



# Tax-free Retirement Path



**Commitment | Clarity | Confidence**

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Kristen Cooper  
*President*

Social Security and Retirement Planning Courses  
National Social Security Advisor (NSSA®)  
Tax-free Retirement Strategist  
Weekly Radio Shows





More Importantly...

Married for 24 years

5 amazing, crazy daughters

2 destructive but lovable dogs

1 wild mustang

1 suicide cat

# Agenda

- The Tax Columns
- The qualified plan tax-dilemma
- Social Security Taxation
- How to create multiple streams of tax-free income, including social security
- Increasing safety, net rate of return, and net spendable income

***Let's Go!***



Why Do I Do This?

**My Grandmother**



# Why Do I Do This?

What was she taught about retirement regarding risk?

“Buy, Hold, and Pray...”

What happened in 2000?



# Why Do I Do This?

**What was she taught about retirement regarding taxes?**

**401Ks and IRAs are tax-efficient**

**Taxes are just something you have to live with**





# Why Do I Do This?

**What was she taught about retirement long-term care?**

**You probably won't need it...**

**Your assets can pay for it**



# Why Do I Do This?

Business isn't personal...



“

**In America, there are two tax systems: one for the informed and one for the uninformed.**

**Both systems are legal.**

— *Learned Hand*

*Former Judge of the United States District Court for the Southern District of New York.*



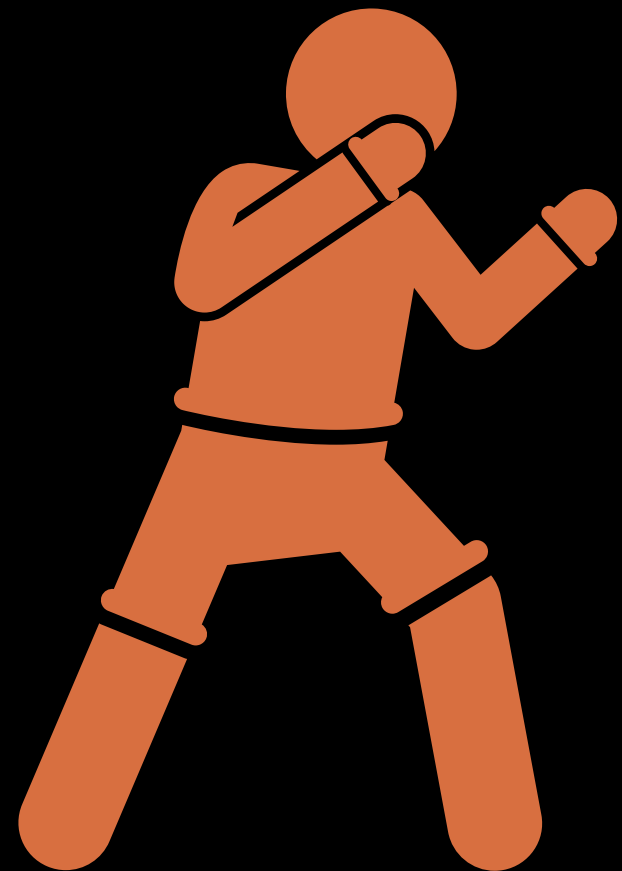
# Tax-free Retirement Kit

- Tax-free retirement white paper
- Retirement Mythbusters
- Tax-free Retirement Snapshot

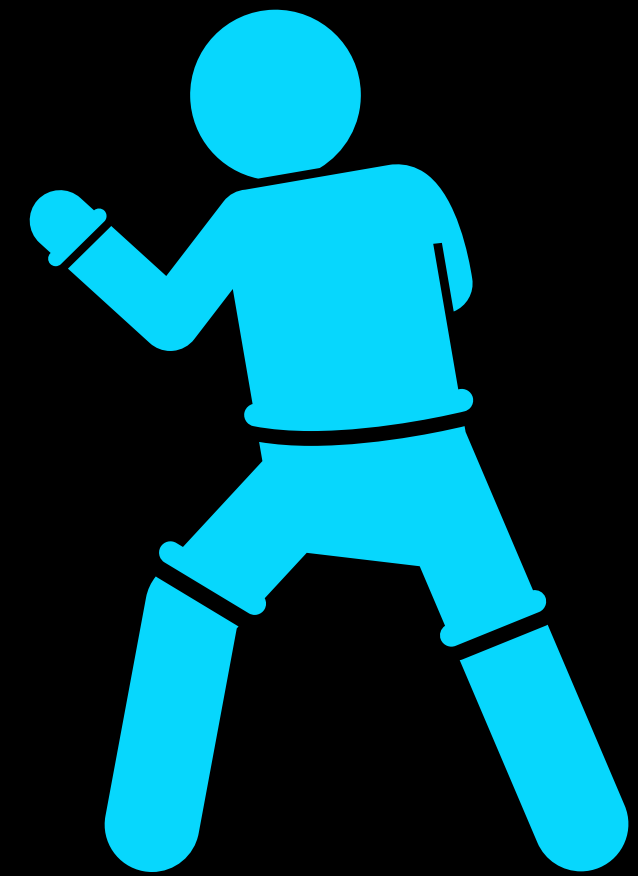


# Tax Wise Analysis

# Asset Location



VS



# Asset Allocation

Asset Location

Location, Location, Location!

Asset Allocation

# The Tax Columns

**Taxable**

Tax-deferred  
(Tax-procrastination)

Tax-free

# The Tax Columns

Taxable

Tax-deferred  
(Tax-procrastination)

Tax-free

Bank Accounts  
CDs  
MMA  
Brokerage Accounts  
(Stocks, Bonds, Mutual  
Funds, ETFs)



# The Tax Columns

Taxable

Tax-deferred  
(Tax-procrastination)

Tax-free

Bank Accounts

CDs

MMA

Brokerage Accounts (Stocks,

Bonds, Mutual Funds, ETFs)

**PRO:**

- Liquid
- Emergency Fund
- Short-term Goals

# The Tax Columns

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**PRO:**

- Liquid
- Emergency Fund
- Short-term Goals

**CON:**

- Taxable (1099)

## The Tax Columns

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# What If I Doubled \$1 Twenty Times?

# The Tax Columns

Taxable

Tax-deferred  
(Tax-procrastination)

Tax-free

Bank Accounts  
CDs  
MMA  
Brokerage Accounts (Stocks,  
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**Over 1,000,000**



# The Tax Columns

Taxable

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(Tax-procrastination)

Tax-free

Bank Accounts

CDs

MMA

Brokerage Account (Stock

Bonds, Mutual Funds, ETFs)

**But what if we withheld taxes along the way?**

**Say, 25%?**

**What's the ending balance?**

# The Tax Columns

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(Tax-procrastination)

Tax-free

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~\$72,000

# The Tax Columns

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Brokerage Accounts (Stocks,  
Bonds, Mutual Funds, ETFs)

## Taxes Have a Massive Impact

0% ~\$1,000,000

25% ~\$72,000

30% ~\$40,000

20% ~\$112,000

## The Tax Columns

### Taxable

Bank Accounts  
CDs  
MMA  
Brokerage Accounts (Stocks,  
Bonds, Mutual Funds, ETFs)

PRO: Liquid

CON: Taxable (1099)

### **Tax-deferred (Tax-procrastination)**

IRAs (Traditional, SEP,  
SIMPLE)  
401Ks  
457s  
403(b)s  
TSPs  
Annuities

### Tax-free



# The Tax Columns

Taxable

**Tax-deferred  
(Tax-procrastination)**

Tax-free

Bank Accounts

CDs **PRO:**

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PRO: Liquid

CON: Taxable (1099)

- Pre-tax
- Growth Potential
- Not hindered by tax along the way

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**CON:**

- Loss of deductions

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**CON:**

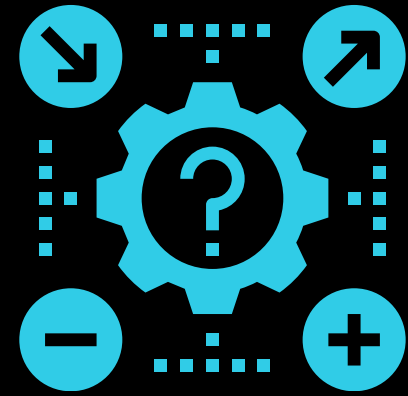
- Loss of deductions
- Where are taxes headed?

# Serious Question

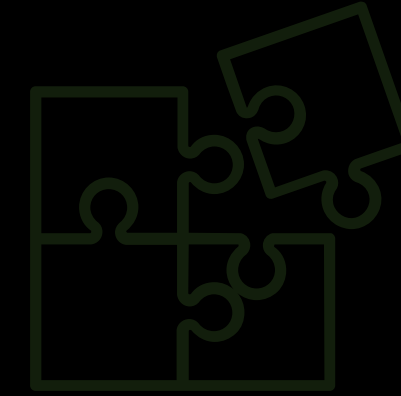
Will the government need  
more or less money in the  
future?



# Qualified Plan Dilemma



**National debt: \$33 Trillion**



Debt to GDP: 120%  
By 2053: 195%

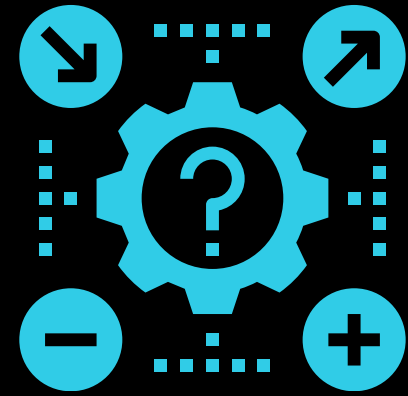


Social Security and Medicare set to experience serious cash deficits.

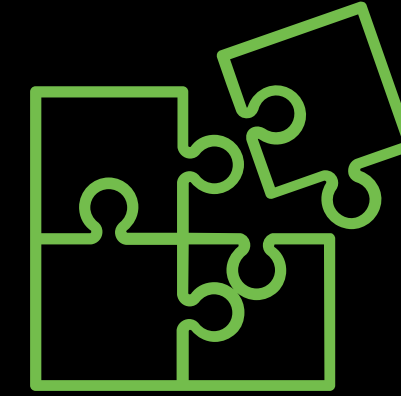


\$37 Trillion reside in qualified plans...

# Qualified Plan Dilemma



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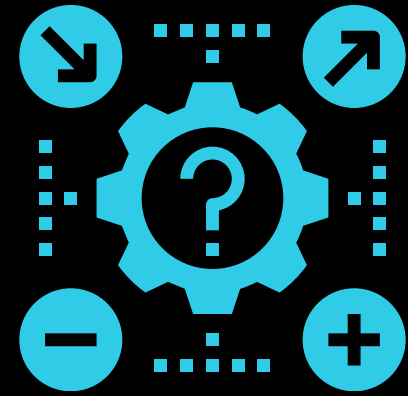


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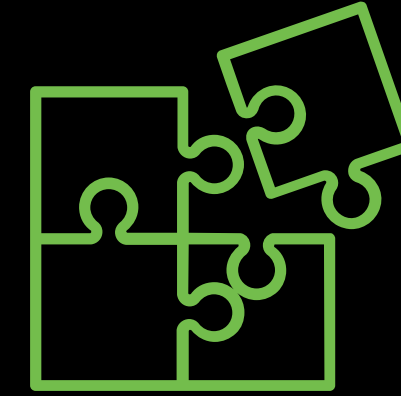


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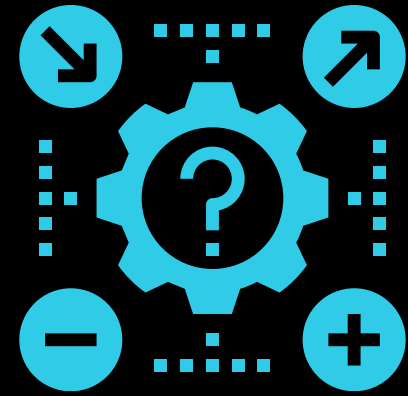


**Social Security and Medicare  
set to experience serious cash  
deficits.**

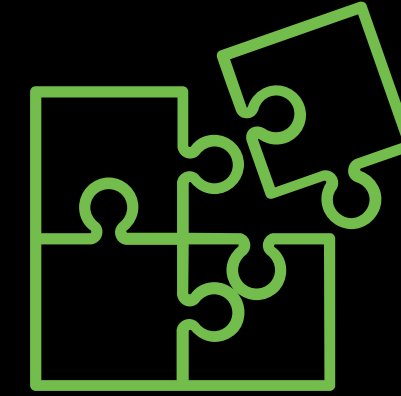


**\$37 Trillion reside in qualified  
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# Qualified Plan Dilemma



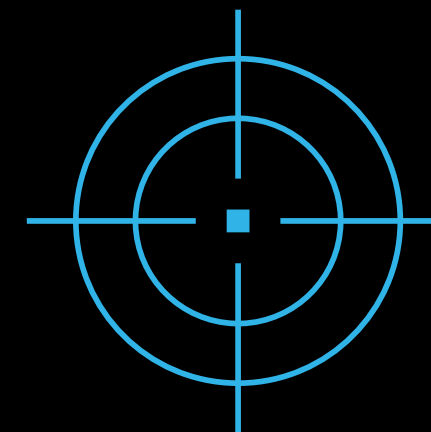
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**\$37 Trillion reside in qualified  
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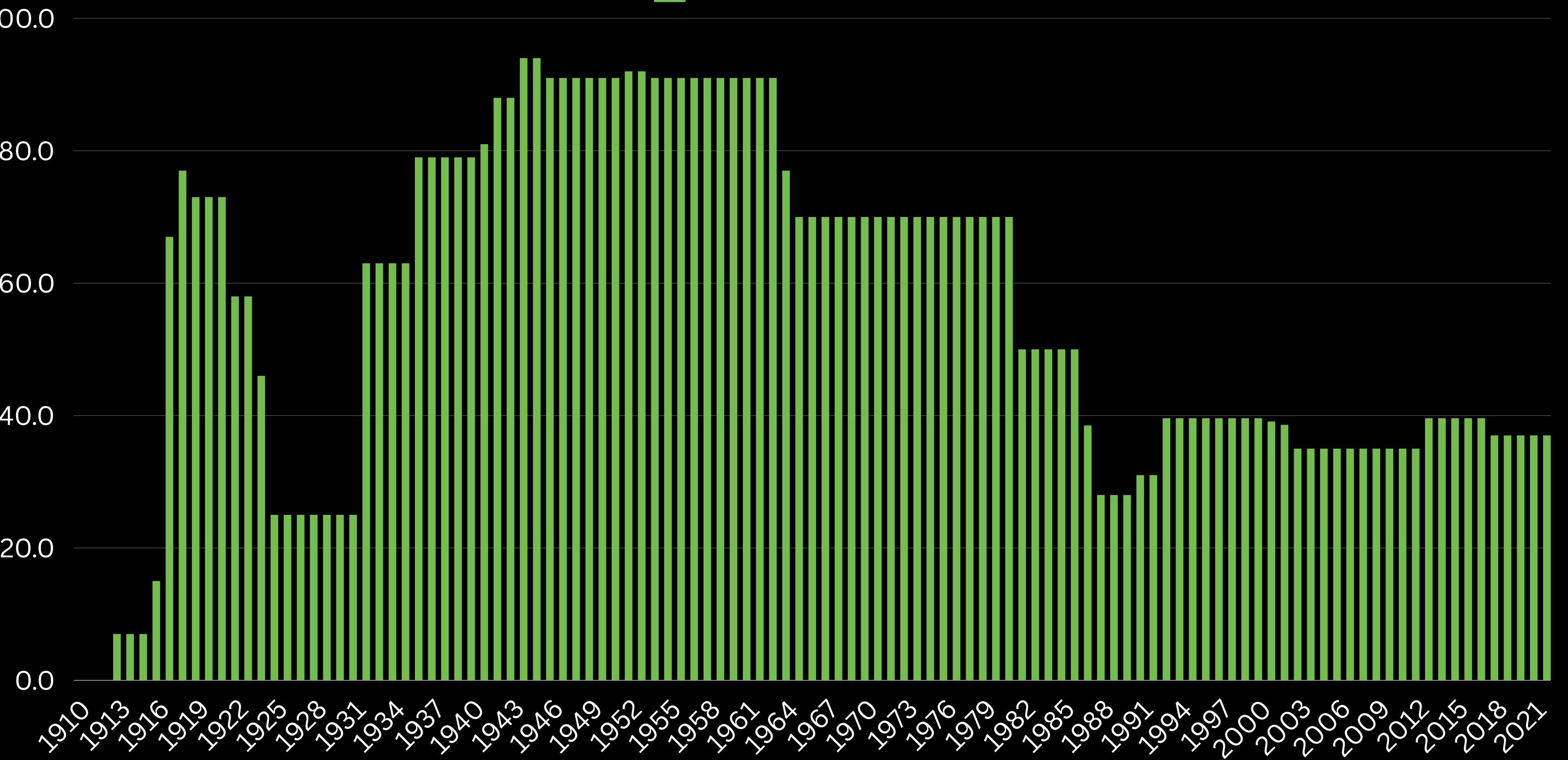
What do we really believe about the future of taxes?

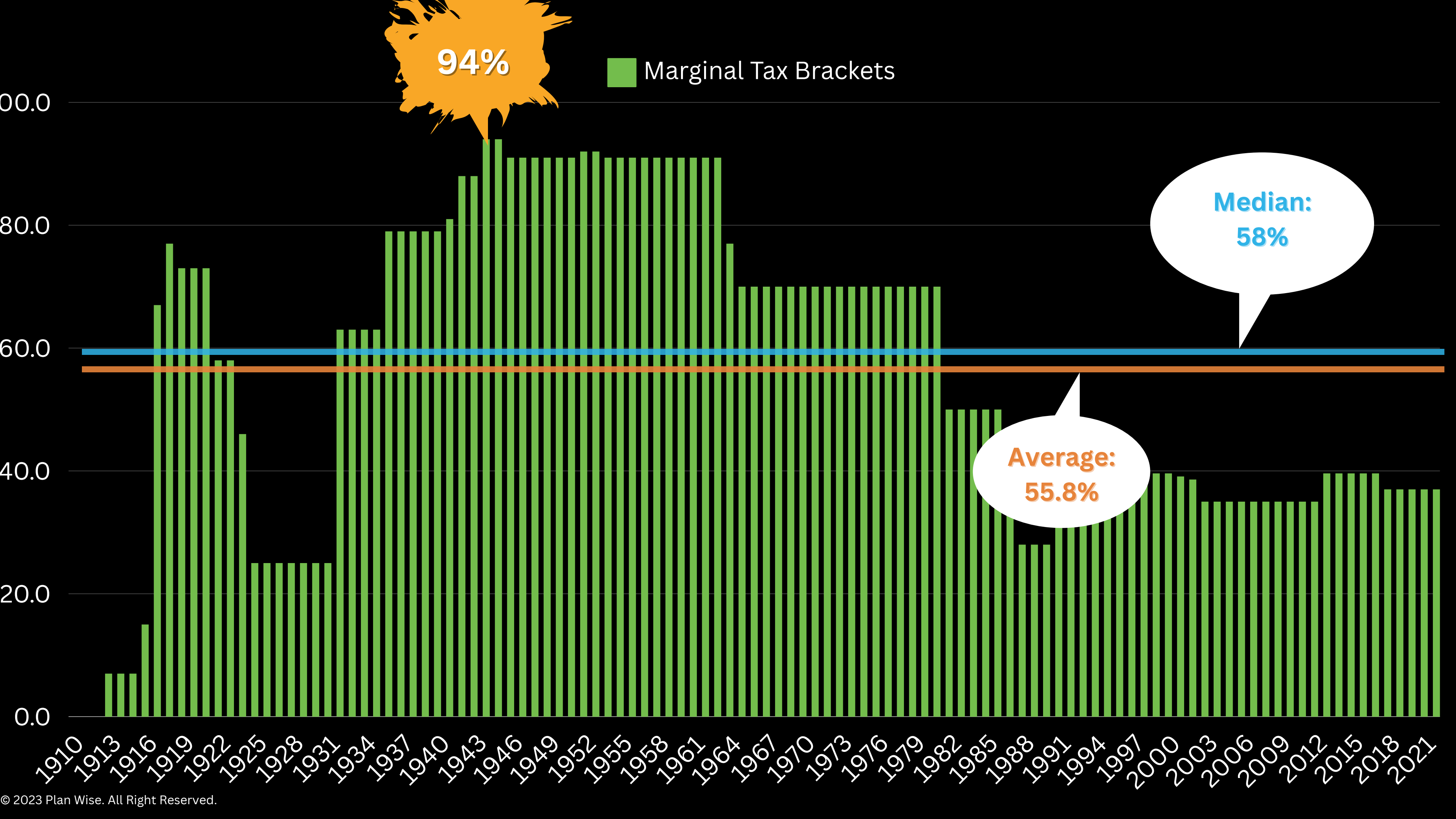


***“...the tax rate for the lowest tax bracket would have to be increased from 10 percent to 25 percent; that tax rate on incomes in the current 25 percent bracket would have to be increased to 63 percent; and the tax rate of the highest bracket would have to be raised from 35 percent to 88 percent.”***

-David M. Walker in the 2008 CBO Report: *The Long-Term Economic Effects of Some Alternative Budget Policies*

Marginal Tax Brackets





# The Tax Columns

Taxable

Tax-deferred  
(Tax-procrastination)

Tax-free

Bank Accounts

CDs **PRO:**

MMA

Brokerage Accounts (Stocks,

Bonds, Mutual Funds, ETFs)

**PRO:** Liquid

**CON:** Taxable (1099)

- Pre-tax
- Growth Potential
- Not hindered by tax along the way

IRAs (Traditional, SEP, SIMPLE)

401Ks

457s

403(b)s

TSPs

Annuities

**CON:**

- Loss of deductions
- Where are taxes headed?
- Pre-tax penalty

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**Pre-tax Penalty**  
**LTCG Tax vs STCG Tax**

# The Tax Columns

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Annuities

**CON:**

- Loss of deductions
- Where are taxes headed?
- Pre-tax penalty
- Provisional Income

# Taxes on Social Security

## Provisional Income:

- 401K/IRA/457/403b/TSP distributions
- Interest (CDs, bonds, MMA)
- Wages/bonuses/commissions
- Pensions
- Real estate income
- Capital gains
- 50% of SSI

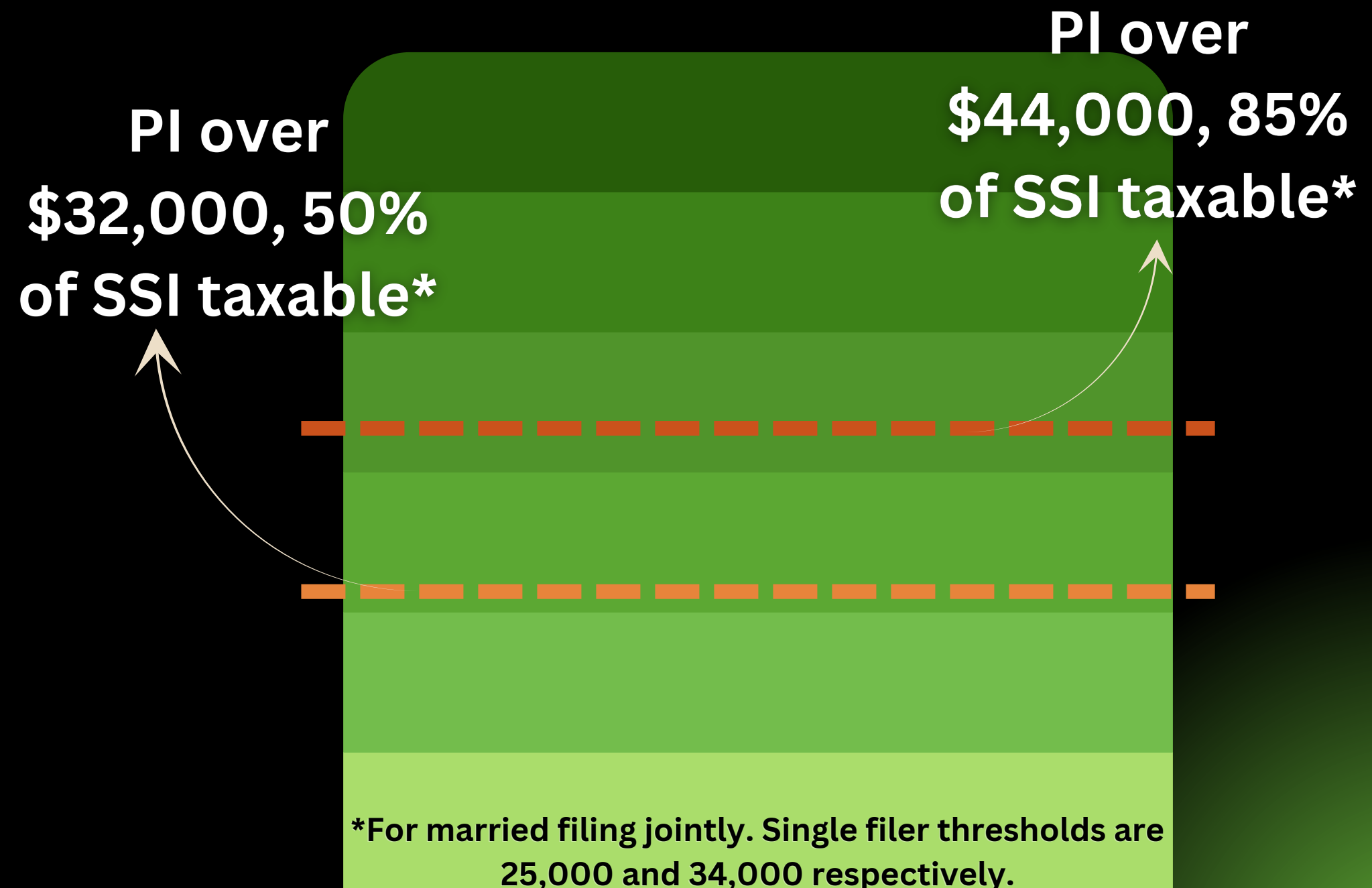
PI over  
\$32,000, 50%  
of SSI taxable\*

\*For married filing jointly. Single filer thresholds are 25,000 and 34,000 respectively.

# Taxes on Social Security

## Provisional Income:

- 401K/IRA/457/403b/TSP distributions
- Interest (CDs, bonds, MMA)
- Wages/bonuses/commissions
- Pensions
- Real estate income
- Capital gains
- 50% of SSI







**...the structure [of the 401K] was always set up  
against lower-paid or middle-class workers from  
the very beginning...**

*—Teresa Ghilarducci: Why the 401(k) is a “Failed  
Experiment”*

# Micro vs Macro View

**Pre-tax retirement plans often offer “short-term gain for long-term pain” by giving token tax savings up front but maximizing taxes over your lifetime.**

Pre-tax retirement plans often offer “short-term  
qualified plans become tax-  
hostile when you need them

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# The Tax Columns

## Taxable

Bank Accounts  
CDs  
MMA  
Brokerage Accounts (Stocks,  
Bonds, Mutual Funds, ETFs)

PRO: Liquid

CON: Taxable (1099)

## Tax-deferred (Tax-procrastination)

IRAs (Traditional, SEP, SIMPLE)  
401Ks  
457s  
403(b)s  
TSPs

PRO: Pre-tax

Growth Potential

CON: Loss of deductions

Where are taxes headed?

Pre-tax penalty

Provisional Income

## Tax-free



Roth IRAs



Roth 401Ks



LIRPs

# The Tax Columns

Taxable

Tax-deferred  
(Tax-procrastination)

**Tax-free**

Bank Accounts

CDs **PRO:**

MMA

• Tax-free Growth and  
access

• Insulated from increasing  
taxes

• Not Provisional Income

Bank Accounts

CDs

MMA

Brokerage Accounts (Stocks,  
Bonds, Mutual Funds, ETFs)

PRO: Liquid

CON: Taxable (1999)

IRAs (Traditional, SEP, SIMPLE)

401Ks

457s

403(b)s

TSPs

PRO: Growth Potential

CON: Loss of deductions

Where are taxes headed?

Pre-tax penalty

Provisional Income

**CON:**

• After-tax  
contributions



Roth IRAs

Roth 401Ks

403(b)s



**Do each of these columns or “locations” have a place?**

**Asset Location is a careful balancing act between  
the tax columns.**

**The Trump tax cuts created the tax sale of a  
lifetime.**

# The Tax Scorecard



# Case Study **Ryan & Jen**

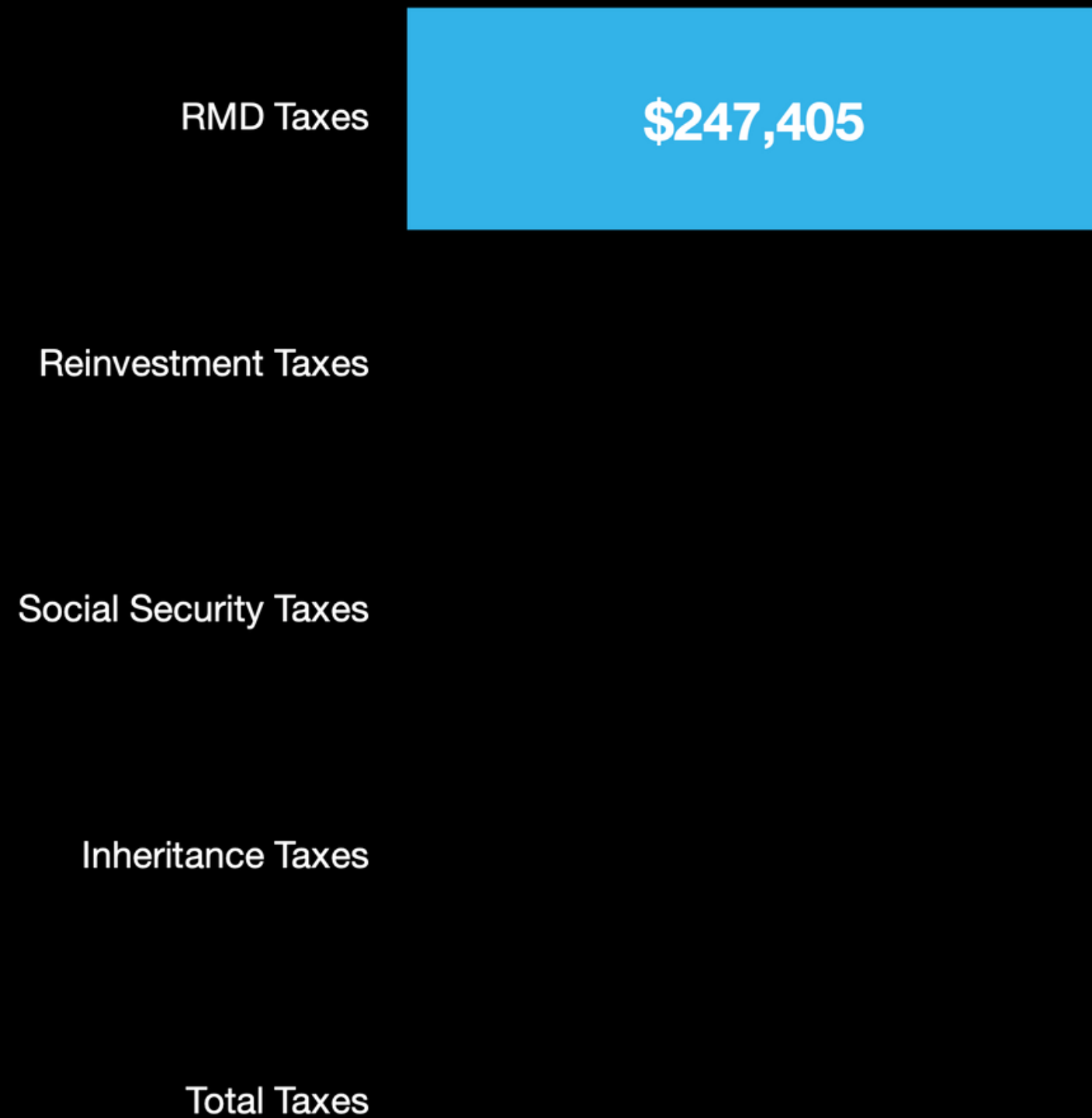
## Tax Scorecard - Current Path

- Age 62
- IRA \$500,000
- Social Security at 67 \$33,000
- Does not need RMDs--Reinvest them
- Rate of Return 5%
- 20% tax rate
- Analyze through age 95
- Pass on IRA to heirs

**Submit?**

# IRA Tax Details

## Breakdown



# IRA Tax Details

## Breakdown



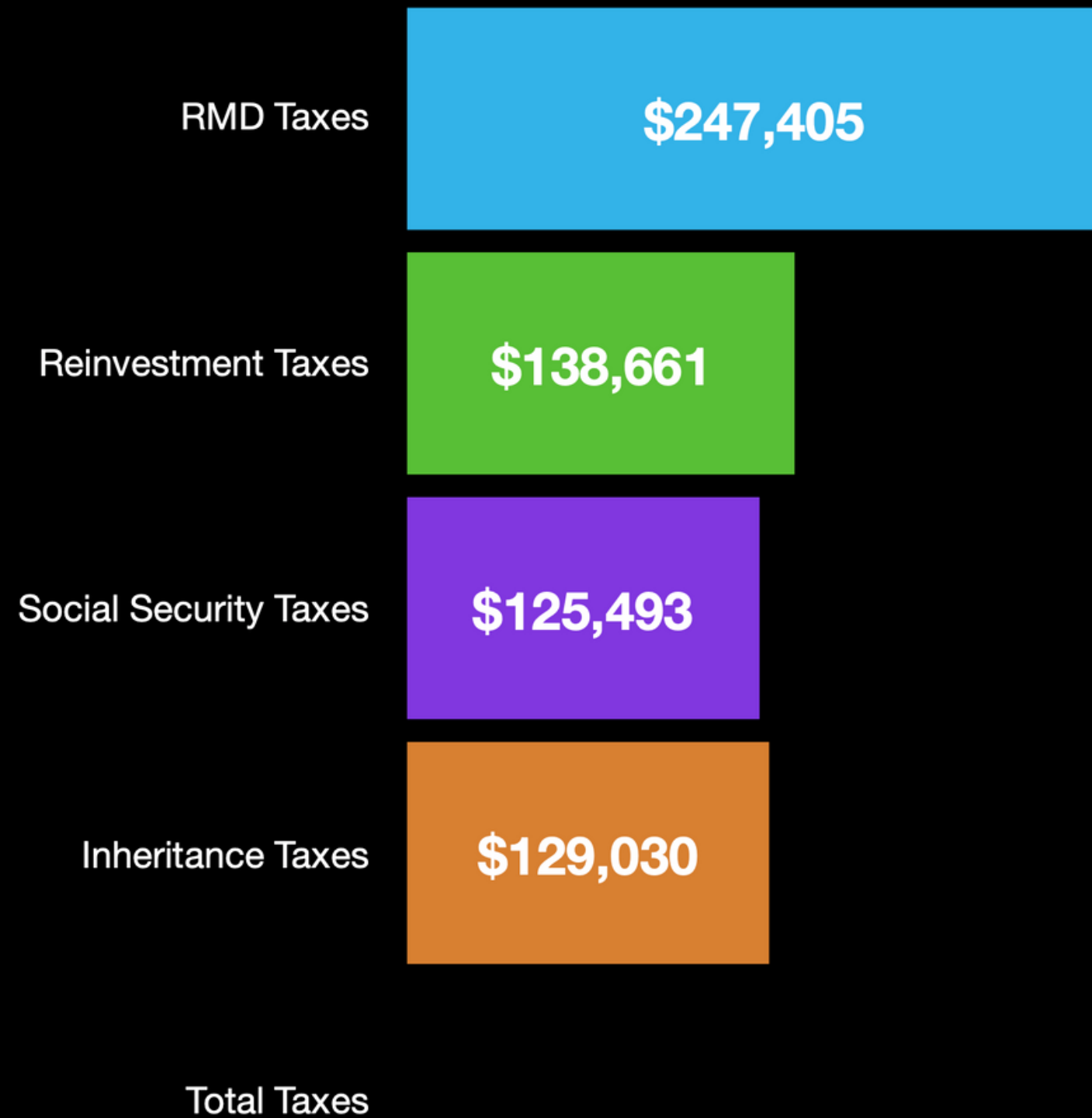
# IRA Tax Details

## Breakdown



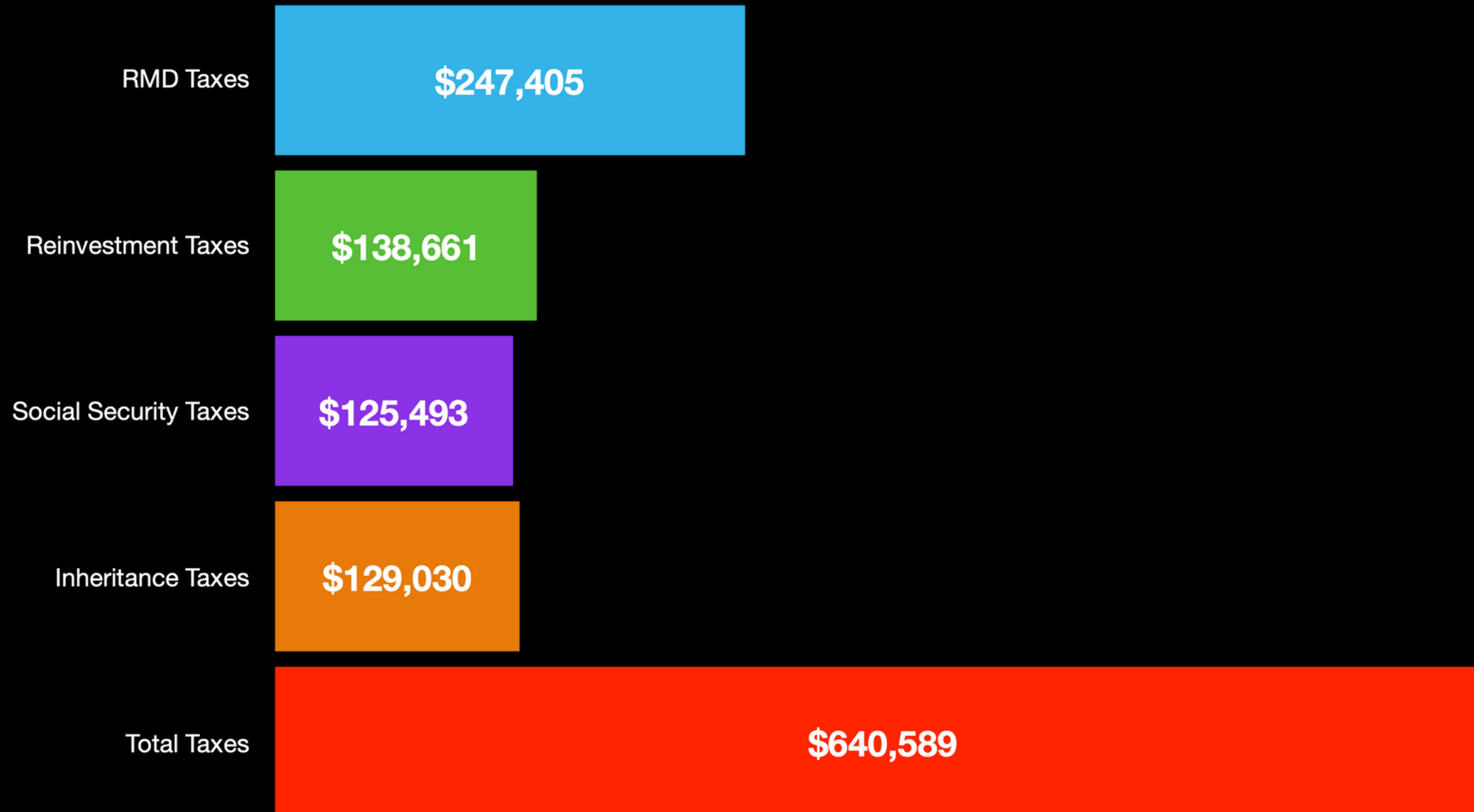
# IRA Tax Details

## Breakdown



# IRA Tax Details

## Breakdown



# Tax Scorecard

## IRA Tax Bill

Current balance      \$500,000

Age Range              62 to 95

Tax Rate                20%

**Tax Bill                \$640,588**



# IRA Tax Details

## Breakdown

RMD Taxes

\$247,405

Revised Item Taxes

\$138,933

Death Taxes

\$129,030

Social Security Taxes

\$125,493

Total Taxes

\$640,589

What if we assume taxes  
“normalize” in a few years?



# Case Study

## Ryan & Jen

### Tax Scorecard - Current Path

-Age 62

-IRA \$500,000

-Social Security at 67 \$33,000

-Does not need RMDs--Reinvest them

-Rate of Return 5%

-20% current, 24% when Trump cuts  
expire

-Analyze through age 95

-Pass on IRA to heirs

# Tax Scorecard

## IRA Tax Bill

Current balance \$500,000

Age Range 62 to 95

Tax Rate 20% & 24%

**Tax Bill \$758,007**

Case Study

**Ryan & Jen**

**Tax Scorecard - Conversion Strategy**

**-Targeting their tax-bracket, develop  
a tactical conversion strategy over 5  
years**



# Tax Scorecard

## IRA Tax Details

### Conversion Strategy

Convert IRA to Roth Over 5 Years

Current balance \$500,000

Age Range 62 to 93

Tax Rate 20% & 24%

**Total Taxes \$758,007**

# Roth IRA Tax Details

## Breakdown

|                       |     |           |  |
|-----------------------|-----|-----------|--|
| RMD Taxes             | \$0 |           |  |
| Reinvestment Taxes    | \$0 |           |  |
| Death Taxes           | \$0 |           |  |
| Social Security Taxes | \$0 |           |  |
| Conversion Taxes      |     | \$125,246 |  |
| Total Taxes           |     | 125,246   |  |

# Tax Scorecard

## IRA Tax Bill

Current balance \$500,000

Age Range 62 to 95

Tax Rate 20% & 24%

**Tax Bill \$758,007**

## Roth IRA Tax Bill

Conversion Period 5 Years

Age Range 62 to 95

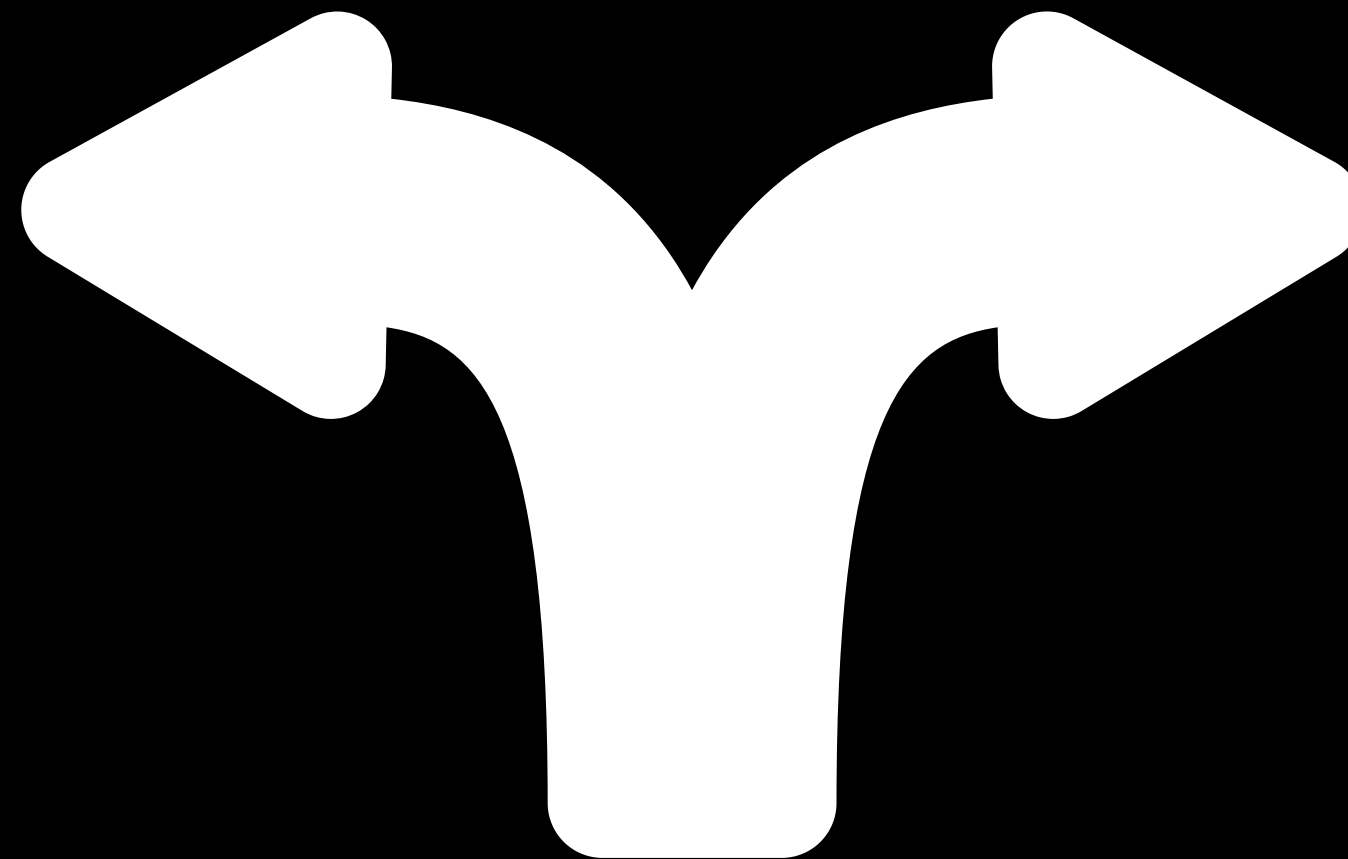
Tax Rate 20% & 24%

**Tax Bill \$125,246**

# Two Roads Diverged...

**IRA Tax Bill**

**\$758,007**



**Roth Tax Bill**

**\$125,246**



# Two Roads Diverged...

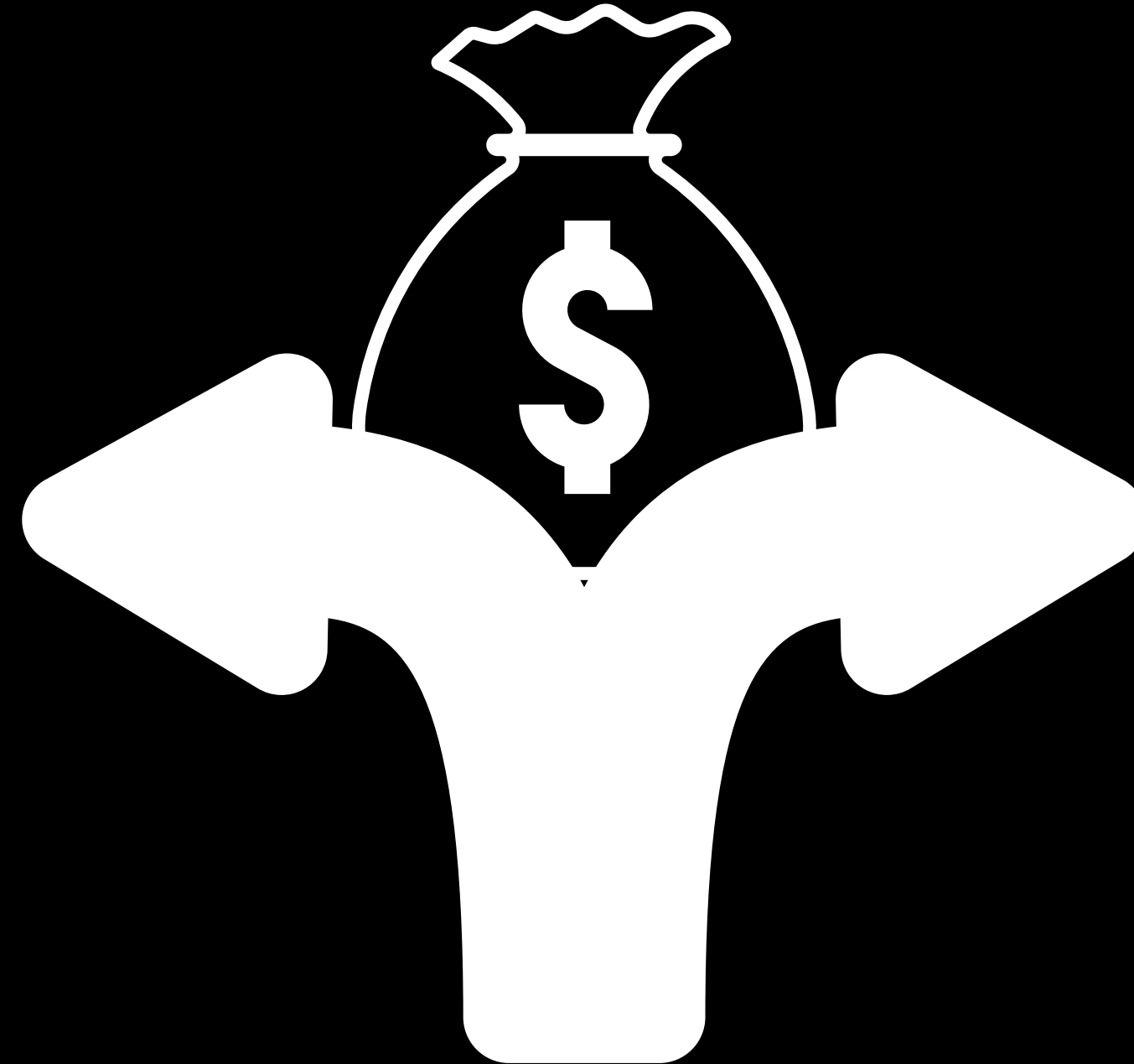
**Tax Savings**  
**\$632,761**

**IRA Tax Bill**

**\$758,007**

**Roth Tax Bill**

**\$125,246**



# Two Roads Diverged...

Tax Savings

\$632,761

Simply put, taxes are the largest fee we have in retirement

\$758,007

\$125,246

Case Study

**Ryan & Jen**

Bottom line

Taxes Reduced by **\$632,761**

Net Income Increased by **41%**

Total Retirement Income  
Increased by **\$1.37M**



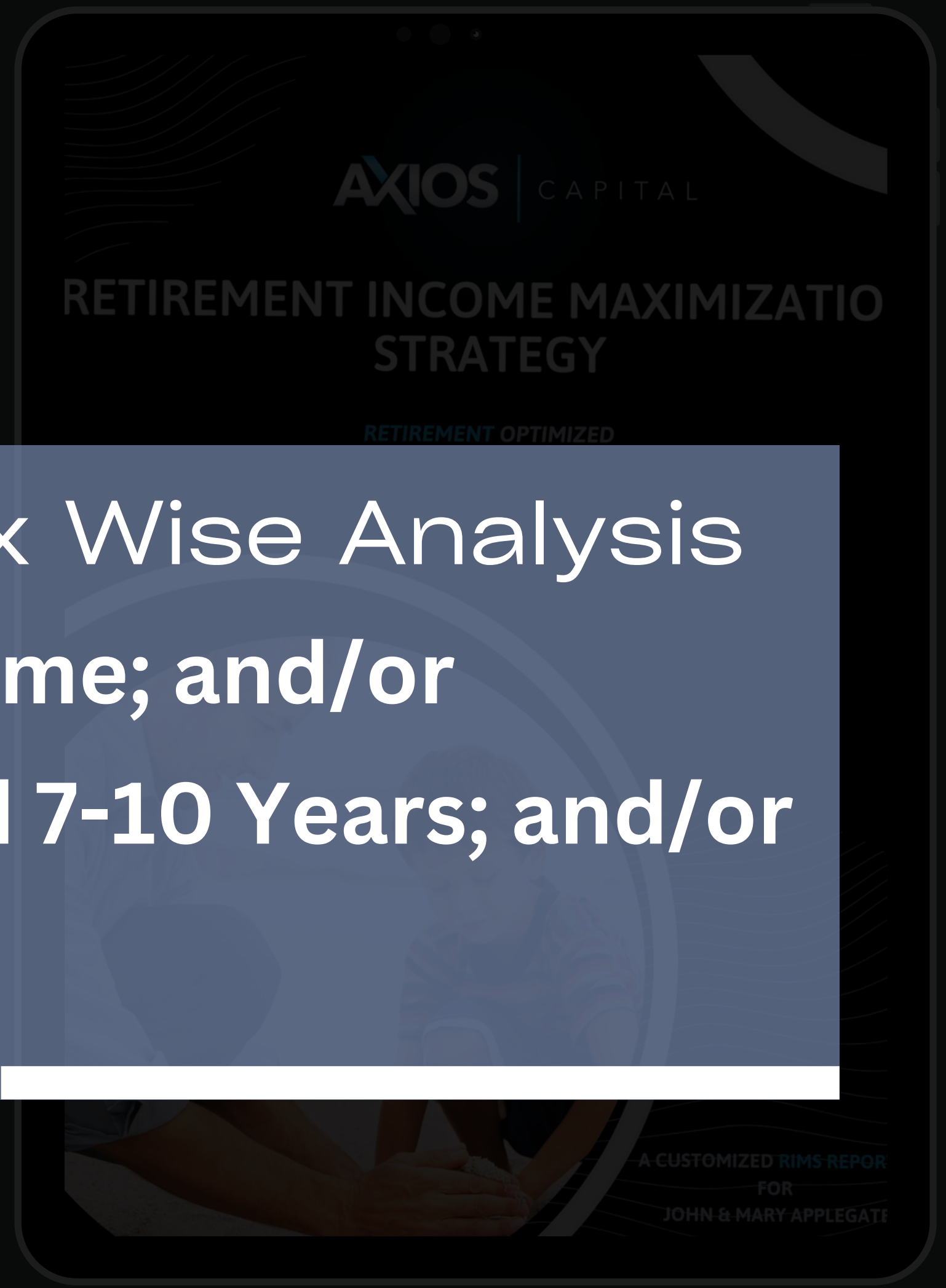
- ✓ Tax risk
- ✓ Market Risk
- ✓ Inflation Risk
- ✓ Longevity Risk
- ✓ Sequence of Return Risk



- ✓ Tax risk
- ✓ Market Risk
- ✓ Inflation Risk
- ✓ Longevity Risk

## Typical Results of a Tax Wise Analysis

- **30-50% Increase Net Income; and/or**
- **Asset Longevity Increased 7-10 Years; and/or**
- **Retire 2-3 Years Earlier**



# WHAT'S THE POINT?



# WHAT'S THE POINT?



# Get on the Tax-free Retirement Path

## Tax Wise Analysis





# Tax-free Retirement Kit

- Tax-free retirement white paper
- Retirement Mythbusters
- Tax-free Retirement Snapshot



# Tax Wise Analysis