



Retirement Asset Planning

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About Me

- Westmont College - Econ/Business Major, Women's Soccer
- Aerospace until fall '18
- Trading position at EA - UCI for CFP designation
- Advisor January 2022
- EA for seven years
- Married 5 years
 - Brea/ Brea Rotary / RCC in Anaheim Hills
 - 3 kids, 2 dogs, 1 husband



Retirement Account Types

Good to fill various tax “buckets”

- Tax-Deferred
- Taxable
- Tax-Free

Options for income sources in retirement - better planning advantages for estate planning and retirement funding

Retirement Account Types Cont.

Tax-deferred

- IRA, 401k, 403b, 457, tax-deferred comp plans etc.

Taxable (not a specific retirement account but can be used for retirement saving)

- Brokerage, Trust, Individual, Joint accounts

Tax-Free

- Roth IRA, Roth 401k, Roth 403b, Roth 457, etc.

Retirement Account Types

Tax-Deferred

- Decreases taxable income TODAY
- Tax Deferred Growth
- Taxed upon withdrawal
- Subject to the RMD Rule

Taxable

- No penalty to withdraw - can take out anytime
- Income taxed as you go, no deduction

Tax Free

- Tax-deferred growth
- Tax-free withdrawals
- No deduction

Required Minimum Distributions (RMDs)

Tax Deferred Retirement Accounts

- If birthday is before 1960, RMD will start at age 73 if it has not started for you already
- If birthday is 1960 or later, RMD age is now 75
- Value of tax-deferred account at previous year end, divided by “factor” assigned to your age that year
- The year you turn that age, RMD begins and your first is due by April 1 of the following year - from then on, due by December 31
- Factor for standard RMD comes from the “Uniform Lifetime Table”

Roth Conversions

Take advantage of lower income years between retirement and RMDs starting

- Pulling dollars forward to be taxed at a lower effective rate
- Different for everyone, not a solution for everyone
- Pension can keep income too high for this to make sense
- Years of part time work, or lower pay are often good times to look at this
- Look at in conjunction with turning on Social Security benefit
 - Something you look at every year
- Good for kids in high tax brackets inheriting assets

Employer Plan VS. IRA

- 10% penalty taking before 59.5 - 55 ok if left job for **ER plan**
- Loan option often in ER plan - usually half of vested balance
- Funding can be higher in 401ks (Up to \$31k w/standard catch up) - but anyone can open IRA (8k w/ catch up), just need earned income
- Usually more investment options for IRA, limited to plan offerings in ER plan
- RMD can be delayed for ER plan if still working (and not a 5% owner)
- Higher fees usually associated with ER plan

Inherited IRA RMD Secure Act Changes

- The Secure Act and Secure Act 2.0
 - Essentially replaces stretch provision with 10-year
 - Specifics of this depends on which type of beneficiary you are (eligible or non-eligible)
 - And if decedent has begun RMDs already or not

The main takeaway of this is that if the owner of the IRA passed in 2020 or later, you now have to have it emptied one way or another by the end of the tenth year following their passing.

- Article that covers this in depth on our website here: [So You've Inherited an Inherited IRA](#)

Even if you fall into the category of not being required to take annual distributions, it might still make sense to avoid getting bumped into higher tax brackets. Case by case - a lot of tax planning involved

Qualified Charitable Distributions (QCD)

Tax-savvy tax-deferred withdrawal option for the charitably inclined

- Can start at 70.5
- Can be done from Inherited IRAs as well as long as you're 70.5
- Avoids taxes on the withdrawals
 - Reducing tax bill
- Consider these in the years leading up to RMD as well
 - May make more sense than Roth Conversions

Beneficiary Designations

- Avoids probate
- Don't name a trust (usually)
 - exceptions : minor, disabled, not responsible, etc.
- Name contingent beneficiaries
- Retirement accounts follow beneficiary rules over trust rules
- Review often, update when necessary
- Consider tax situation of beneficiaries when considering who to leave which assets to - among other personal, case by case considerations

Spouse as Beneficiary

- Takes care of your spouse
- No ten year rule for them
 - One of the Secure Act exceptions
- Spousal rollover option
- Own life expectancy
 - Possible issues:
 - Blended family

Children and Grandchildren as Beneficiaries

Advantages:

- If minor child, ten year rule does not kick in until they are no longer a minor
- Helps with tax planning, minors most likely make less, tax-deferred accounts are more of a net benefit

Children and Grandchildren as Beneficiaries

Disadvantages

- Cannot directly receive inheritance
- Not mature enough to handle large inheritance even if they did
- Avoid court appointing an adult, and take care of it in the Trust
- This is where a thoughtful trust is imperative

Trust as Beneficiary

Advantages - provides control, protects beneficiaries

Disadvantages - no spousal rollover, separate tax return and higher income tax rate, expensive and complex to administer

Charity as Beneficiary

- Avoids income taxes
- Reduces estate taxes
- Similar to QCD benefits

Questions?

Thanks!

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