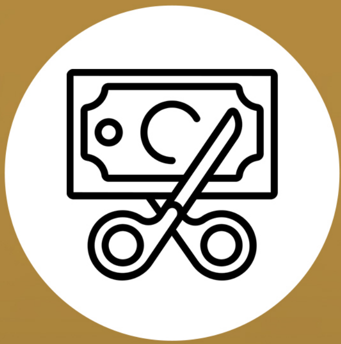
ARE YOU PAYING TOO MUCH IN TAXES IN RETIREMENT?

ACT NOW TO ENSURE A TAX-EFFICIENT FINANCIAL STRATEGY

BIG MONEY
RETIREMENT SOLUTIONS



$2 TRILLION

The total tax bill that could be coming due from traditional IRA and 401(k) plans held by baby boomers

Source: Money /http://money.com/money/4377233/retirement-boomers-taxes-required-withdrawals/

Even into retirement, taxes follow you. Those retirement accounts you've started drawing from, Social Security benefits you're receiving and other income from accounts designed to support your lifestyle in retirement? They may be taxable.

For most of your working life, you've been in an accumulation phase, gathering and growing assets to support you in later years. During retirement, however, you move to a different mindset as you transition into a distribution phase.

Planning for the distribution phase includes a shift in perspective as you work toward preserving the assets you spent so many years building.

The key to preserving your assets is developing a smart distribution strategy, one that accounts for, among other things, the taxes you'll owe in retirement.

But where do you begin? What steps do you need to take today to help ensure success tomorrow? An experienced financial professional can help you develop a tax-efficient approach designed to preserve your retirement assets, whether you're already retired or plan to work 10 more years.

2021 Income Tax Brackets[1]

RATE	INDIVIDUALS	MARRIED FILING JOINTLY
10%	Up to $9,950	Up to $19,900
12%	$9,951 to $40,525	$19,901 to $81,050
22%	$40,526 to $86,375	$81,051 to $172,750
24%	$86,376 to $164,925	$172,751 to $389,850
32%	$164,926 to $209,425	$329,851 to $418,850
35%	$209,426 to $523,600	$418,851 to $628,300
37%	$523,601 and up	$628,301 and up

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Some taxpayers over 72 can find themselves subject to a 55% marginal income tax rate due to a combination of RMD income, Social Security benefits and capital gains.

Source: Forbes https://www.forbes.com/sites/nextavenue/2016/02/04/abcs-of rmds-required-minimum-distribution rules-for-retirement/

MONEY IN YOUR POCKET

Many people think that retirement automatically means you pay less in taxes. After all, you're no longer being handed a paycheck from an employer, right? The reality is most Americans don't drastically reduce their tax bill in retirement. The reason? You're still taking in an income, but you most likely have fewer deductions and credits than you had during your working years.

Retirement income can come from a variety of sources, both taxable and non-taxable. Whether or not the income is taxable depends on its source or account of origin. The key to minimizing your taxes and putting more money in your pocket is to blend your income from a variety of sources. Here's a look at which accounts are taxable and which are not.

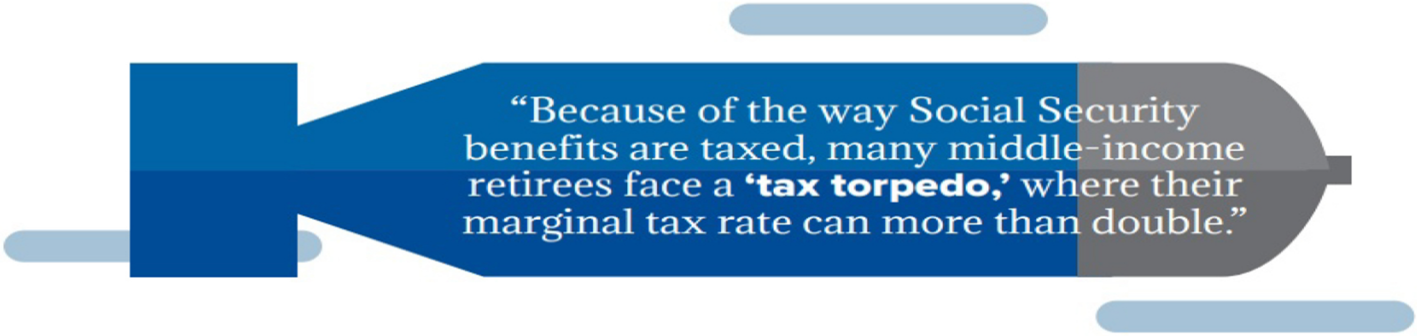
TAXABLE INCOME

Qualified Accounts

Most retirement accounts-including 401(k)s, 403(b)s, SIMPLE IRAs, SEP IRAs, profit-sharing plans, pension plans and traditional IRAs-are known as qualified accounts. Qualified plans are designed for retirement income; any money saved into these plans can be accessed without penalty after age 59 ½.

The IRS allows money in these accounts to be saved and grow tax-deferred, meaning the taxes have been delayed until some point in the future. You haven't paid any taxes on qualified retirement accounts yet. When you start to take income from those accounts, taxes are owed at the tax rates at time of distribution.

Beware-because you haven't paid taxes on this money yet, the IRSwill soon come calling for their due. At age 72, you must start taking an annual required minimum distribution (RMD) from a qualified account. This amount is calculated based on your age, amount of money in the account and life expectancy.[1] If you don't take your RMD, you could receive a tax penalty of 50 percent of the RMD amount for that year.



Source: Liz Weston, NerdWallet
https://www.marketwatch.com/story/people-who-saved
for-retirement-are-being-punished-by-social-security-taxes-2019-01-07

Social Security

Will your Social Security benefits be taxable? It depends. To avoid being taxed on your Social Security benefits, any income from other sources-such as a job or 9ualified retirement accounts-must be below the allowed base amount for your filing status.

2021 Limits to Taxable Social Security Benefits[3]

FILING STATUS	COMBINED INCOME*	% OF SS BENEFITS THAT MAY BE TAXABLE
Individual	$25,000 to $34,000	Up to 50%
	More than $34,000	Up to 85%
Married Filing Jointly	$32,000 to $44,000	Up to 50%
	More than $44,000	Up to 85%

Annuities

Annuities are another type of account designed to provide income during retirement. Unlike more traditional retirement accounts, not all income from an annuity may be taxable. It depends on a variety of factors, including the type of annuity and how it was funded.2 If you're not sure how your annuity income might be taxed, a financial advisor can review your existing annuity and help clarify how your annuity income may be taxed.

Perhaps the largest ticking time bomb from a tax perspective comes from the money that Americans have in IRAs, 401K plans, and other qualified retirement plans.

Source: The Motley Fool I https://www.fool.com/taxes/2018/01/30/these-3-ticking-tax-time-bombs-could-destroy-your.aspx

NONTAXABLE INCOME

A non-qualified account is funded with money on which you've already paid taxes. These could include savings and checking accounts, non-retirement brokerage and investment funds, money market accounts, and CDs. While you have already paid taxes on the money you've put into the account, any growth on the account-including interest earned or dividends paid-will betaxable.[3]

A Roth IRA isa hybrid of a qualified and non-qualified account. Like a traditional IRA, it's designed for retirement, and you can access funds in a Roth IRA penalty-free after age 59 ½. Unlike a traditional IRA, however, a Roth IRA is funded with after-tax dollars. Qualified distributions from a Roth IRA are free from federal income tax, and a Roth IRA doesn't have a required minimum distribution while the account owner is alive.[4]

DEDUCT THIS

The changes brought by the 2017 Tax Cuts and Jobs Act means fewer taxpayers are likely to itemize. You'll no longer be able to claim certain deductions on your taxes, such as personal exemptions. The federal government has changed its itemized deduction rules related to work expenses, so you can't deduct mileage, equipment or other work-related items anymore. Even if you do itemize, some of the allowed deductions may no longer work for your situation. Maybe you've paid ofF your house and loans, which means you can no longer put mortgage interest on your return.

Meeting with an advisor now is critical to develop an effective plan from the start of your retirement.

TAX LAWS ARE EVER-CHANGING

Just when you think you've got your tax picture figured out, the IRS and Congress come along and mix things up. Changes in tax law can drastically impact your retirement income, leaving you to make critical lifestyle adjustments.

An aging American population is creating a new set of variables for tax experts, making it difficult to predict what future tax liabilities may look like for retirees. Increasing national debt[5], projected Social Security shortfalls[6] and increased Medicare expenses[7]-including costs related to health care and long-term care-may drastically affect future tax codes.

Work with a financial advisor who understands how to build an income strategy that accounts for those possible changes and helps you take the necessary steps to be ready when they come.

Taxes may double in the next 10 years ... to pay for the ballooning national debt, swollen Social Security and Medicare rolls, etc.

Source: Forbes https://www.forbes.com/sites/lawrencelight/2018/09/30/revamping-your-portfolio-to-beat-the-coming-tax-hikes/

DID YOU KNOW?
Congress makes changes to our tax laws every year. Here's a look at some of the changes they could make that may affect your retirement income:

- Individual tax brackets, including adding, removing or expanding brackets
- Deductions for medical expenses
- Changes to Social Security and Medicare
- Changes to how estates are taxed
- Changes to exemptions, credits and standard deductions
- Deductions of state and local tax payments
- Taxes on selling your home or other real estate

WHERE YOU PUT YOUR MONEY MATTERS

Different types of accounts have a specific tax status, including taxable, tax-deferred and tax free. Your financial advisor may present the idea of spreading your assets across four different categories of accounts. This method of saving for retirement considers future tax implications and creates a plan to maximize your retirement income. Simply put, this strategy divides your assets into four types:

- Taxable
- Income-tax-free (to you), but taxable to your estate
- Tax-deferred
- Income-tax-free (to you and your estate)

Thecategories range from 100 percent taxable to 100 percent income-tax-free for you and your estate. When preparing a plan for retirement income, your financial advisor may make recommendations for how much of your assets should be allocated to each account type.

If you currently have money saved, you may consider redistributing some of your existing assets into different categories. Contact a financial professional today to find out how you can make your investments more tax-efficient and possibly lower your future tax bill.

GIVING TO FUTURE GENERATIONS

When planning your estate, you should consider the funds you plan to gift before your death as well as the money you wish to distribute after you are gone.

Types of accounts that can accomplish these goals might include life insurance, accounts set up for minors, funds to be given to charitable organizations, and money earmarked as gifts to loved ones. Currently, you can give up to $15,000 to an individual each year without triggering a federal gift-tax consequence.[8]

How much you should have in each category depends on your goals for retirement, how much you want to leave to heirs and much more. Your financial advisor can help devise a strategy customized to meet your personal needs.

GET STARTED TODAY!

Your financial advisor can provide recommendations for tax-efficient tools and financial vehicles available to help reach your goals. But don't wait! Starting now is important to help this strategy work in the future.

Schedule a retirement income analysis today and get a customized strategy for your unique tax situation.

CALL (864) 920-3155

[1] IRS. May 30, 2018. "Retirement Plan and IRA Required Minimum Distributions FAQs." https://www.trs.gov/retirement- plans/retirement- plans- fags- regarding-required -minimum-distributions. Accessed Aug. 22, 2018.

[2] Jeanne Sahadi. CNN Money. May 11, 2018. "Before choosing an annuity, know the tax implications." https://money.cnn.com/2018/05/11/pf/taxes/annuities-taxes/index.html. Accessed Oct. 30, 2018.

[3] Curtis L. Lyman. Investopedia. Nov. 8, 2017. "A Beginner's Guide to Tax-Efficient Investing." https://www.investopedia.com/articles/stocks/11/intro-tax-efficient-investing.asp. Accessed Dec. 18, 2018.

[4] Julia Kagan. Investopedia. May 20, 2019. "Roth I RA." https://www.investopedia.com/terms/r/rothira.asp. Accessed June 18, 2019.

[5] USGovernmentDebt.us. "Total US Government Debt in 2019." https://www.usgovernmentdebt.us/. Accessed July 9, 2019. Social Security Administration. June 5, 2018.

[6] Social Security Combined Trust Fund Reserves Depletion Year Remains 2034 Says Board of Trustees." https://www.ssa.gov/news/press/releases/2018/?utm_source=facebook&utm_medium=social&utm_campaign =oea - blog&utm_ content%20field = 46 -2018 -1. Accessed Aug. 15, 2018.

[7] Congressional Budget Office. April 9, 2018. "The Budget and Economic Outlook: 2018 to 2028." https://www.cbo.gov/publication/53651. Accessed Aug. 6, 2018.

[8] IRS. June 13, 2019. "What's New - Estate and Gift Tax." https://www.irs.gov/businesses/small- businesses-self- employed/whats- new-estate-and -gift-tax. Accessed June 18, 2019.

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