highest monthly payout)
  - 10-Year Guaranteed Term (even if annuitant dies)
  - 5-Year Guaranteed Term (ditto, higher monthly)

Taxable Savings Withdrawals

- Annuities
- Dividends / Bond Interest
- Sale of Stocks & Bonds
- Withdrawal from IRAs, 401Ks, & 403Bs
IRAs

- Annual IRA deferral limit for 2020 is $7,000 (> age 50)
- Withdrawals are taxed at higher ordinary income rates (not lower capital gains rates)
- Withdrawals before age 59 ½ are assessed a 10% penalty
- Consider withdrawing IRA funds for retirement before applying for Social Security to minimize tax impact to social security income
- Must begin withdrawing funds by April 1st of the year following the year you reach age 72 (new in 2020)
- A second withdrawal will be required by December 31st of that same year
- See Publication 590-B at IRS.gov

Required Minimum Distributions (RMD) when over 72

<table>
<thead>
<tr>
<th>Age of IRA Owner</th>
<th>Expected Life (in years)</th>
<th>Age of IRA Owner</th>
<th>Expected Life (in years)</th>
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<th>Age of IRA Owner</th>
<th>Expected Life (in years)</th>
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<tbody>
<tr>
<td>72</td>
<td>27.4</td>
<td>84</td>
<td>16.8</td>
<td>96</td>
<td>8.4</td>
<td>108</td>
<td>3.9</td>
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<tr>
<td>73</td>
<td>26.5</td>
<td>85</td>
<td>16.0</td>
<td>97</td>
<td>7.8</td>
<td>109</td>
<td>3.7</td>
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<tr>
<td>74</td>
<td>25.5</td>
<td>86</td>
<td>15.2</td>
<td>98</td>
<td>7.3</td>
<td>110</td>
<td>3.5</td>
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<tr>
<td>75</td>
<td>24.6</td>
<td>87</td>
<td>14.4</td>
<td>99</td>
<td>6.8</td>
<td>111</td>
<td>3.4</td>
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<tr>
<td>76</td>
<td>23.7</td>
<td>88</td>
<td>13.7</td>
<td>100</td>
<td>6.4</td>
<td>112</td>
<td>3.3</td>
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<tr>
<td>77</td>
<td>22.9</td>
<td>89</td>
<td>12.9</td>
<td>101</td>
<td>6.0</td>
<td>113</td>
<td>3.1</td>
</tr>
<tr>
<td>78</td>
<td>22.0</td>
<td>90</td>
<td>12.2</td>
<td>102</td>
<td>5.6</td>
<td>114</td>
<td>3.0</td>
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<tr>
<td>79</td>
<td>21.1</td>
<td>91</td>
<td>11.5</td>
<td>103</td>
<td>5.2</td>
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<tr>
<td>80</td>
<td>20.2</td>
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<td>10.8</td>
<td>104</td>
<td>4.9</td>
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<td>2.7</td>
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<tr>
<td>82</td>
<td>18.5</td>
<td>94</td>
<td>9.5</td>
<td>106</td>
<td>4.3</td>
<td>118</td>
<td>2.5</td>
</tr>
<tr>
<td>83</td>
<td>17.7</td>
<td>95</td>
<td>8.9</td>
<td>107</td>
<td>4.1</td>
<td>119</td>
<td>2.3</td>
</tr>
</tbody>
</table>

Example: $100,000 balance divided by 27.4 = $3,650 at age 72
$96,350 balance divided by 26.5 = $3,636 at age 73

401Ks

- If you are not already, increase your 401K contributions to maximize your employer match
- Annual 401K deferral limit for 2022 is $27,000 (> age 50)
- Withdrawals are taxed at higher ordinary income rates (not lower long-term capital gains rates)
- Withdrawals before age 59 ½ are assessed a 10% penalty
- May have to move 401K account to an IRA when you retire based upon company policy (no tax implication)
- Consider withdrawing 401K funds for retirement before applying for Social Security to minimize tax impact to social security income; must start removing funds by age 72
Non-Taxable Savings Withdrawals

- Savings Accounts / CDs
- Roth IRAs
- Roth 401Ks

Roth 401K and Roth IRA

Roth 401K
- Like a 401K, however, distributions are not taxed if made after age 59½
- Distributions must begin no later than age 72

Roth IRA
- Like an IRA, however, distributions are not taxed or penalized if made after age 59½
- No requirement to start taking distributions while owner is alive

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Questions...

Comments...

We'll continue class next week discussing Medicare and more.
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