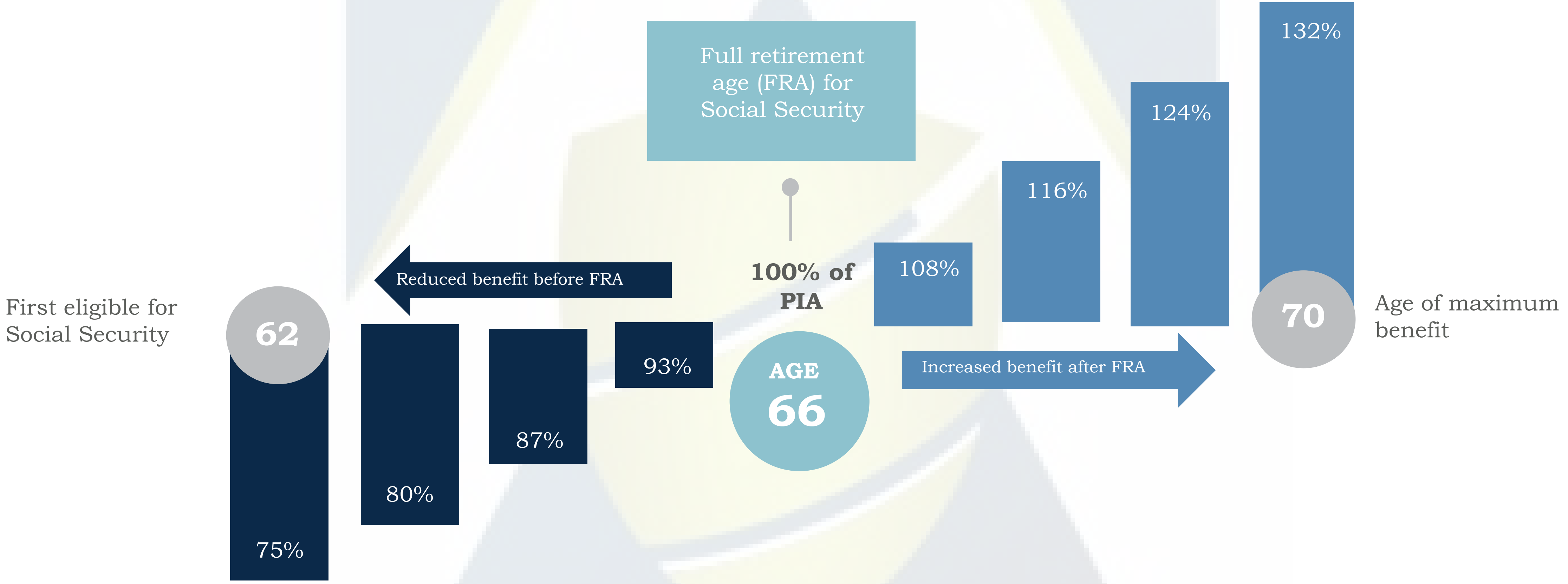
AEGIS Financial Presentation

Social Security

Brian Rogers, CFP

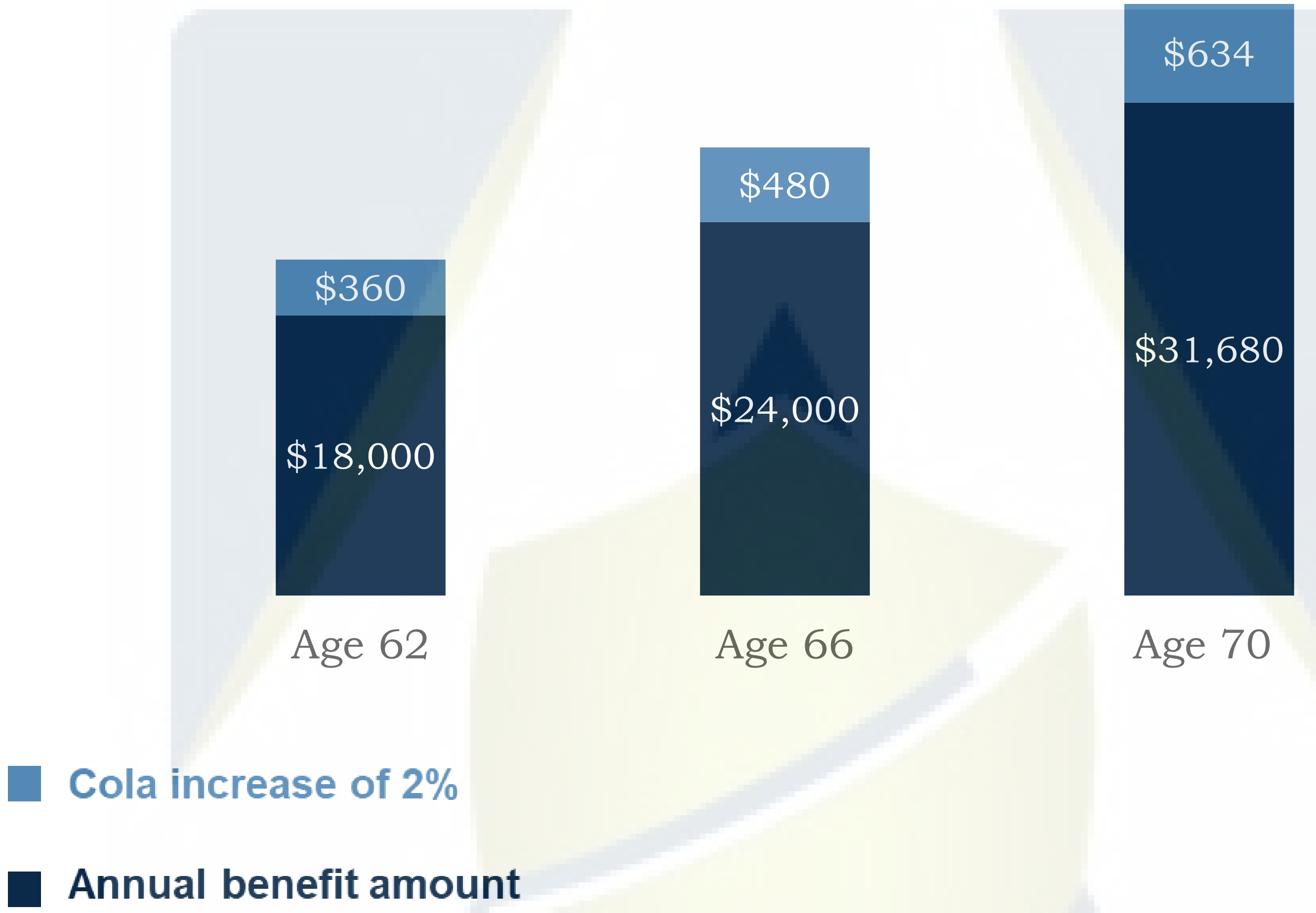
Early vs. Delayed Filing

Percentage of PIA by filing age, assuming FRA is at age 66



This information can be found at SSA.gov.
Slide provided by Raymond James

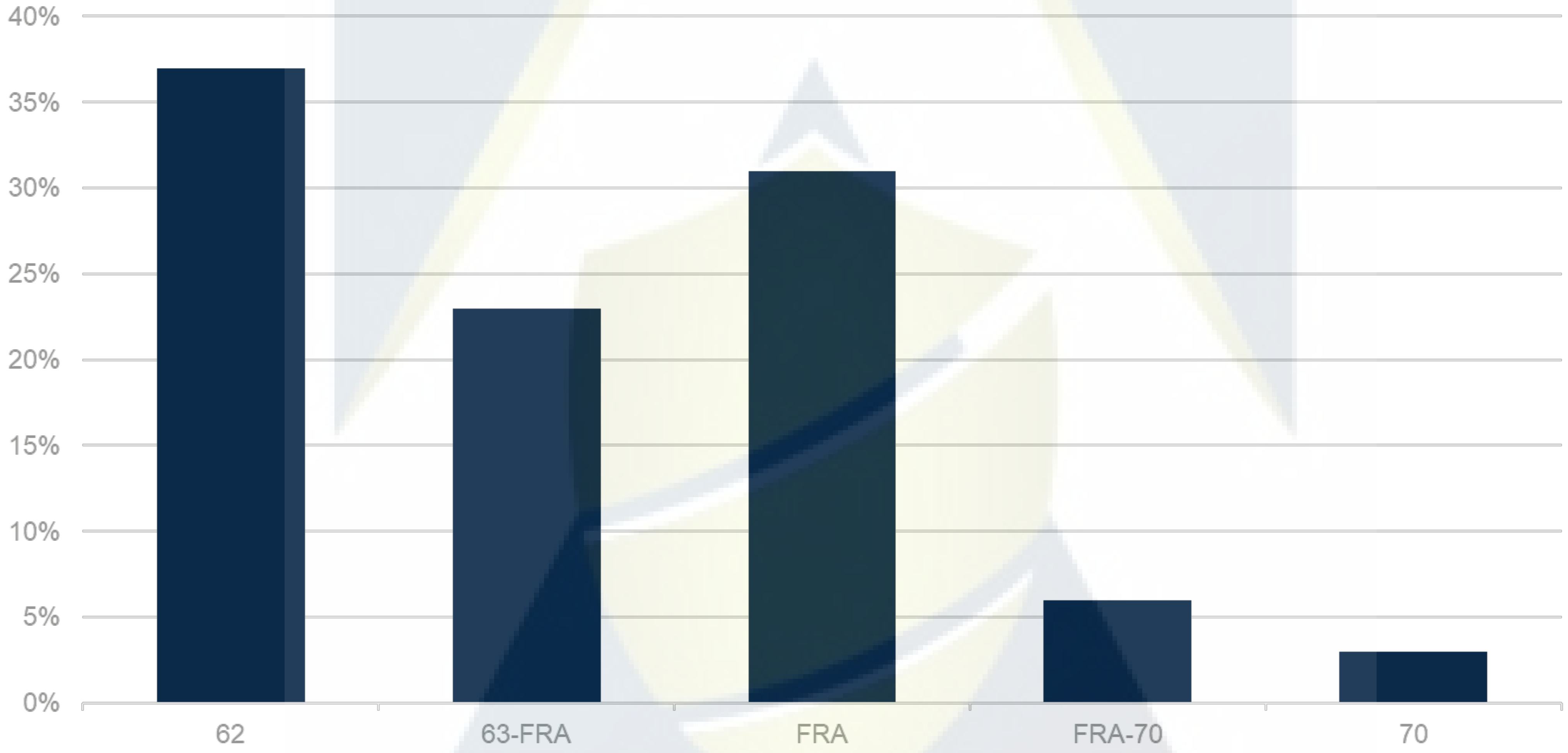
Cost of Living Adjustment (COLA)



- Annual inflation adjustment to Social Security benefits
- All recipients receive the same COLA % increase, but those with higher benefits receive a larger dollar increase.

Slide provided by Raymond James.
The information listed above is hypothetical.

Social Security Filing by Age



Slide provided by Raymond James
Sources: Social Security Administration, 2019 ; FRA = Full retirement age. For this data, FRA is 66.

Taxation of Social Security Benefits

Taxation of benefits is determined by your provisional income

Provisional income =

Adjusted gross income

\+

Tax-exempt interest

\+

1/2 Social Security benefits

Up to 85% of benefits can be taxed

Single		Married Filling Jointly
> $34,000	**Up to 85% Taxable**	> $44,000
$25,000 - $34,000	**Up to 50% Taxable**	$32,000 - $44,000
< $25,000	**Benefits not taxed**	< $32,000

Sources: Social Security Administration, 2019 ; FRA = Full retirement age. For this data, FRA is 66.

Social Security: Spousal Benefits

Married individuals can collect Social Security on their spouse's earning record if:

- They have been married for at least one year and are at least age 62 (unless caring for a child under age 16 or a child with a disability)
- The other spouse has started collecting their individual benefits

Their Social Security will be based on the PIA of the spouse who has already filed to receive their benefits.

Once the higher earner starts collecting individual benefits, the spousal benefits can begin as early as age 62

The information listed in the graph above is hypothetical.

When certain benefits "mature"

It is important to understand when certain Social Security benefits mature:

The spousal benefit of 50% of other spouse's PIA	No longer grows past FRA
The surviving spouse benefit of 100% of deceased spouse or ex-spouse PIA	No longer grows past FRA
The worker benefit	No longer grows past age 70

If you wait to apply for these benefits past their maturity ages, you could be throwing away money.

Limited Strategies

- As of April 30, 2016, the strategy known as “file and suspend” was eliminated.
- “Restricted application” concept lives on.

April - 2016						
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30					

Information provided by: https://www.ssa.gov/benefits/retirement/planner/claiming.html
Slide provided by Raymond James

Spousal benefits – restricted application

Birthday must be before January 2, 1954

One spouse must file for Social Security

Other spouse may file a restricted application for spousal benefits

(after FRA)

Word to the wise:

The spouse taking the restricted application should switch over to a fully maximized work record benefit at age 70. This does not happen automatically.

Restricted Application

- Married
- Ken is 67 and was born on December 1, 1954
- Kathy is 68 and was born on December 1, 1953
- Retired, assumed to live to 90
- Ken is currently receiving $12,000 per year in benefits
- Kathy’s primary insurance amount is $30,000

Restricted application opportunity:

- Ken filed for his work benefit amount; Kathy is waiting until 70
- Instead, Kathy can file a restricted application for spousal benefits
- At 70, Kathy can refile for her maximized benefit amount
- At that time, Ken should refile for spousal benefits on Kathy

Slide provided by Raymond James

Case Study

YEAR	2021	2022	2023
AGES/EVENT	68 / 67	69 / 68	70 / 69
KATHY	$5,923	$6,053	$41,362
KEN	$12,000	$12,264	$15,667

Case Study

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	STRATEGY USED IN SCENARIO	AS SOON AS POSSIBLE	AT RETIREMENT	AT FRA	AT AGE 70
STARTING AGE					
KATHY	70	68	68	68	70
KEN	67	67	67	67	70
FIRST YEAR BENEFIT					
KATHY	$5,923	$34,800	$34,800	$30,000	$39,600
KEN	$12,000	$15,000	$15,000	$15,000	$12,000
TOTAL LIFETIME BENEFIT (IN CURRENT DOLLARS)	$1,222,046	$1,180,200	$1,180,200	$1,065,000	$1,210,200

Divorced Spousal Benefits

A divorced spouse can receive benefits* on an ex-spouse's earnings record if:

- They were married for at least 10 years
- The divorced spouse is currently unmarried
- Both are at least age 62
- Ex-spouse does not have to file beyond two years after divorce
- There is no impact on the ex-spouse's benefit

Divorced spousal benefits are similar to regular spousal benefits. But one advantage is not having to wait for the ex-spouse to claim their benefits first.

*This benefit is not payable if the divorced spouse is remarried, unless the marriage is to a person receiving benefits as a widow, widower, parents or disabled adult child.

Slide provided by Raymond James

Divorced Spousal Benefit Strategies

Claim spousal benefit from ex-spouse if:

Half of their benefit is more than 100% of your own work benefit.

File a “restricted application” for spousal benefits only at FRA

Then switch to a fully maximized work benefit at age 70 (must be born before January 2, 1954)

Social Security: Surviving Spouse Benefits

- They were married for at least nine months.
- They are at least 60 years old – unless they have a disability (in which case, they have to be age 50) or are caring for the deceased spouse's child.
- They have not remarried prior to age 60.

Survivor benefits can begin as early as age 60

Age 60

71.5% of deceased spouse's benefit

Monthly increases for delayed claiming

FRA

100% of deceased spouse's benefit

Max survivor benefit

Divorced spouses qualify for Social Security benefits if they were married for more than 10 years, **even if they remarry after age 60.**

But you have to file for this benefit in order to receive it.

*This benefit is not payable if the divorced spouse is remarried, unless the marriage is to a person receiving benefits as a widow, widower, parents or disabled adult child.

Slide provided by Raymond James

Survivor Benefits – A Common Question

Question

My grandmother-in-law just passed away and I discovered she had only been receiving benefits based on her work history, which was minimal, instead of her ex-husband's, to whom she was married for over 40 years.

Her ex-husband passed away over eight years ago. Is there anything our family would be entitled to?

Answer

Sadly, according to the Social Security Administration (SSA), no one is entitled to the missed money.

Slide provided by Raymond James
For more information on survivor benefits, please go to https://www.ssa.gov/benefits/survivors/.

Survivor Benefit Strategies

Strategy 1:

- Begin survivor benefits as early as 60
- Own work benefit grows until 70
- Switch to maximized work benefits

Strategy 2:

- Begin work benefit as early as 62
- Survivor benefit grows until 66 (or FRA)
- Switch to maximized survivor benefit

Note: Must be mindful of earned income test

Survivor Benefit Planning

If spouse waits until FRA or later to file

Surviving spouse gets 100% of what they were receiving (or due to receive, if not filed yet)

If spouse dies before taking SS and before FRA

Surviving spouse receives their full PIA

If spouse dies after taking SS but before FRA

Surviving spouse receives what they were receiving or 82.5% of their full PIA, whichever is greater

Slide provided by Raymond James
For more information on survivor benefits, please go to https://www.ssa.gov/benefits/survivors/.

Roth Conversion to Reduce Taxes Over Lifetime

Mike Villeneuve

Investment Horizon

- Long enough to reap benefits of tax-free growth

Diversification

- Ordinary Income (SSA/Pension/Annuity/IRA)
- Taxed as Capital Gain
- Tax-Free

Retirement Income Planning & Tax

- Pre vs. Post Retirement Taxable Income
- Pre vs. Post RMDs
- Social Security
- Sunsetting of 2017 Tax Law
- Married vs. Single Filer
  - John & Jane Doe – 24% bracket
    - John Passes
      - Jane Doe AGI of $275,000 = 35%

This slide is for informational purposes only, please consult your tax, legal, and accounting professionals before modifying your strategy.
The information listed above is hypothetical.

Medicare Premium Thresholds (IRMAA)

- Avoid Surprises
  - Consideration for lumping conversions into one year
  - Don’t lose sight of thresholds when doing annual conversions

Table 1. Part B – 2022 IRMAA		
Individual	**Joint**	**Monthly Premium**
$91,000 or less	$182,000 or less	$170.10
> $91,000 – $114,000	> $182,000 – $228,000	$238.10
> $114,000 – $142,000	> $228,000 -$284,000	$340.20
> $142,000 – $170,000	> $284,000 – $340,000	$442.30
> $170,000 – $500,000	> $340,000 – $750,000	$544.30
Greater than $500,000	Greater than $750,000	$578.30

The information listed above is hypothetical.
Graph provided by: https://www.medicareresources.org/medicare-eligibility-and-enrollment/what-is-the-income-related-monthly-adjusted-amount-irmaa/

Charitable

- Tax Deferred assets whenever possible

Estate Tax

- Are clients concerned about taxes to heirs?
- Could reduce estate by the amount of taxes paid on conversion offsetting future estate taxes.

Timing

- Market Up
  - Future RMDs will be more
- Market Down
  - Tax-Free growth on converted assets
- Early or Late in Year
  - How certain is tax planning for the year?

5 Year Rule

- Over 59 ½
  - Held 5 years – not subject to tax or penalty
  - Not held 5 years – Subject to tax on earning unless exception applies – no penalty
- Under 59 ½ - with exception
  - Held 5 years – Not subject to tax or penalty on earnings
  - Not held 5 years – Subject to tax on earning – no penalty
- Under 59 ½ - No Exception
  - Subject to tax & penalty on earnings regardless of 5-year hold.

Source: https://www.fidelity.com/insights/retirement/roth-5-year-rule

Charitable Gifting Strategies

Taylor Helgeson

Appreciated Stock

- Results in larger donation for the charity
- Fund must be held for a year
- Limited to 30% adjusted gross income

Information provided by: https://www.fidelitycharitable.org/articles/4-reasons-to-donate-stock-to-charity.html#:~:text=By%20donating%20stock%20that%20has,percent%20on%20long%2Dterm%20holdings.

Qualified Charitable Distributions

- Donated from an IRA account
- Starts at age 70 ½
- Can donate up to $100,000 from IRA per year.
- Must go directly to the charity to be exempt from reporting.

Information provided by: https://www.irs.gov/retirement-plans/retirement-plans-faqs-regarding-iras-distributions-withdrawals

Donor Advised Funds

- Can donate to multiple charities
- Immediate tax benefit up to 60% adjusted gross income, anything above 60% can be carried over up to 5 years
    - Can distribute as desired
- Contribution amounts

Information provided by: https://www.sdfoundation.org/news-events/sdf-news/what-to-know-about-donor-advised-funds-in-2022-rules-tax-deductions-comparisons-and-more/#:~:text=Donor%2DAdvised%20Fund%20Tax%20Deductions&text=Donating%20cash%2C%20via%20check%20or,of%20your%20adjusted%20gross%20income.

Donor Advised Funds

- Planning Opportunity
  - Offset gains recognized due to a sale
  - Make a deductible contribution beneficial

	$10,000 Donation Every Year	$100,000 Donation One Year
SALT Deduction	$10,000	$10,000
Charitable Donation	$10,000	$100,000
Itemized Deduction	$20,000	$110,000
Standard Deduction	$25,900	$25,900
Deduction Taken	$25,900	$110,000
Tax Benefit of Charitable Contribution	**$0**	**$84,100**

Information provided by: https://www.sdfoundation.org/news-events/sdf-news/what-to-know-about-donor-advised-funds-in-2022-rules-tax-deductions-comparisons-and-more/#:~:text=Donor%2DAdvised%20Fund%20Tax%20Deductions&text=Donating%20cash%2C%20via%20check%20or,of%20your%20adjusted%20gross%20income.
The information in the graph above is hypothetical.
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Long-term Care

William L. Bowman, CPA

What is Long-term Care?

Funds ongoing services and support needed by people who have chronic health conditions or disabilities.

Levels of long-term care.

- **Skilled Care**: Around the clock care given by professional health care providers.
- **Intermediate Care**: Same as skilled but on a less frequent basis.
- **Custodial Care**: Assistance with what are called “activities of daily living” such as bathing, eating, and dressing. Often given by family caregivers, nurses’ aides, or home health workers.

Information provided by:(Five Questions about Long-Term Care. Raymond James 2019)

What is Long-term Care?

Long-term care is provided in

- Nursing homes
- Home-based care (the most common)
- Assisted living facilities
- Adult day care centers

Information provided by:(Five Questions about Long-Term Care. Raymond James 2019)

Why is it important to plan for Long-Term Care?

No one expects to need long-term care, but it's important to plan for it, nonetheless. Here are two important reasons why:

Information provided by:(Five Questions about Long-Term Care. Raymond James 2019)

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1. The odds of needing Long-term care are high

- Approximately 52% of people will need long-term care at some point during their lifetimes after reaching age 65

- Approximately 8% of people between ages 40 and 50 will have a disability that may require long-term care services.

Information provided by:(Five Questions about Long-Term Care. Raymond James 2019)
*U.S. Department of Health and Human Services, Last modified: November 14, 2017

2. The cost of Long-term care can be expensive

Some of the average costs in the United States for long-term care include:

Semi-private

- $8,145 per month, or $97,740 per year (a 2.99% increase from 2021)

Private

- $9,305 per month or $111,660 per year (a 2.99% increase since 2021)

Assisted Living facility

- $4,635 per month or $55,620 per year (a 3% increase since 2021)

Adult day health care center

- $1,741 per month or $20,892 per year (a 3.1% increase since 2021)

Every day until 2030, 10,000 Baby Boomers will turn 65

Information provided by:(Five Questions about Long-Term Care. Raymond James 2019)
“Cost of Care Survey – Genworth Financial, Inc. https://www.genworth.com/aging-and-you/finances/cost-of-care.html

Doesn’t Medicare pay for long-term care?

Medicare

Provides only limited coverage for long-term care services such as skilled nursing care or physical therapy. It doesn't cover custodial care, the type of care older individuals most often need.

Medicaid

The joint federal-state program that covers two-thirds of nursing homes. To qualify for Medicaid, you must have limited income and assets, it provides only limited coverage for home health care in certain states.

Information provided by:(Five Questions about Long-Term Care. Raymond James 2019)

Can’t I pay for care out of pocket?

The major advantages of self insuring is that you have the most control over where and how you receive care. But, because the cost of long-term care is high, you may have trouble affording extended care if you need it.

Information provided by:(Five Questions about Long-Term Care. Raymond James 2019)

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Should I add long term care insurance to my plan?

Protects you against the chance that long-term care services will cost more than you can afford.

Can help you preserve your assets and guarantee that you'll have access to a range of care options.

Before you purchase a policy, make sure you can afford the premiums both now and in the future.

Information provided by:(Five Questions about Long-Term Care. Raymond James 2019)

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Should I add long term care insurance to my plan?

Key components of Long Term Care:

- **Benefit amount:** The maximum your policy will pay for your care each day, and generally ranges from $50-$350 or more.
- **Benefit Period:** The length of time your policy will pay benefits: (e.g., 2 years, 4 years, lifetime).
- **Elimination Period:** The number of days you must pay for your own care before the policy begins paying benefits (e.g., 90 days).
- **Types of facilities included:** your own home, assisted living facilities, adult day care centers, and nursing homes.
- **Inflation protection:** Your benefit will increase by a certain percentage each year. It’s an optional feature available at an additional cost, but having it will enable your coverage to keep pace with rising prices.

Information provided by:(Five Questions about Long-Term Care. Raymond James 2019)

Stand-Alone Long Term Care Insurance Policies

Stand-alone policies offer the most direct, affordable solution for paying for long term care expenses. These policies have been available for over 40 years. Most policies reimburse the actual cost of care (up to your policy limits) if:

1. You require assistance with at least two of six activities of daily living: dressing, bathing, feeding, toileting, transferring and mobility
2. You become cognitively impaired, for example, because of Alzheimer's Disease.

Information provided by:(Five Questions about Long-Term Care. Raymond James 2019)

Hybrid Long Term Care Insurance Plans

A hybrid long term care insurance plan (aka “Asset-based Long Term Care Insurance”) combines two types of coverage under one policy– either life insurance or a qualifying annuity with a Long-term Care Insurance rider.

If you already have a permanent life insurance policy or an annuity, they can be re-purposed to add an LTCI rider.

Hybrid plans haven’t been offered for as long as stand-alone plans, but they’re growing rapidly in popularity.

Information provided by:(Five Questions about Long-Term Care. Raymond James 2019)

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Asset-based Long Term Care Insurance plans only work for people who have assets to reallocate

An asset-based LTCI plan offers you several advantages, including:

1. One policy, two purposes –the total value of the policy goes to both long-term care insurance and life insurance/annuity. For example, if you had a hybrid plan with a total benefit for $500,000 and used $200,000 toward long term care coverage, the remaining $300,000 would be paid as a death benefit just like any other permanent life insurance would.
2. Your premiums are guaranteed not to increase
3. Flexibility in payment – you can choose to pay your premiums in a lump sum (“single pay plan”), up to 20 annual payments (“20 pay plan”), or lifetime payments.
4. Re-purposing is tax free – if you already have a permanent life insurance policy or qualifying annuity, you can use a 1035 exchange.
5. Get a refund of premiums – with many plans you can cash in your policy for any reason and get back some or all of the premiums you’ve paid in.
6. May be able to fund with IRA money.

Information provided by:(Five Questions about Long-Term Care. Raymond James 2019)
https://www.magaltc.com/types-of-long-term-care-insurance/

Case Study – John & Jane Doe

- Married for 40 years
- Both are 73 years old
- John: Retired Attorney
- Jane: Homemaker
- Location: Live in Wisconsin and snowbird in Florida for 3 months
- Both are in good health with longevity on both sides
- Have 2 adult children, 5 grandchildren, and 2 great-grandchildren
- Normal charitable giving of $10,000/year

Photo provided by Raymond James
The information above is hypothetical.

Assets

- IRAs: $1,325,000
- Roth IRAs: $100,000
- Brokerage Account:
  - $200,000 in Exxon stock with $20,000 basis
  - $300,000 in Mutual Funds/ETFs with $200,000 basis
- Fully depreciated small Self-storage building:
  - Value of $250,000 with basis of $50,000
- Personal Home:
  - $750,000 with basis of $300,000
- 120 acres of hunting land:
  - $400,000 with basis of $100,000
- $100,000 Life insurance policy on John
  - Cash value of $50,000

The information above is hypothetical.

Income

- $50,000/year RMDs (total)
- $40,000/year WRS pension (100% survivor)
- $10,000/year from self-storage building
- $45,000/year from Social Security
  - ($30,000 for John and $15,000 for Jane)
- $15,000/year dividends
- $10,000/year capital gains distributions

The information above is hypothetical.

Base Scenario

- AGI: $163,250
- Deduction: Standard of $28,700
- Taxable Income: $134,550
  - Marginal Tax Rate: 22%
- Tax Due:
  - Fed: $19,225
  - WI: $5,117

The information above is hypothetical.

Example A: Qualified Charitable Distribution (QCD)

- AGI: $153,250
- Deduction: Standard of $28,700
- Taxable Income: $124,550
    - Marginal Tax Rate: 22%
- Tax Due:
    - Fed: $17,025 (Savings of $2,200)
    - WI: $4,876 (Savings of $241)

The information above is hypothetical.

Example B: Sell 40 acres of hunting land

- Results in $100,000 LTCG
- AGI: $263,250
- Deduction: Standard of $28,700
- Taxable Income: $234,550
  - Marginal Tax Rate: 22%
- Tax Due:
  - Fed: $34,225
  - WI: $8,833

The information above is hypothetical.

Example B: Sell 40 acres of hunting land & Fund Donor Advised Fund (DAF) with $97,950

- Results in $100,000 LTCG
- AGI: $263,250
- Deduction: Itemized of $107,950
- Taxable Income: $155,300
  - Marginal Tax Rate: 22%
- Tax Due:
  - Fed: $14,258 (Savings of $19,967)
  - WI: $4,435 (Savings of $4,398)

The information above is hypothetical.

Example C: John dies

- Only change in income is loss of the smaller Social Security benefit ($15,000)
- AGI: $150,500
- Deduction: Itemized of $20,000
- Taxable Income: $130,500
  - Marginal Tax Rate: 24%
- Tax Due:
  - Fed: $23,086 (Increase of $3,861)
  - WI: $5,270 (Increase of $153)

The information above is hypothetical.


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Thank You!