

Are You Ready?



Tax Mistakes that Cost Retirees Thousands



#1: Failing to Plan

“There is nothing wrong with a strategy to avoid the payment of taxes. The Internal Revenue Code doesn’t prevent that.”

William H. Rehnquist

1. Tax planning is financial defense
2. Tax planning guarantees results



Plan to enjoy your retirement



Taxable Income

+ **Add Taxable Income**

- *minus* Adjustments

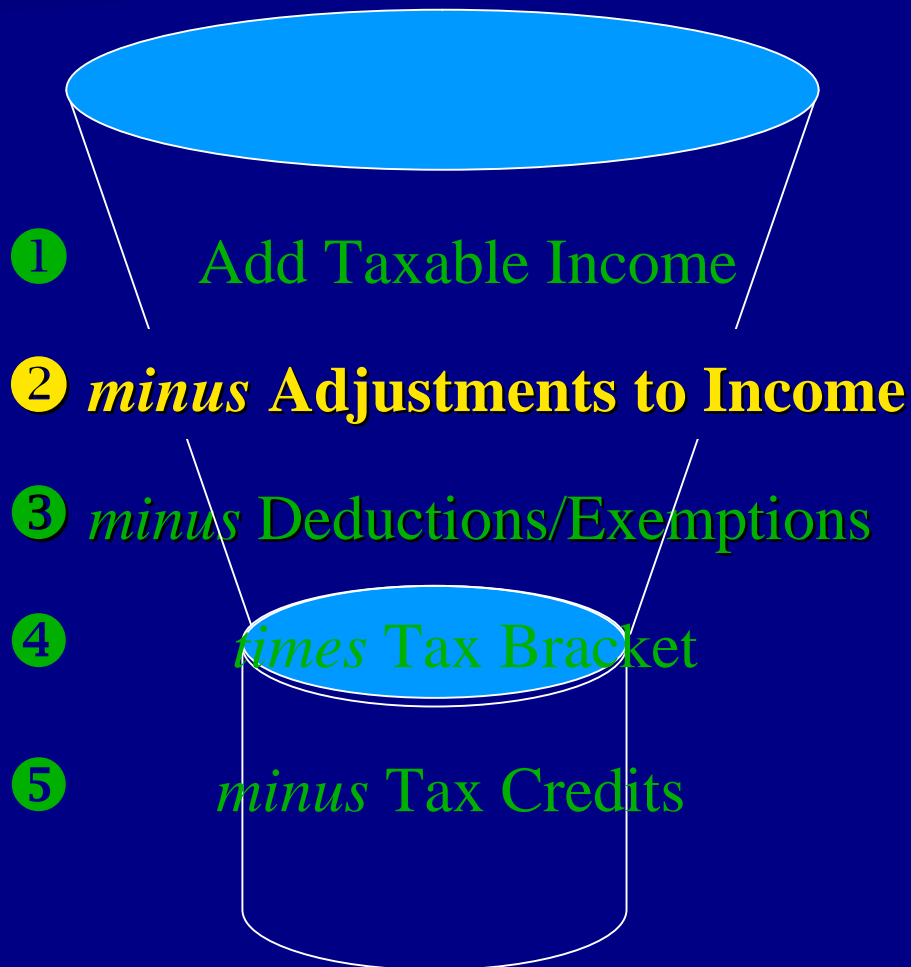
- *minus* Deductions

X (*times* Tax Bracket)

- *minus* Tax Credits

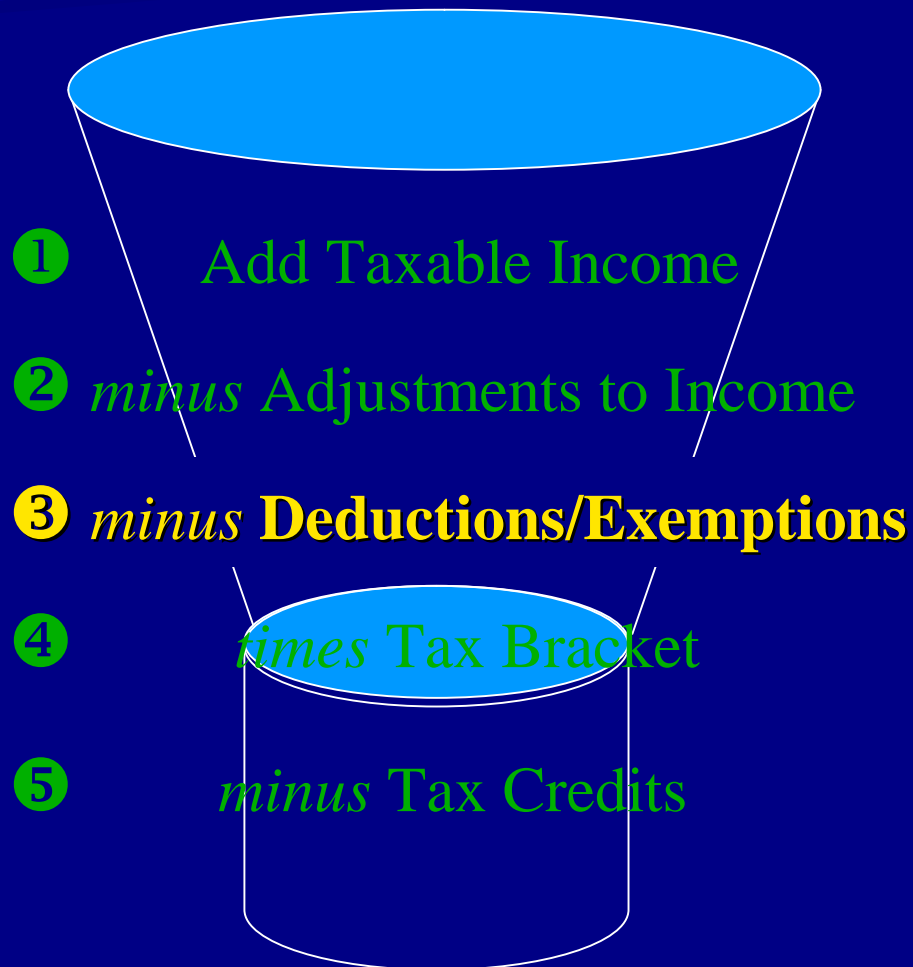
- Earned income
- Interest/dividends
- Capital gains
- Pension/IRA/Annuity
- Rent/royalty
- Alimony
- Gambling winnings
- “Other” income

Adjustments to Income



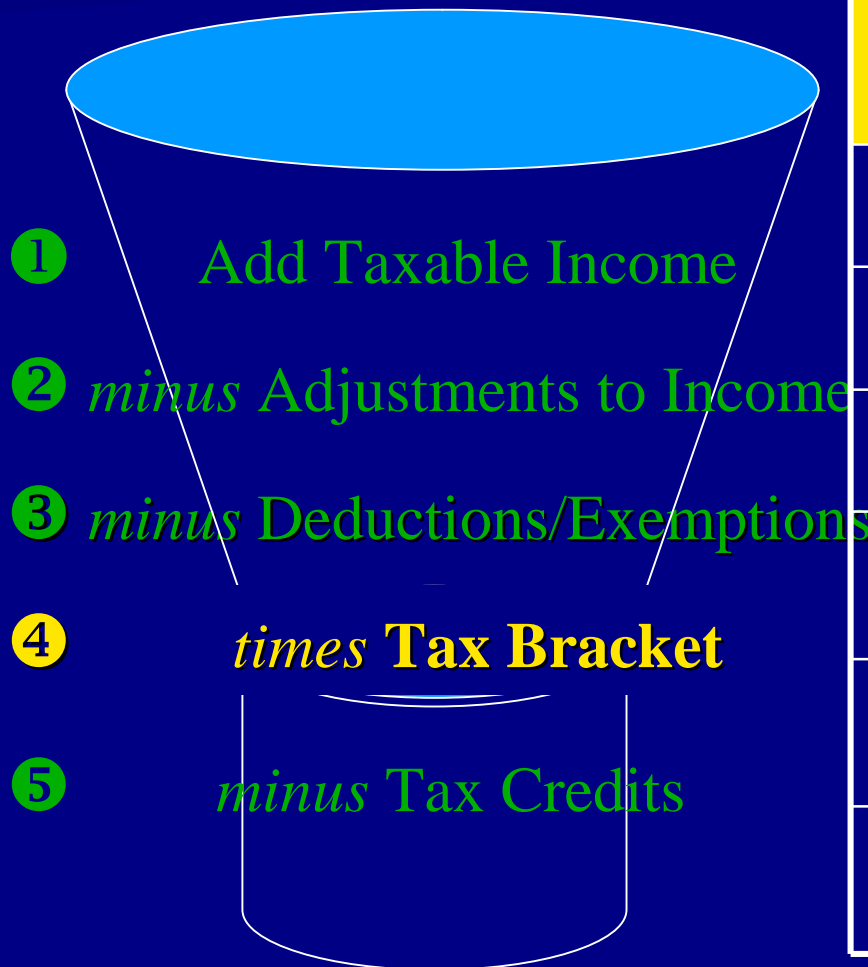
- IRA contributions
- Moving expenses
- ½ SE tax
- SE health insurance
- Keogh/SEP
- Alimony
- Student loan interest

Deductions/Exemptions



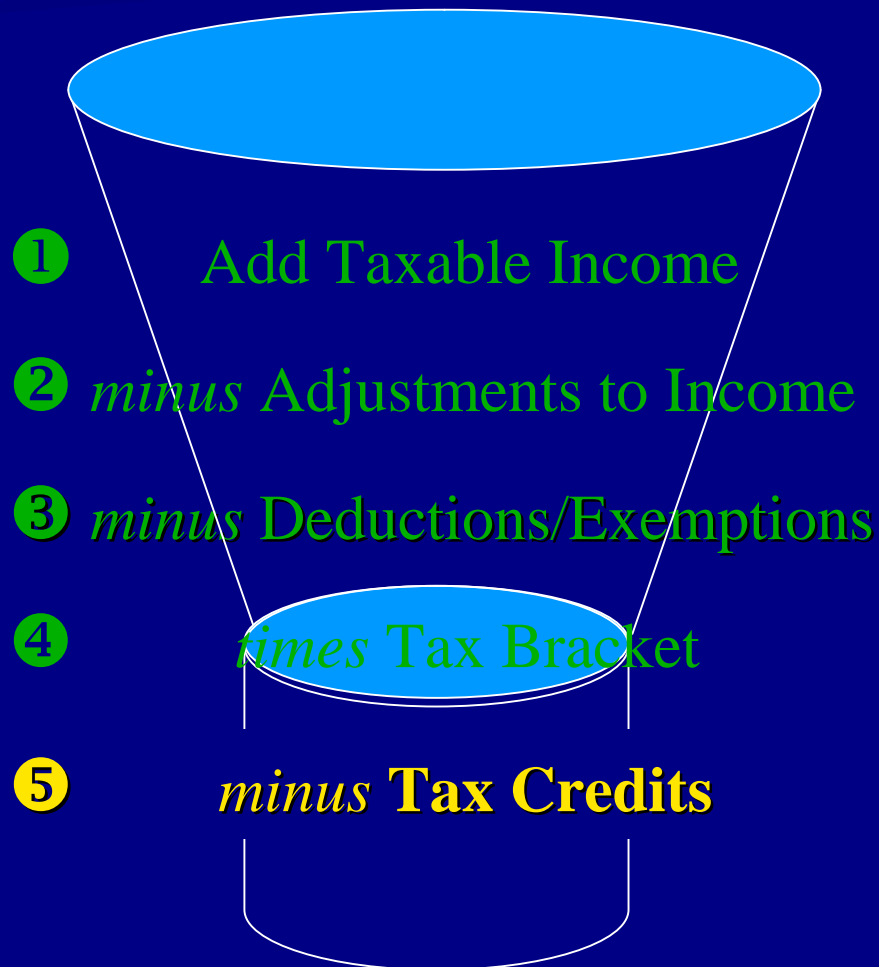
- Medical/dental
- State/local taxes
- Foreign taxes
- Interest
- Casualty/theft losses
- Charitable gifts
- Miscellaneous itemized deductions

Tax Brackets



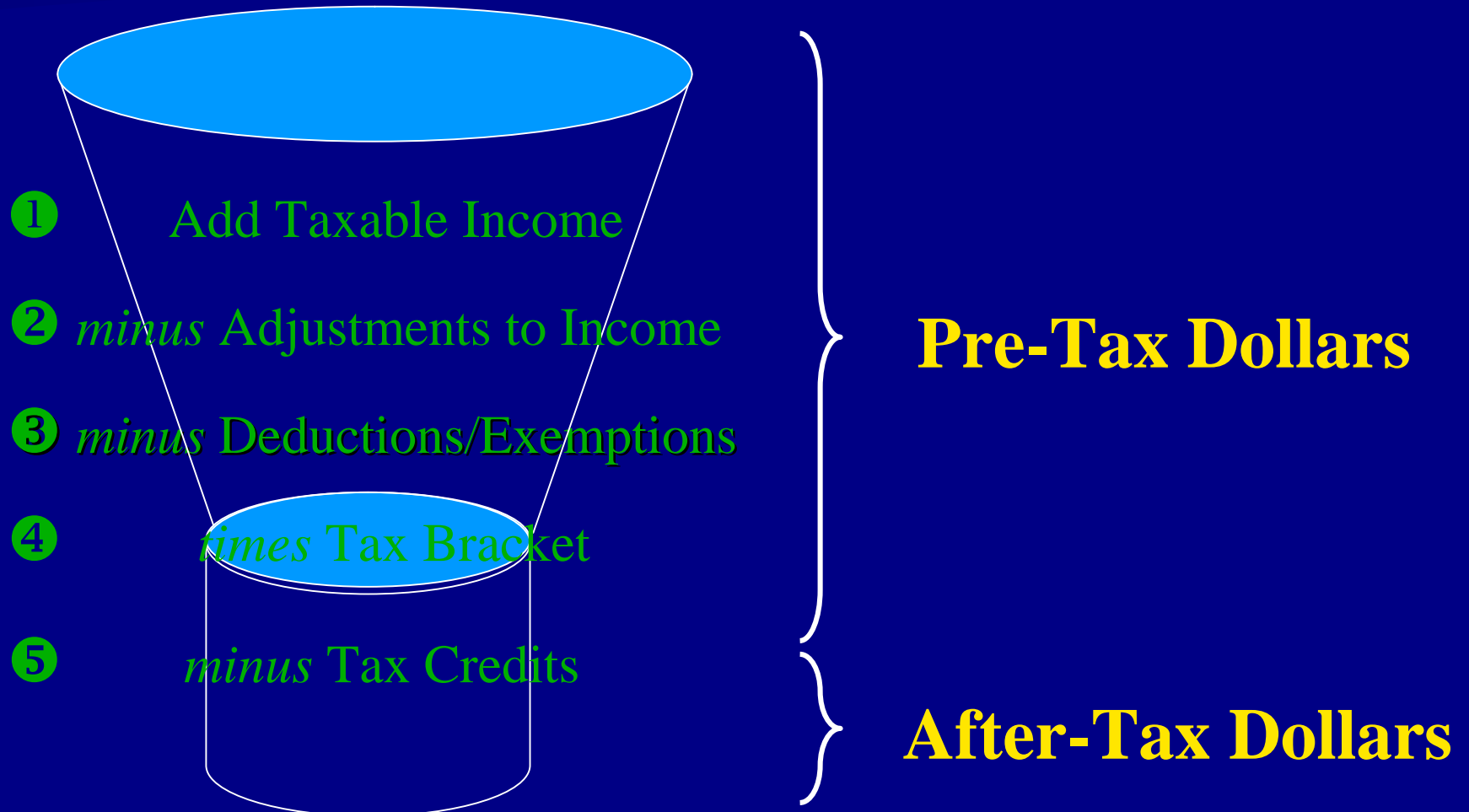
Rate	Single	HoH	Joint
10%	0	0	0
15%	8,501	12,151	17,001
25%	34,501	46,251	69,001
28%	83,601	119,401	139,351
33%	174,401	193,351	212,301
35%	379,151	379,151	379,151

Tax Credits



- Family credits
- Education credits
- First-Time homebuyer
- Foreign tax
- General business
- Low-income housing
- Renovation

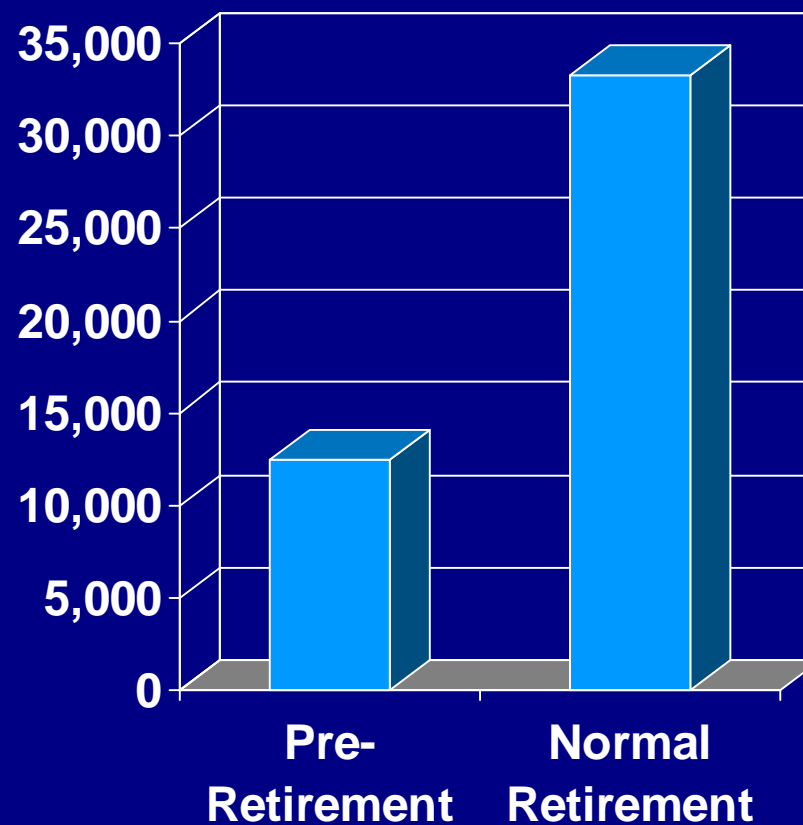
Two Kinds of Dollars



#2: Tax on Social Security

Earnings Penalty

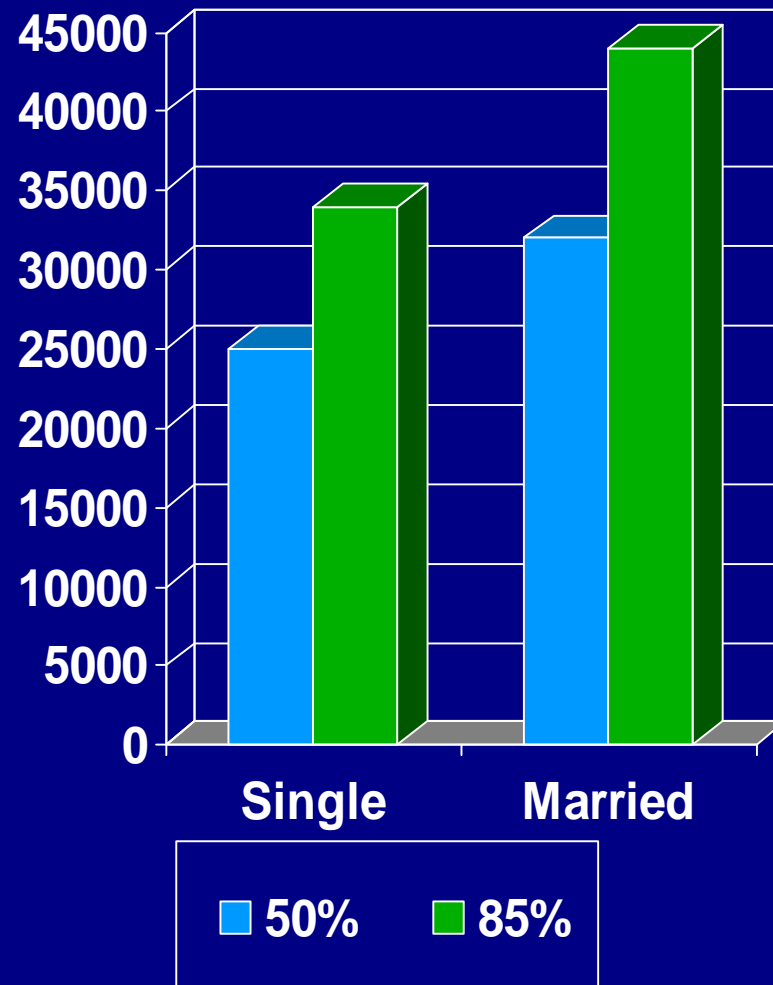
- Pre-retirement age
- Normal retirement age



#2: Tax on Social Security

Tax on Benefits:

Taxable income
+ Tax-free interest
+ 50% of S.S. benefit
= Provisional income



Investment Alternatives

- Permanent life insurance
- Immediate annuity
- Fixed/variable annuity
- Tax-advantaged income generators

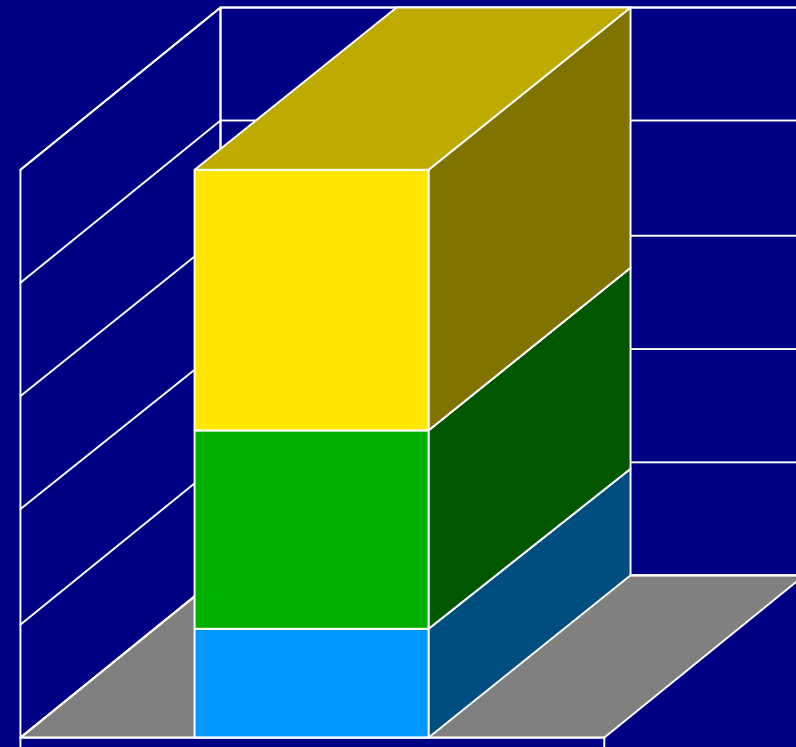
#3: IRA Rollover Mistakes

Plan Type	401k, 403b	IRA
Consolidate Accounts	No	Yes
Investment flexibility	No	Yes
"Stretch" distributions	No	Yes
"Net Unrealized Appreciation"	No	Yes
Trust beneficiary	No	Yes

#4: IRA Confiscation

IRA Balance

- Federal Estate Tax
 - State Estate Tax
 - Federal income tax
 - State income tax
- =Net to family



- Estate Tax
- Income Tax
- Net to Family

#5: Minimum Distributions

- Based on Dec. 31 balance
- Start by April 1 of the year *after* reaching 70½
- Waiting can mean *two* distributions in first year
- Taxed as ordinary income
- Included in “provisional income”
- 50% penalty tax

Life Expectancy	
Age	Period
70	27.4
75	22.9
80	18.7
85	14.8
90	11.4
95	8.6

#6: Wrong IRA

IRA Type	Regular	Roth
Taxable withdrawals?	Yes	No
Included in provisional income?	Yes	No
Required minimum distributions?	Yes	No
Income taxed to beneficiaries?	Yes	No

Roth IRA Conversions

- Tax rates?
- Where will you find the money to pay the tax?
- Age 59½?
- How long can you let the account grow?

#7: Missing Income Shifting

- Shift investment income and appreciation to lower-bracket family members
- Children/grandchildren age 19-24 and up
- Vehicles & entities
 - Custodial accounts
 - Trusts
 - Family limited partnership or LLC

#8: Missing Tax Coaching

- True Tax Planning
- Written Tax Plan
 - Family, Home, and Job
 - Business
 - Investments
- Review Returns