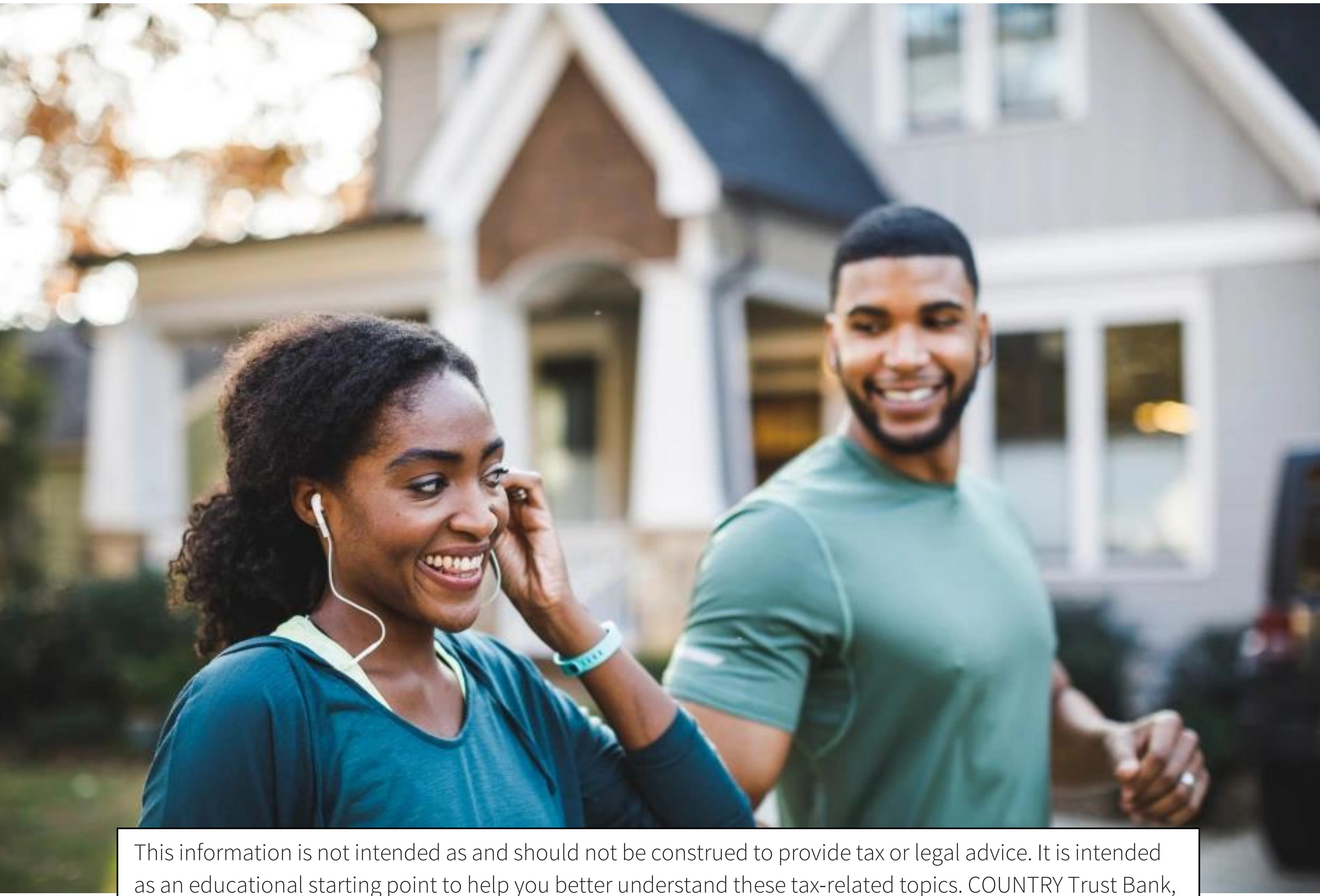
COUNTRY Trust Bank®

Financial Planning Insights – Guide to Retirement and Taxes

2025



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Preparing for a Successful Retirement Transition

There are more than simple financial considerations when transitioning to retirement. For many people the change can be stressful, while for others it may be liberating. Either way, for most people it is a distinct departure from the world they've been used to. One way to think about this transition is to consider it a *restylement*[1]. Transitioning from a lifestyle with a high degree of regimented structure to one where every day is a weekend may take some getting used to. Remembering the acronym "PUSH" is a good place to start.

Here are some things to consider so your restyled life can be fulfilling and meaningful.

Are you running ***away*** from work or ***towards*** something positive about retirement?

Purpose	Having a reason and something to look forward to each day helps with retirement well-being.[2]	**U**se	Use your time in meaningful ways, such as helping others, developing talents, and engaging in new and different activities.[2]
Socialize	Humans are social creatures. Cultivate social relationships with family and friends. It can be a powerful investment.[3]	**H**ealth	Diet, exercise, sleep and more – healthy behaviors improve the quality of life.[4]

These things may not only add more years to your life, but life to your years.

1. The word *restylement* is attributed to Daniel Friedman of WMGNA, LLC, Farmington, CT.
2. Steptoe, A., & Fancourt, D. (2019). Leading a meaningful life at older ages and its relationship with social engagement, prosperity, health, biology, and time use. *Proceedings of the National Academy of Sciences of the United States of America*, *116*(4), 1207–1212. https://doi.org/10.1073/pnas.1814723116
3. Andrew Steptoe; Investing in Happiness: The Gerontological Perspective. *Gerontology* 30 October 2019; 65 (6): 634-639. https://doi.org/10.1159/000501124
4. Scommegna, P. (2023). Happily ever after? Research offers clues on what shapes happiness and life satisfaction after age 65. *Population Reference Bureau.* Resource Library. https://www.prb.org/resources/happily-ever-after-research-offers-clues-on-what-shapes-happiness-and-life-satisfaction-after-age-65/

Year-End Tax Planning Reminders

- ☐ Identify realized and unrealized investment gains or losses for the year and explore opportunities to carry out tax-loss harvesting. Take into account applicable ownership windows to avoid wash sale implications.
- ☐ Explore the alignment of your investment portfolio with your personal risk profile and goals. Where necessary, adjust to bring it back into the proper asset allocation and consider how it may need to be positioned to help achieve your near-term financial goals.
- ☐ If contemplating larger gifts to family members (those that might require the filing of a gift tax return), consider if those gifts should be completed before the end of the calendar year. The annual gift tax exclusion limit for gifts in 2025 is $19,000 per individual recipient. Gifts in excess of this amount generally require filing a gift tax return.
- ☐ If planning a charitable donation prior to the end of the calendar year, evaluate whether it makes sense to proceed prior to the end of the year or whether it may be more beneficial to “double up” the next year’s charitable donation by slightly delaying your planned donation until after the start of the new year. Similarly, it could also be beneficial to “double up” by accelerating *next year’s* planned donation before the end of this year. In some cases, this may allow you to itemize your donation if you would have otherwise fallen short of the threshold needed to do so for either year.
- ☐ If age 70 ½ or older and you plan on making charitable cash donations, discuss with your tax advisor how a Qualified Charitable Donation (QCD) may help your tax situation. The deadline for making a QCD is 12/31/2025.
- ☐ Consider the opportunity to maximize your salary deferrals into an employer sponsored retirement plan. Whereas traditional or Roth IRA contributions can be made up until 4/15/2026, contributions to your company plan must be made before the end of the year. Make sure that you are contributing enough to maximize your employer’s matching contribution.
- ☐ If contemplating a Roth conversion, this should be completed prior to the end of the year. Even though *contributions* to traditional or Roth IRAs can be made up until 4/15/2026 for the 2025 tax year, *conversions* must take place before 12/31/2025 to count for this tax year.
- ☐ If you are subject to taking a Required Minimum Distribution (RMD) from a retirement account (personally owned or from an inherited account), the deadline to do so is 12/31/2025. Failing to satisfy the RMD may result in a tax penalty of 25% on top of the regular income tax that would be associated with the RMD amount.

Important 2025 Tax Deadlines

January 15th	Last Quarterly Estimated Tax Payment for *Prior* Tax Year Due
March 1st	Income Tax Filing Deadline for Farmers who Forgo Estimated Tax Payments
March 17th	Tax Filing Deadline for Partnerships and S-Corps Deadline for Prior Year Employer Contributions to a SIMPLE IRA for Businesses with Filing Deadline of March 17th (most S Corporations) SEP Funding Deadline for Businesses with March 17th Filing Deadline (most S Corporations)
April 1st	Deadline to Take Prior Year Required Minimum Distribution (RMD) (***First RMD only***)
April 15th	Deadline for Individual Income Tax Returns Deadline for C-Corporations, Sole Proprietors, and LLC's filing as Sole Proprietors Deadline to File for an Extension Deadline for 1st Quarterly Estimated Tax Payment for Current Year Deadline to Fund a traditional or Roth IRA for the Prior Tax Year Deadline to Make Health Savings Account (HSA) Contributions for the Prior Tax Year SEP Funding Deadline for Businesses with April 15th Filing Deadline Deadline to Correct Prior Year IRA Contributions
June 16th	Deadline for 2nd Quarterly Estimated Tax Payment for Current Year
September 15th	Deadline for 3rd Quarterly Estimated Tax Payment for Current Year Deadline to Make Prior Year Employer Contributions to a SIMPLE IRA (If Employer Has a March 17th Filing Deadline and an Extension) SEP Funding Deadline for Businesses with March 17th Filing Deadline and an Extension
October 1st	Deadline to Establish a SIMPLE IRA for the Current Tax Year
October 15th	Deadline for Tax Filing with Extension Deadline to Make Prior Year Employer Contributions to a SIMPLE IRA SEP Funding Deadline for Businesses with April 15th Filing Deadline and an Extension Deadline to Correct Prior Year IRA Contributions (When Having an Extension)
October 31st	Deadline to Provide Documentation for Trust Beneficiaries to Custodian After Plan Owner's Death
December 31st	Deadline to Split IRAs into Separate Accounts by Trustee After IRA Owner's Death Deadline to Take Required Minimum Distributions (RMD) Deadline to Make a Qualified Charitable Distributions (QCD) Deadline to Carry Out Roth Conversions Deadline to Take 72(t) Distributions from IRAs, When Applicable Deadline to Complete Net Unrealize Appreciation (NUA) Strategic Distributions

Key 2025 Annual Tax and Related Limits

Contribution Limits	
401(k), 403(b), most 457 plans, and Federal Thrift Savings Plan (TSP)	$23,500
Catch-up for Ages 50 and Over[1]	$7,500
Additional Catch-Up for Ages 60 - 63	$11,250
SIMPLE IRA	$16,500
Catch-up[1]	$3,500
Additional Catch-Up for Ages 60 - 63	$5,250
IRA and Roth IRA	$7,000
Catch-up[1]	$1,000
Max. Defined Contribution Plan Combined Contribution (EE + ER)	$70,000
Max. Defined Benefit Plan Combined Contribution (EE + ER)	$280,000
Health Savings Account (HSA)	
Single	$4,300
Family	$8,550
Catch-up (Age 55+)	$1,000
Modified Adjusted Gross Income (MAGI) Phaseout Ranges	
IRA Deduction (*if also covered by employer plan*)	
Single	$79,000 - $89,000
Married Filing Jointly	$126,000 - $146,000
IRA Deduction (*non-covered spouse when other is covered*)	
Married Filing Jointly	$236,000 - $246,000
Married Filing Separately	$0 - $10,000
IRA Deduction (*when no employer plan exists in household*)	
No income limits = contribution is fully deductible.	
Roth IRA Eligibility Phaseout	
Single	$150,000 - $165,000
Married Filing Jointly	$236,000 - $246,000
Medicare	
Part A	
Part A premium if not covered	$518.00
Part A inpatient hospital deductible	$1,676.00
Part B	
Part B premium	$185.00
Part B deductible	$257.00
Part B coinsurance	20%
Income Related Monthly Adjustment Amount Starts at:	
Single	$106,000
Married Filing Jointly (MFJ)	$212,000

Tax Brackets				
Single		**Married Filing Jointly**		**Rate**
$0	- $11,925	$0	- $23,850	10%
$11,926	- $48,475	$23,851	- $96,950	12%
$48,476	- $103,350	$96,951	- $206,700	22%
$103,351	- $197,300	$206,701	- $394,600	24%
$197,301	- $250,525	$394,601	- $501,050	32%
$250,526	- $626,350	$501,051	- $751,600	35%
$626,351	and up	$751,601	and up	37%
Capital Gains				
Single		**Married Filing Jointly**		**Rate**
$0	- $48,350	$0	- $96,700	0%
$48,351	- $533,400	$96,701	- $600,050	15%
$533,401	and up	$600,051	and up	20%

Deductions, Credits, and Exclusions	
Percent of tax filers expected to use the standard deduction vs itemizing deductions:	>85%
Single	$15,000
Married Filing Jointly	$30,000
Aged 65 or Blind and Single	+$2,000
Aged 65 or Blind and Married	+$1,600 (per person)
Saver's Tax Credit Income Limits	
Single	$39,500
Married Filing Jointly	$79,000
Estate Tax Exclusions	
Annual Gift Tax Exclusion	$19,000
Basic Estate Tax Exclusion	$13,990,000
Generation Skipping Tax Exclusion	$13,990,000
Federal Estate Tax rate	Up to 40%
Social Security	
Wage Base	$176,100
Quarter of Coverage	$1,810
Maximum benefit[2] at FRA	$4,018/month
Average estimated benefit[2]	$1,976/month
Retirement Earnings Test	
Under FRA (lose $1 for every $2)	$23,400
Year of FRA (lose $1 for every $3)	$62,160
Net Investment Income Tax	
Tax Rate	3.8%
Single	$200,000
Married Filing Jointly	$250,000

1. Catch-up contributions available to those age 50+ with qualifying earned income.
2. Benefit expressed in 2024 dollars.

IRS Required Minimum Distribution (RMD) Table - Uniform Life Expectancies

Age on 12/31	Life Expectancy Divisor	RMD as a Percent of Prior Year Ending Balance	Age on 12/31	Life Expectancy Divisor	RMD as a Percent of Prior Year Ending Balance	Age on 12/31	Life Expectancy Divisor	RMD as a Percent of Prior Year Ending Balance
73#	26.5	3.774%	83	17.7	5.650%	93	10.1	9.901%
74	25.5	3.922%	84	16.8	5.952%	94	9.5	10.526%
75^	24.6	4.065%	85	16	6.250%	95	8.9	11.236%
76	23.7	4.219%	86	15.2	6.579%	96	8.4	11.905%
77	22.9	4.367%	87	14.4	6.944%	97	7.8	12.821%
78	22	4.545%	88	13.7	7.299%	98	7.3	13.699%
79	21.1	4.739%	89	12.9	7.752%	99	6.8	14.706%
80	20.2	4.950%	90	12.2	8.197%	100*	6.4	15.625%
81	19.4	5.155%	91	11.5	8.696%			
82	18.5	5.405%	92	10.8	9.259%			

 # New RMD beginning age for those who reach age 72 after 2022.
^ New RMD beginning age for those who reach age 74 after 2032.
** Full IRS table runs through age 120.*
The Uniform Lifetime Table is the most common table used for determining RMDs. In some cases, a different table may be required.

State Tax Treatment

	No Inc. Tax	Exempts Ret. Inc.	Exempts Soc. Sec.	Exempts Mil. Ret.	Estate Tax		No Inc. Tax	Exempts Ret. Inc.	Exempts Soc. Sec.	Exempts Mil. Ret.	Estate Tax		No Inc. Tax	Exempts Ret. Inc.	Exempts Soc. Sec.	Exempts Mil. Ret.	Estate Tax
AL			yes	yes		LA			yes	yes		OH			yes	yes	
AK	yes	yes	yes	yes		ME			yes	yes	yes	OK			yes	yes	
AZ			yes	yes		MD			yes		yes	OR			yes		yes
AR			yes	yes		MA			yes	yes	yes	PA		yes	yes	yes	yes
CA			yes			MI			yes	yes		RI					yes
CO						MN				yes	yes	SC			yes		
CT				yes	yes	MS		yes	yes	yes		SD	yes	yes	yes	yes	
DE			yes			MO			yes	yes		TN	yes	yes	yes	yes	
FL	yes	yes	yes	yes		MT						TX	yes	yes	yes	yes	
GA			yes			NE			yes	yes	yes	UT				yes	
HI			yes	yes	yes	NV	yes	yes	yes	yes		VT					yes
ID			yes			NH	yes	yes	yes	yes		VA			yes		
IL		yes	yes	yes	yes	NJ			yes	yes	yes	WA	yes	yes	yes	yes	yes
IN			yes	yes		NM						WV				yes	
IA		yes	yes	yes		NY			yes	yes	yes	WI			yes	yes	
KS			yes	yes		NC			yes	yes		WY	yes	yes	yes	yes	
KY			yes		yes	ND			yes	yes							

Estate tax = state estate tax, inheritance tax or both

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Important Birthdays Age 50+

Age 50

Beginning at age 50, participants in various retirement plan types are able to begin making annual catch-up contributions in excess of the normal contribution limits. Those who participate in 401(k), 403(b), and 457 plans can contribute an additional $7,500 per year in 2025. Those who participate in SIMPLE IRA or SIMPLE 401(k) plans can make a catch-up contribution of up to $3,500 in 2025. Eligible contributors to traditional or Roth IRAs can set aside an additional $1,000 a year.

Age 55

Individuals who have attained at least age 55 and then separate from service from an employer in which they participated in that specific employer's sponsored retirement plan, such as a 401(k) or 403(b), are eligible to take distributions directly from that plan without a 10% early withdrawal penalty. The distributions are still subject to ordinary income taxes. This exception only applies to the plan associated with the employer from which service was separated after having reached age 55.

Age 59½

At age 59½, workers are able to start making withdrawals from qualified retirement plans without incurring a 10% federal income tax penalty. This applies to workers who have contributed to IRAs and employer-sponsored plans, such as 401(k) and 403(b) plans (457 plans are never subject to the 10% penalty). Keep in mind that distributions from traditional IRAs, 401(k) plans, and other employer-sponsored retirement plans are taxed as ordinary income.

Age 60-63

New to 2025, active participants in an employer-sponsored retirement plan who are the ages of 60, 61, 62, or 63, are eligible to make enhanced "super catch-up" contributions. For participants in 401(k), 403(b) or 457(b) plans, the super catch-up contribution amount is $11,250. For SIMPLE IRA or SIMPLE 401(k) participants the amount is $5,250. Beginning in the year in which a participant attains age 64, their catch-up contribution limit will revert to the "regular" amount that is associated with age 50+ participants.

Age 62

At age 62, workers may begin to draw Social Security retirement benefits. However, if a person continues to work, those benefits will be reduced. The Social Security Administration will deduct $1 in benefits for every $2 an individual earns above an annual limit. In 2025, the income limit is $23,400.

Age 65

At age 65, individuals can qualify for Medicare. The Social Security Administration recommends applying three months before reaching age 65. It's important to note that if you are already receiving Social Security benefits, you will automatically be enrolled in Medicare Part A (hospitalization) and Part B (medical insurance) without an additional application.

Individuals with a Health Savings Account (HSA) may also make penalty-free withdrawals from that account beginning at age 65, regardless of what the funds are used for. Those withdrawals would still be subject to taxation unless used for qualifying health care expenses.

Age 65 to 67

Between ages 65 and 67, individuals become eligible to receive 100% of their Social Security worker benefit when they reach their Full Retirement Age (FRA). See the table on page 12 for details on which FRA thresholds are associated with each year of birth.

Age 70½

Individuals making charitable donations of cash may be eligible to instruct their IRA custodian to make a Qualified Charitable Donation (QCD) directly from their IRA to the qualifying charitable organization. This may bring desirable benefits to tax filers who are not able to benefit from charitable donations because they use the Standard Deduction. The QCD limit for 2025 is $108,000.

Age 73

Individuals born between 1951 and 1959 will need to begin Required Minimum Distributions (RMDs) from most retirement accounts the year in which they attain age 73. You may continue to contribute to a traditional IRA past age 70½ as long as you meet the earned-income requirement. No RMDs are required from 401(k), 403(b), or 457(b) retirement accounts associated with an individual's current employment as an active participant.

Age 75

All individuals born in 1960 or later will need to begin Required Minimum Distributions (RMDs) from most retirement accounts the year in which they attain age 75. You may continue to contribute to a traditional IRA past age 70½ as long as you meet the earned-income requirement. No RMDs are required from 401(k), 403(b), or 457(b) retirement accounts associated with an individual's current employment as an active participant.

Tax Implications for Different Sources of Retirement Funding

Account Type	Investment Earnings or Withdrawals	Will Federal Income or Capital Gains Taxes Be Owed?	Will a Withdrawal Impact the Taxation of Social Security Benefits?	Is it Counted as Net Investment Income for the 3.8% Medicare Surcharge Tax?
Health Savings Accounts	Tax-free withdrawals if used for qualifying health care expenses.	Withdrawals taxed if not used for qualifying health care expenses. If occurring before age 65 it will also be subject to a penalty.	No, as long as withdrawal is used for qualifying health care expenses.	No, as long as withdrawal is used for qualifying health care expenses.
Roth IRA or Roth 401(k)/403(b)/457(b)	Tax-free withdrawals if meeting holding period and age requirements.	Not for qualifying withdrawals. Gains withdrawn before meeting qualifying standards are subject to tax and penalty.	No	No
Taxable Accounts	Tax-exempt interest	No	Yes	Yes
	Ordinary dividends and taxable interest	Yes	Yes	Yes
	Qualified dividends	Yes	Yes	Yes
	Realized capital gains	Yes	Yes	Yes
Traditional IRA or Pre-tax 401(k)/403(b)/457(b)	Upon withdrawal, taxed as ordinary income	Yes	Yes	No
Nonqualified Annuities	Upon withdrawal, gains taxed as ordinary income	Yes	Yes	Yes
Nonqualified Deferred Compensation	Upon withdrawal, taxed as ordinary income	Yes, plus Social Security and Medicare taxes	Yes	No

Understanding Social Security Benefits

Full Retirement Age – Permanent Reduction for Claiming Early

You will qualify for Social Security retirement benefits if you are **fully insured,** which means that you have earned forty credits, usually by working ten years in covered employment. If you do not have enough Social Security credits to qualify for benefits, you may be able to receive benefits on your spouse's record in the form of spousal benefits or survivor benefits. It is also important to understand that retirement benefits will be permanently reduced if you start your benefit prior to **full retirement age (FRA). Full retirement age** is based on the insured worker's year of birth. The reduction of benefits, based on claiming at age 62, is shown in the chart[i] below:

Year of Birth	Full Retirement Age	Reduction at Age 62
1943-1954	66	25%
1955	66 and 2 months	25.83%
1956	66 and 4 months	26.67%
1957	66 and 6 months	27.50%
1958	66 and 8 months	28.33%
1959	66 and 10 months	29.17%
1960 and later	67	30%

Early retirement sounds ideal. However, many Americans are forced into early retirement due to health issues, a sudden job loss, or to care for a loved one. Many early retirees claim their Social Security benefits before **full retirement age** to help cover living expenses or medical bills. However, claiming Social Security benefits early will permanently lower the monthly benefit amount, as well as their spouse's spousal benefits. Moreover, claiming Social Security benefits early will lower a spouse's survivor benefits permanently, if claimed.

You should be aware that there is a limit on how much you can earn and still receive your full Social Security retirement benefits while working. Your benefits will be reduced depending on your age. First, if you have not reached **full retirement age**, your benefits will be reduced by $1 for every $2 earned over the retirement earnings limit ($22,400 in 2025). Beginning in the calendar year you turn your **full retirement age**, a higher earnings limit is applied ($62,160 in 2025). However, your benefits will be reduced by $1 for every $3 you earn over the earnings limit. If you retire at mid-year and have already earned more than the **retirement earnings limit,** you can get a full Social Security payment for any whole month that you are retired (monthly earnings are $1,867 or less).[ii]

If you are planning to work and are under your **full retirement age**, you should report your expected earnings and changes to the Social Security Administration, so you know specifically how these rules affect your benefits. Social Security will then calculate the effect of your earnings on your benefits and adjust or suspend your benefits until you cover what you owe. Failure to report your expected earnings may result in an unexpected repayment and penalties owed back to Social Security. All is not lost though, as Social Security will repay the benefits withheld because of the retirement earnings test once you reach your **full retirement age** by adding money back to your monthly benefit.

Claiming After Full Retirement Age – Delayed Retirement Credits (DRCs)

We just covered the reduction of benefits that occurs for taking Social Security benefits prior to **full retirement age.** On the flipside, Social Security retirement benefits are increased by two-thirds of one percent for each month that you delay starting your benefits beyond **full retirement age.** The benefit increase, known as **delayed retirement credits (DRCs)** stops when you reach age 70.[iii] This is equivalent to an 8% annual increase, or 24% if your **full retirement age** is 67, and you wait until age 70, the latest age to claim your benefits. The **delayed retirement credit** increase is a simple interest increase and not compounded. Finally, remember **delayed retirement credits** stop accruing at 70, so delaying Social Security benefits beyond then has little to no benefit (even if you are still working).

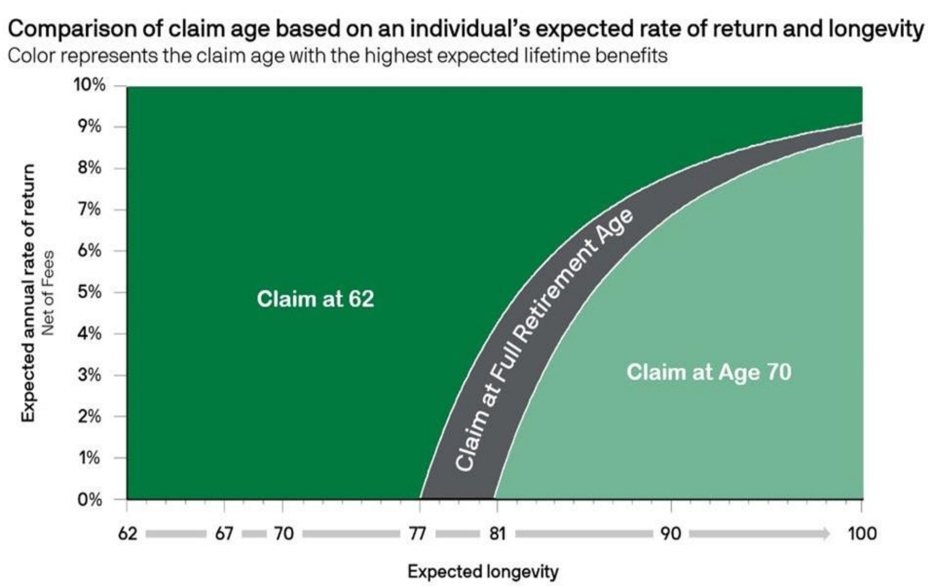
When to Claim – Factors to Consider

Early retirement reductions in benefits, as well as **delayed retirement credits**, are intended to be "actuarially fair," which means that the average person would receive the same amount of lifetime benefits, regardless of the age of when benefits are claimed.[iv] While there are many "Social Security break-even calculators" that estimate how long it takes for cumulative benefits begun at a later age to equal or "break-even" with benefits begun at an earlier age, no one has a crystal ball that allows them to know the exact right time to take their benefits. Let's look at some other factors that may help you make a thoughtful decision about when to claim your benefits.

First, consider your personal health and family history of longevity. Excellent health and longer than average life expectancy points toward waiting to claim your benefits at an older age, while sub-par health points to claiming your benefits at a younger age. However, since living longer may pose a greater risk to your retirement plan than dying sooner in terms of potentially depleting your retirement resources, it may be advisable to project a longer life expectancy. Also, for a married couple, if at least one spouse has an average outlook for longevity, the higher earner may want to delay, thereby creating a higher survivor benefit for their spouse should they predecease their spouse.

Next, review the impact of portfolio returns and inflation on your decision of when to claim your benefits. Higher periods of inflation result in a greater cost of living adjustment (COLA) on Social Security benefits. Lower returns in your investment portfolio and higher inflation point toward delaying claiming your benefits, while higher returns in your investment portfolio and lower inflation point toward claiming of your benefits earlier.

The chart to the right, from J.P. Morgan's *Guide to Retirement,* illustrates the inverse relationship of expected longevity and portfolio returns on the highest cumulative expected lifetime benefits.[v] It helps shed additional light on when different claiming ages may make more or less sense.



If you are considering delaying claiming your benefits, remember that you may need to depend more on withdrawals from pre-tax retirement accounts, such as IRAs and 401(k)s, which will then reduce future required minimum distributions. Also, if considering Roth IRA conversions as part of your retirement plan, taxable income could increase during the tax years of conversion depending on the circumstances of your individual tax situation. Delaying your benefits could help reduce taxable income and therefore reduce income tax paid during these years of Roth conversion.

If you do choose to delay claiming your benefits, it is important to have a plan to accommodate your retirement spending needs. Taking large withdrawals from accounts with substantial allocations in equities may not be desirable in a down market. Talk to your financial advisor about other alternatives that may help you bridge the gap until your Social Security payments begin. Alternatives might include:

- building your cash reserves to create a bucket of assets to draw from during a down market,
- using a period certain annuity to create an income stream to cover the gap until payments begin,
- taking a loan from the cash value of life insurance that you own, and
- using a reverse mortgage line of credit to supplement your retirement in a down market.

Changing Your Mind About When to Claim Your Benefits

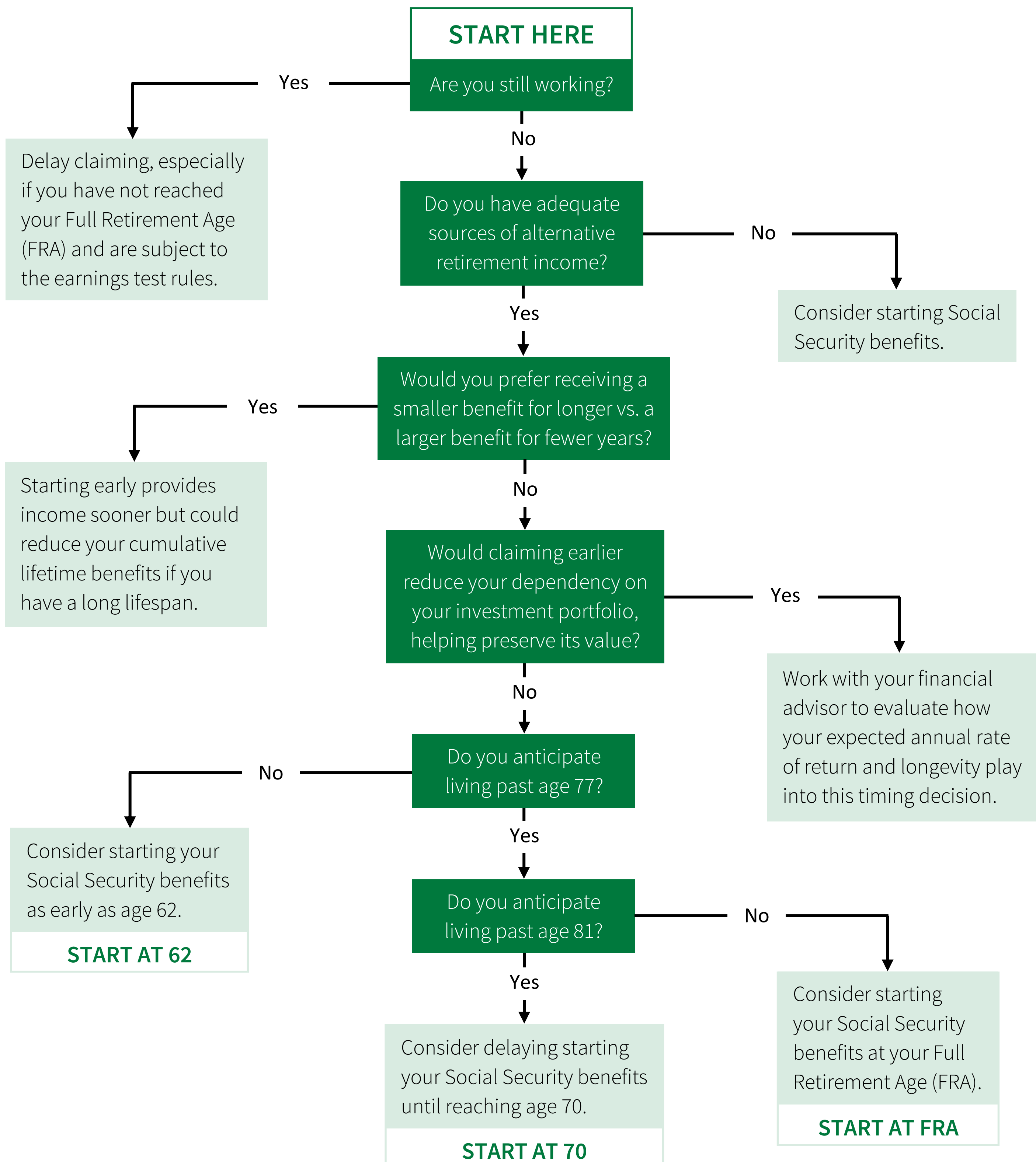
Of course, if you've decided to delay claiming your benefits and then decide you want to start receiving them, you can change your mind at any time. However, if you've already started taking your benefits and change your mind, Social Security does offer a "do-over" that is only available once during your lifetime and must be done within 12 months of starting your benefits. In addition, you must repay all the benefits that you have received, as well as deductions from your checks, such as Medicare premiums or taxes. Of course, it is better to avoid the "do-over" by good planning regarding the claiming decision.

Seek the Help of a Financial Advisor

The decision about when to claim your Social Security benefits is one of the most important aspects of your retirement plan. Your financial advisor can assist you with understanding how various claiming strategies affect your retirement plan. You've worked hard for your Social Security benefits, and the benefits can now work for you.

i. www.ssa.gov/benefits/retirement/planner/agereduction.html
ii. faq.ssa.gov/en-us/Topic/article/KA-01921
iii. www.ssa.gov/benefits/retirement/planner/delayret.html
iv. crsreports.congress.gov/product/pdf/R/R47151/2#:~:text=The%20Social%20Security%20full%20retirement,actuarial%20adjustment%20in%20monthly%20benefits
v. Assumes the same individual, born in 1962, retires at the end of age 61 and claims at 62 & 1 month, 67 and 70, respectively. Benefits are assumed to increase each year based on the Social Security Administration 2023 OASDI Trustee's Report intermediate estimates (annual benefit increase of 2.4% in 2025 and thereafter). Analysis is based on a maximum earner (all earnings profiles yield similar results). Expected rate of return is deterministic, in nominal terms, and net of fees. Source (chart): Social Security Administration, J.P. Morgan Asset Management. Source (longevity): Social Security Administration 2023 OASDI Trustees Report.

Social Security Timing Decision Tree



Medicare Enrollment Decision Tree

START HERE

Are you within 4 months of reaching age 65, or older?

- **No** → Do you have Amyotrophic Lateral Sclerosis (ALS), are caring for a disabled adult child, or have End-Stage Renal Disease (ESRD)?
  - **Yes** → You may be eligible to apply for Medicare.
  - **No** → You are likely ineligible for Medicare at this time.
- **Yes** → Are you age 65 or older and still employed?
  - **No** → Make sure to enroll in Medicare no later than the month before you turn 65 to ensure you have continuous coverage. To also avoid premium penalties, be sure to sign-up no later than the 3rd month after reaching 65.

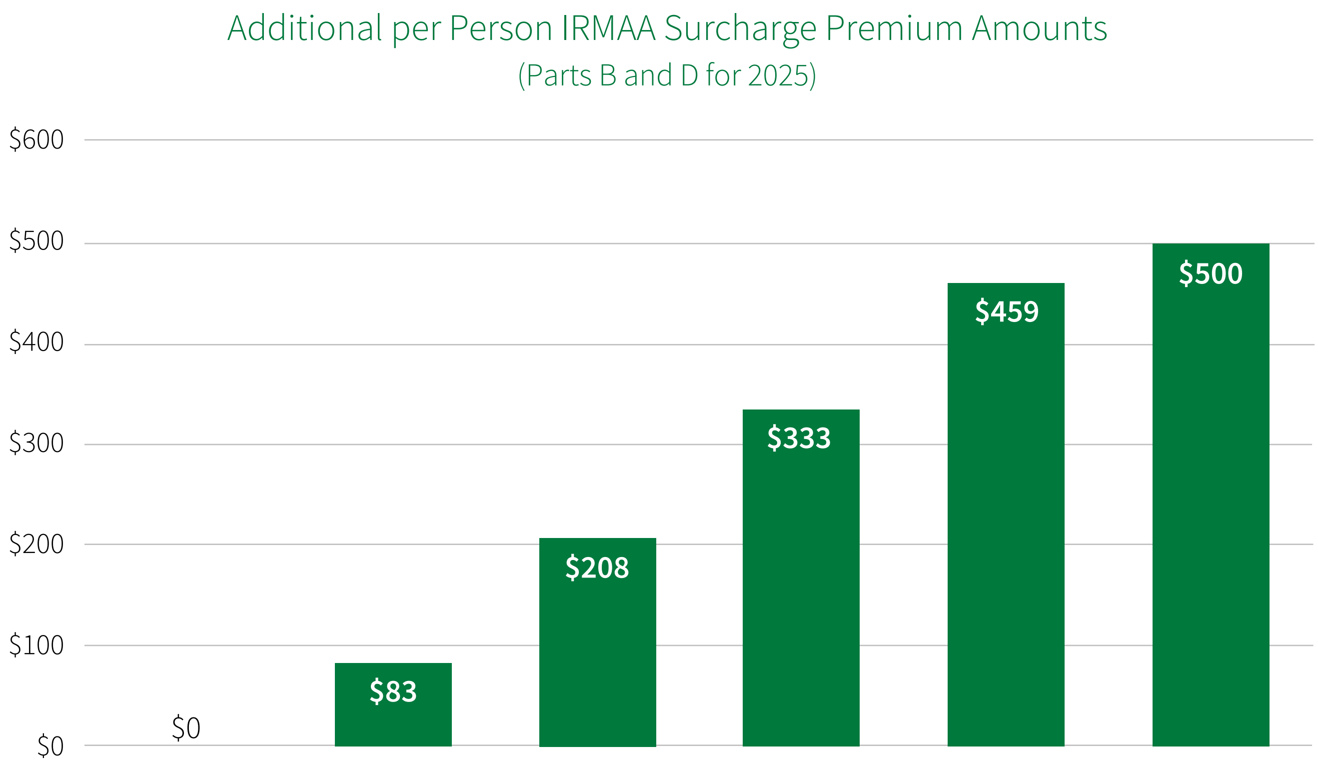
    Also stop all Health Savings Account (HSA) contributions to avoid penalty taxes.
  - **Yes** → Do you have qualifying healthcare coverage through your employer?
    - **No** → Make sure to enroll in Medicare no later than the month before you turn 65 (see above).
    - **Yes** → Do you or your employer contribute to a Health Savings Account (HSA)?
      - **No** → You may be eligible to enroll in Medicare Part A. If you plan on making future HSA contributions **do not** enroll in Medicare or sign up for Social Security benefits.
      - **Yes** → Have you filed or do you plan on filing for Social Security benefits within the next six months?
        - **No** → **Do not** enroll in Medicare at this time.

          Be sure to discontinue all HSA contributions by you, or your employer, **at least six months before** enrolling in Medicare or signing up for Social Security benefits to avoid penalty taxes.
        - **Yes** → Immediately **stop all** HSA contributions and **opt out** of Medicare Part B.

          Enrolling in Social Security *retroactively* enrolls you in Medicare Part A to the lesser of six months or age 65. Individuals who contribute to an HSA while covered by Medicare Part A will face penalty taxes.

Understanding How Income Impacts Medicare Premiums

Known as the Medicare **Income Related Monthly Adjustment Amount (IRMAA)**, your monthly premiums may be impacted by your Modified Adjusted Gross Income[1] (MAGI) based on the tax year **two years prior**. When significant life events, such as retirement occur, you may be able to receive some relief from this Medicare surcharge by filing form SSA-44.



Single Filing Status	$106,000 or less	$106,001 - $133,000	$133,001 - $167,000	$167,001 - $200,000	$200,001 - $500,000	$500,001 and above
Married Filing Jointly Status	$212,000 or less	$212,001 - $266,000	$266,001 - $334,000	$334,001 - $400,000	$400,001 - $750,000	$750,001 and above
	Modified Adjusted Income ranges based on the 2023 tax filing.					

This is not intended to be personal tax advice. Please consult with your personal tax professional on how your Medicare premiums may be impacted by your prior income.

1. When calculating the IRMAA, Modified Adjusted Gross Income (MAGI) includes your Adjusted Gross Income (AGI) plus any tax-exempt interest, such as most interest from municipal bonds.

Considerations for Pension Benefit Elections

Retirement Readiness

Although financial planning is important throughout your life, it is especially critical as you get ready to retire. Just as a jet needs a long runway to make a safe landing, we suggest that you prepare yourself well in advance of your retirement. You need to start gathering information about your financial situation and resources so that you make well-informed decisions that help support a financially secure retirement. This should include gathering estimates of your various pension options based on your expected retirement date. Some employers even offer a do-it-yourself benefits estimator website for modeling pension options. Make sure you are clear about the following:

- What is the minimum age to begin receiving pension payments?
- Is there a reduction factor for taking benefits below a certain age?
- How does your pension formula include historical earnings? For example, is it beneficial for you to retire in the month of January so the prior year earnings are included in the formula? This can be important since your last year of earnings may be your highest year of earnings.
- If years of service are part of the pension formula, how are they counted? Many employers consider 1000 hours worked in the "plan year" to be a year of service. Knowing how this works for your plan could impact your decision to work several more months to permanently increase your pension benefit.

Required Pension Options

Your pension plan will determine your available pension options. Most pension benefits are based on a formula that increases the benefit based on both your salary and the number of years that you work for your employer. Also, usually you will not be able to take your pension until you retire, and you often must reach a minimum age, such as age 55, to take your benefit regardless of when you stop working. Finally, your monthly benefits will typically increase with age since monthly benefits are based on actuarial life expectancy calculations.

Before we explore the other pension benefit options you may have to choose from, let's first review the forms of payment pension plans are required to offer to ensure you receive periodic payments for life[1]. Here are the mandatory forms of payment:

1. **Straight-Life Annuity**: For single employees, the required form of payment is a straight-life annuity. This provides a monthly payment based on the plan formula, continuing for the retiree's lifetime. The benefits stop when the retiree dies.
2. **Joint-and-Survivor Annuity**: For married employees, the required form of payment is a 50-percent joint- and-survivor annuity. This provides a joint benefit while both the retiree and spouse are alive, and half of that amount to the spouse upon the retiree's death. If you are married, you must take this form of benefit unless your spouse consents in writing to you taking another form of benefit.

Alternative Forms of Benefit Payments

Let's look at the other forms of benefit payments that your employer may offer other than the ones just discussed. Remember your pension options are based on what your pension plan offers, and the various forms of benefit payments discussed below may not be offered by your pension plan*.

Forms of Benefit Payments	How It Works
Lump Sum	This is a one-time payment of the entire pension balance. While it may seem attractive to receive a relatively large sum in one payment, it does require careful management to ensure the funds last throughout retirement.
Joint-and-Survivor Annuity	This provides a regular (usually monthly) payment while both the retiree and spouse are alive and a continued payment to the spouse after the death of the retiree. The amount of the continued payment depends on the survivor amount that is elected. Typical choices available include joint and 100%, joint and 75%, joint and two-thirds and joint and 50%.
Pop-up Provision	This is a form of joint-and-survivor annuity, in which the pension payment to the surviving plan member "pops up" the benefit amount at the death of the plan member's spouse to what it would have been if the plan member had chosen a single-life annuity. This may be a good choice if the plan member is concerned about having reduced resources if their spouse predeceases them.
Level Income (Social Security Leveling)	This form of benefit payment is designed to provide a consistent stream of income for those that retire before becoming eligible for Social Security. The pension plan member will receive a higher initial payment before becoming eligible for Social Security and a reduced pension payment after becoming eligible to receive Social Security retirement benefits.
Period Certain	This form of benefit payment guarantees payments for a specific period, regardless of whether the plan member lives for the entire period. For example, if the plan member has chosen a 20-year period certain benefit and passes away after 15 years, the beneficiary will receive payments for the remaining 5 years.

* There are limited situations in which an individual other than one's current legal spouse may be an eligible beneficiary under some pension plans.

Electing the Lump Sum? -- Not So Fast!

If you have the lump sum option available as a pension option, it may be very tempting to elect that option. Before you move in that direction, consider the following pros and cons for taking a lump sum:

Possible Reasons to Take a Lump Sump	Possible Reasons NOT to Take a Lump Sum
You do not need monthly pension income to cover essential expenses.	You need guaranteed monthly income to cover essential living expenses.
You are a disciplined spender. You can stick to a sustainable withdrawal rate and/or decrease spending during down markets. You have a history of conserving financial windfalls, such as inheritances or large bonuses.	You want the investment risk to remain on the plan provider, rather than accept the risk yourself, and want the guarantee of regular pension payouts.
You have a shortened life expectancy so premature death may result in fewer cumulative annuity payments as compared to the lump sum value.	Though you may have a shortened life expectancy, you have a spouse that you are concerned with having sufficient lifetime income.
You are an aggressive investor who desires the opportunity to invest for growth potential that may lead to greater resources later in life.	Some pension plans do not offer continued health insurance for retirees that elect a lump sum payout.
	A lump sum payment may tempt you to overspend beyond your budget.

Seek the Help of a Financial Advisor

Be careful when considering recommendations that you take the lump sum form of benefit and invest it, whether in an IRA or in a qualified annuity. Examine what you are getting versus what you are giving up by taking a lump sum.

A financial advisor can assist you by providing you with a financial plan that illustrates the impact of various pension alternatives, as well as various longevity risks (death at earlier or later ages for you and your spouse) on your retirement plan. It would be unlikely that someone would loan you money for retirement, so you want to weigh all the options carefully before making a retirement decision.

1. https://www.bls.gov/opub/btn/volume-5/pdf/youre-getting-a-pension-what-are-your-payment-options.pdf

When Roth Conversions Do or Don't Make Sense

Favorable Condition for Roth Conversions – Higher Taxation in the Future

While forecasting what changes might arise in future tax legislation is difficult, current law provides a known increase in marginal tax rates at the end of 2025 with the sunsetting of some provisions in the Tax Cuts and Jobs Act (TCJA). This may make paying taxes now at a lower rate advantageous by electively implementing Roth conversions.

It may also be beneficial to initiate a Roth conversion prior to the start of Required Minimum Distributions (RMDs). Pre-RMD Roth conversions allow individuals to control the tax they pay at today's rates, rather than being forced into a larger RMD at a time when tax rates may be higher.

An anticipated change in tax filing status should also be considered. For married couples, after the first death, the surviving spouse then files as a single taxpayer, which could put them into a higher marginal tax bracket if the income they receive stays largely the same. Converting traditional IRA assets to a Roth before then can help offset this impact.

Temporary irregular income situations may also present some opportunities. An unemployed individual who has sufficient savings to bridge the gap between jobs and can cover the taxes from a Roth conversion may be able to take advantage of their temporary lower tax situation. Similarly, self-employed persons who find themselves in a situation with net operating losses for a given year, may be able to pass-through those losses, allowing them to implement a Roth conversion with less tax impact. This can be especially helpful for many small business owners and farmers.

COUNTRY Trust Bank®, its employees, and CTB Financial Advisors do not provide tax advice. You are encouraged to seek the guidance of a qualified tax professional to assess the tax impact of a Roth conversion in your personal situation.

Favorable Condition for Roth Conversions - The Market is Down

A bear market may allow one to convert shares at a lower price, resulting a smaller tax liability. As Michael Kitces at Nerd's Eye View likes to call them, 'discounted' Roth conversions. Should the market recover, the increase alone could be more beneficial in a potentially tax-free Roth IRA than a traditional IRA that would still need to be taxed at some point and possibly at a higher tax rate. While nobody looks forward to the next bear market, planting the seed of a potential tax-saving opportunity to a client may provide them with a different perspective during a tough time.

If converting funds while the market is up is a concern for a client, conversion-cost averaging may be a beneficial strategy . . . similar to dollar cost averaging with contributions. If monthly or quarterly is too often, "bar-belling" some conversions at the beginning of the year and the rest at the end of the year may be an option to help spread the tax cost over two tax years.

Favorable Condition for Roth Conversions - Legacy and Estate Purposes

- Most beneficiaries are now required to liquidate an inherited retirement account within 10 years. While a Roth IRA is still subject to that 10-year window, the distributions are tax free to heirs, as long as the decedent had met the five-year holding requirement.
- Funds used to pay the taxes on conversions are no longer part of the taxable estate, helping reduce the potential estate tax costs.
- Beneficiaries who may still be working may face a higher tax when inheriting traditional IRA balances. This is not a concern for an inherited Roth IRA.

- Roth IRAs do not have RMDs, allowing for longer tax-free growth and a greater legacy amount to heirs.

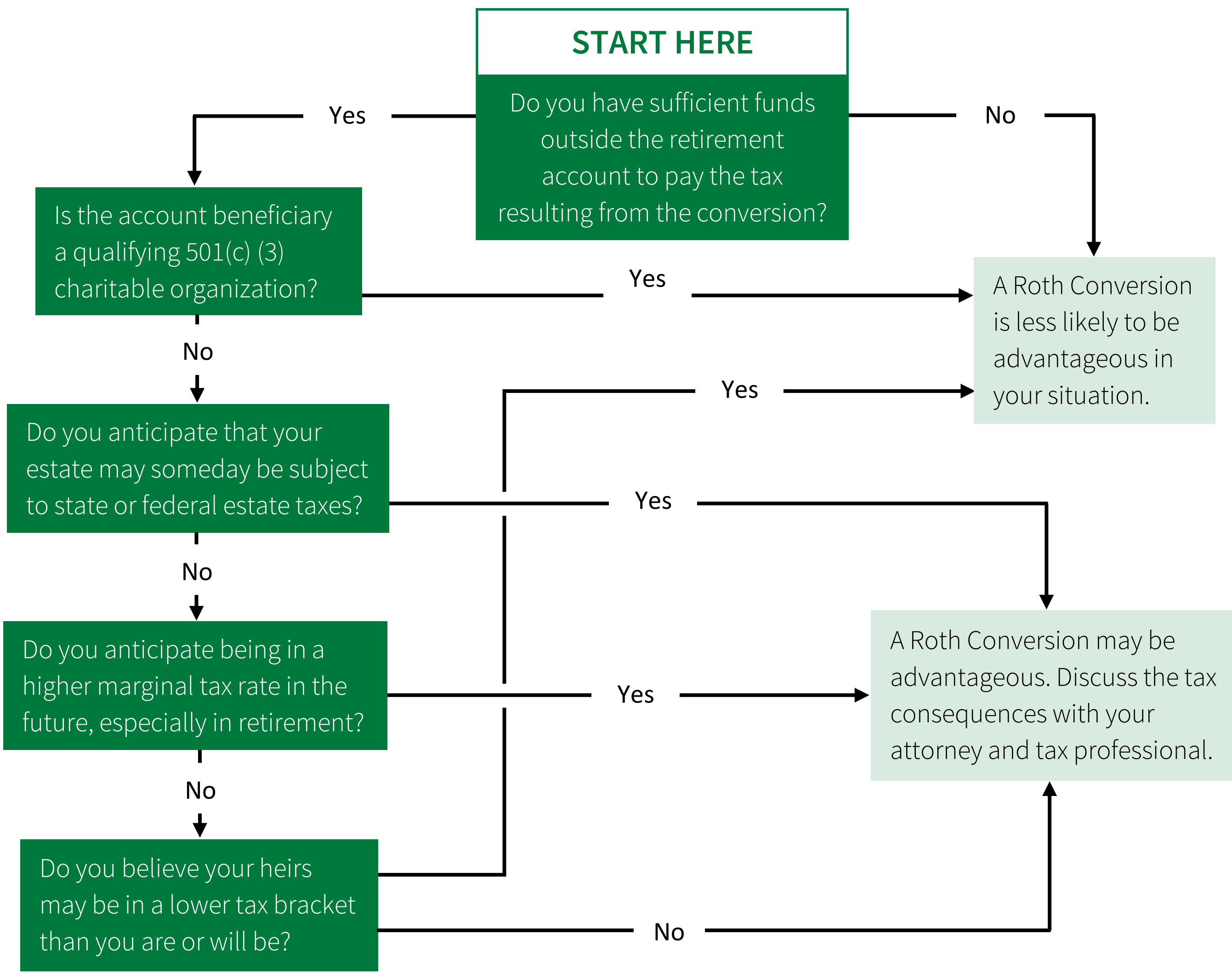
Favorable Conditions for Roth Conversions - Honorable Mentions

- The need for after-tax retirement funds to be included in a tax-sensitive distribution plan.
- Ability to create Roth assets if income limits eliminate eligibility for Roth IRA contributions.
- Early access to retirement assets that are penalty free after the converted principal has been held for 5 years.
- Separating the after-tax from the pre-tax portion of a traditional IRA rolling to a qualified retirement plan.

Unfavorable Conditions for Roth Conversions

- For Roth conversions to work properly, there must be a way to pay the tax other than from the converted assets. If outside funds are not available, consider increasing tax withholding from paychecks.
- Insufficient time to recoup conversion expense with equivalent tax-qualified growth.
- The conversion causes a 'tax torpedo' of additional Social Security taxation on top of the conversion.
- The conversion causes Medicare premiums to increase (see the IRMAA information on page 17).

Roth Conversion Decision Tree



Ready, Set, Go! A Pre-Retirement Checklist

Ready: Five Years Away from Retirement

- [ ] If married, talk with your spouse about pre-retirement needs, goals, timelines, and options.
- [ ] Fine tune your spending. Develop a realistic budget that accounts for the basics and discretionary spending goals.
- [ ] If you haven't done so yet, obtain a Social Security benefit estimate and earnings history from www.ssa.gov.
- [ ] Work with a financial advisor to analyze your situation and understand the strategies to help reach your goals.
- [ ] Make sure you understand and account for health expenses, including premiums and out-of-pocket expenses. Evaluate the impact of potential costs if a long-term care event were to occur.
- [ ] Review your investments and make sure they are aligned with your risk profile, time horizon, and retirement income needs. Identify if additional saving is required to put you on track for meeting your retirement goals.
- [ ] Review and update your plans every year at this point. This is the "red zone" and is crucial for future success.

Set: One Year Away from Retirement

- [ ] Dial in your budget. If anticipating a smaller spending target, consider giving it a trial run by trying to live on your intended retirement budget now. This will help you understand if it is reasonable or not.
- [ ] Review your employer retirement benefits. Talk with your employer's HR department and review their information with your financial advisor.
- [ ] Make plans for your health insurance needs, be that Medicare, employer coverage for retirees, or private insurance.
- [ ] Re-run your retirement analysis with your financial advisor. Make adjustments to your investments as needed.
- [ ] If appropriate, talk with your boss about your retirement plans.
- [ ] If you'll be starting Social Security and want that income to start when you retire, file for your benefits three months before you want them to start.

Go: One Month Away from Retirement

- [ ] Tie up any loose ends with your retirement plans. Review them with your financial advisor, your HR department, and your spouse, if married.
- [ ] Make sure you'll have the income you need once the paychecks stop. Set up withdrawals from investment accounts where necessary.