To be used for RMDs beginning for 2022

UNIFORM LIFETIME TABLE

Age of IRA Owner or Plan Participant	Life Expectancy (in years)	% of Account Balance	Age of IRA Owner or Plan Participant	Life Expectancy (in years)	% of Account Balance
72	27.4	3.65%	96	8.4	11.90%
73	26.5	3.77%	97	7.8	12.82%
74	25.5	3.92%	98	7.3	13.70%
75	24.6	4.07%	99	6.8	14.71%
76	23.7	4.22%	100	6.4	15.63%
77	22.9	4.37%	101	6.0	16.67%
78	22.0	4.55%	102	5.6	17.86%
79	21.1	4.74%	103	5.2	19.23%
80	20.2	4.95%	104	4.9	20.41%
81	19.4	5.15%	105	4.6	21.74%
82	18.5	5.41%	106	4.3	23.26%
83	17.7	5.65%	107	4.1	24.39%
84	16.8	5.95%	108	3.9	25.64%
85	16.0	6.25%	109	3.7	27.03%
86	15.2	6.58%	110	3.5	28.57%
87	14.4	6.94%	111	3.4	29.41%
88	13.7	7.30%	112	3.3	30.30%
89	12.9	7.75%	113	3.1	32.26%
90	12.2	8.20%	114	3.0	33.33%
91	11.5	8.70%	115	2.9	34.48%
92	10.8	9.26%	116	2.8	35.71%
93	10.1	9.90%	117	2.7	37.04%
94	9.5	10.53%	118	2.5	40.00%
95	8.9	11.24%	119	2.3	43.48%
			120+	2.0	50.00%

This table is only used for lifetime required distributions – for RMDs beginning in 2022 (but ***not*** for 2021 RMDs taken in 2022). Most IRA owners will use this table, but there is one exception. If the spouse is the sole beneficiary for the entire year AND is more than 10 years younger than the IRA owner, do not use this Uniform Lifetime Table. Instead, use the actual ages of both spouses based on the Joint Life Table. This will result in a longer life expectancy and a smaller required distribution.

Investment advisory services offered through Mutual Advisors, LLC DBA California Retirement Advisors, a SEC registered investment adviser. Securities offered through Mutual Securities, Inc., member FINRA/SIPC. Mutual Securities, Inc. and Mutual Advisors, LLC are affiliated companies. CA Insurance license #0B09076.
© 2022 Ed Slott and Company LLC. Reprinted with permission. Ed Slott and Company LLC takes no responsibility for the current accuracy of this information.

To be used for RMDs beginning for 2022

Single Life Expectancy Table (for Inherited IRAs)

(To be used for calculating post-death required distributions to beneficiaries)

Age of IRA or Plan Beneficiary	Life Expectancy (in years)	Age of IRA or Plan Beneficiary	Life Expectancy (in years)	Age of IRA or Plan Beneficiary	Life Expectancy (in years)	Age of IRA or Plan Beneficiary	Life Expectancy (in years)
0	84.6	31	54.4	61	26.2	91	5.3
1	83.7	32	53.4	62	25.4	92	4.9
2	82.8	33	52.5	63	24.5	93	4.6
3	81.8	34	51.5	64	23.7	94	4.3
4	80.8	35	50.5	65	22.9	95	4.0
5	79.8	36	49.6	66	22.0	96	3.7
6	78.8	37	48.6	67	21.2	97	3.4
7	77.9	38	47.7	68	20.4	98	3.2
8	76.9	39	46.7	69	19.6	99	3.0
9	75.9	40	45.7	70	18.8	100	2.8
10	74.9	41	44.8	71	18.0	101	2.6
11	73.9	42	43.8	72	17.2	102	2.5
12	72.9	43	42.9	73	16.4	103	2.3
13	71.9	44	41.9	74	15.6	104	2.2
14	70.9	45	41.0	75	14.8	105	2.1
15	69.9	46	40.0	76	14.1	106	2.1
16	69.0	47	39.0	77	13.3	107	2.1
17	68.0	48	38.1	78	12.6	108	2.0
18	67.0	49	37.1	79	11.9	109	2.0
19	66.0	50	36.2	80	11.2	110	2.0
20	65.0	51	35.3	81	10.5	111	2.0
21	64.1	52	34.3	82	9.9	112	2.0
22	63.1	53	33.4	83	9.3	113	1.9
23	62.1	54	32.5	84	8.7	114	1.9
24	61.1	55	31.6	85	8.1	115	1.8
25	60.2	56	30.6	86	7.6	116	1.8
26	59.2	57	29.8	87	7.1	117	1.6
27	58.2	58	28.9	88	6.6	118	1.4
28	57.3	59	28.0	89	6.1	119	1.1
29	56.3	60	27.1	90	5.7	120+	1.0
30	55.3						

This table is for calculating **2022** and later years' post-death required minimum distributions (RMDs) for ***Eligible Designated Beneficiaries*** (EDBs) and for designated beneficiaries who inherited before 2020. It is never to be used by IRA owners or plan participants to calculate lifetime required distributions. This is a recalculating table (meaning you get a new life expectancy for every year you live), but only a spouse beneficiary who is the sole beneficiary can go back to the table each year and recalculate life expectancy. A non-spouse beneficiary cannot recalculate and would only use this table to compute the first year's required distribution for the inherited IRA if they qualify as an EDB (for post-2019 deaths). The life expectancy will then be reduced by one for each successive year. **Beneficiaries subject to the 10-year payout rule under the SECURE Act do NOT use this table.**

Investment advisory services offered through Mutual Advisors, LLC DBA California Retirement Advisors, a SEC registered investment adviser. Securities offered through Mutual Securities, Inc., member FINRA/SIPC. Mutual Securities, Inc. and Mutual Advisors, LLC are affiliated companies. CA Insurance license #0B09076.
© 2022 Ed Slott and Company LLC. Reprinted with permission. Ed Slott and Company LLC takes no responsibility for the current accuracy of this information.

2022 Tax Planning

Taxable Income Brackets for 2022 *Ordinary* Income Tax Rates

Marginal Tax Rate	Married Filing Joint	Single
10%	$0 – $20,550	$0 – $10,275
12%	$20,551 – $83,550	$10,276 – $41,775
22%	$83,551 - $178,150	$41,776 – $89,075
24%	$178,151 - $340,100	$89,076 – $170,050
32%	$340,101 - $431,900	$170,051 - $215,950
35%	$431,901 - $647,850	$215,951 – $539,900
37%*	Over $647,850	Over $539,900

* The top rate is effectively 40.8% for those subject to the 3.8% Medicare surtax on net investment income

2022 Trust Tax Rates

Ordinary Income Tax		Capital Gain Rates	
10%	$0 - $2,750	0%	$0 - $2,800
24%	$2,751 - $9,850	15%	$2,801 - $13,700
35%	$9,851 - $13,450	20%	Over $13,700
37%	Over $13,450		

Trust Tax Rates – Distributions from inherited IRAs that exceed **$13,450** and are made to and retained in discretionary trusts will be subject to the top 37% rate. After the SECURE Act, inherited IRA funds will have to be paid out to most of these trusts under the 10-year rule, accelerating trust taxes. Roth conversions during the IRA owner's life become more valuable if the IRA beneficiary is a trust.

Qualified Business Income (QBI) Deduction

20% Deduction Phase-Out Ranges

$340,100 - $440,100 - Married Joint

$170,050 - $220,050 - Single

Taxable Income Brackets for 2022 *Long Term Capital Gains and Qualified Dividends Tax*

Long Term Capital Gains Rate	Married Filing Joint	Single
0%	$0 – $83,350	$0 – $41,675
15%*	$83,351 – $517,200	$41,676 – $459,750
20% **	Over $517,200	Over $459,750

*The 15% rate is effectively 18.8% for those subject to the 3.8% Medicare surtax on net investment income (those with MAGI over the thresholds of $250,000 joint filers/$200,000 single filers).

**The top rate is effectively 23.8% for those subject to the 3.8% Medicare surtax on net investment income.

2022 Transfer Taxes

Transfer Tax	Exemption*	Maximum Rate
Estate, Gift, GST Tax	$12,060,000	40%

*The estate and gift exemptions are portable. The unused amount can be transferred to a surviving spouse. The GST exemption is NOT portable.

Annual Gift Tax Exclusion $16,000

Standard Deductions

Married-Joint	$25,900
Single	$12,950
Head of Household	$19,400

Extra Standard Deduction for Age 65 or Blind

$1,400 (married-joint)

$1,750 (single)

Qualified Charitable Distributions

Available only to IRA owners and IRA beneficiaries who are 70½ or older. The annual QCD limit is $100,000 per IRA owner, ***not*** per IRA account. QCDs are more valuable due to the larger number of taxpayers that are using the increased standard deduction.

Roth Conversion Planning Ideas

Roth conversions are permanent and work best for those who believe they will be subject to higher marginal tax rates in the future.

Roth conversions are not all or nothing. Consider a series of smaller annual conversions over time to spread out the income tax.

Timing Roth conversions for maximum tax efficiency:
Convert before RMDs begin. RMDs cannot be converted, so no conversion can be done until the RMD is withdrawn.

Avoid the impact of Roth conversions on Medicare IRMAA charges for Parts B and D based on income. Since Medicare has a 2-year lookback provision, consider conversions before age 63.

If a spouse died during the year, consider a Roth conversion for the surviving spouse since this may be the last year to take advantage of married-joint tax return rates. Include the conversion income on the final joint tax return.

Investment advisory services offered through Mutual Advisors, LLC DBA California Retirement Advisors, a SEC registered investment adviser. Securities offered through Mutual Securities, Inc., member FINRA/SIPC. Mutual Securities, Inc. and Mutual Advisors, LLC are affiliated companies. CA Insurance license #0B09076.
© 2022 Ed Slott and Company LLC. Reprinted with permission. Ed Slott and Company LLC takes no responsibility for the current accuracy of this information.

SECURE Act

Retirement Plan Payouts to Beneficiaries Under the SECURE Act

(for deaths *after* 2019*)

***Extended Effective Dates**
The effective date for the elimination of the stretch and application of the 10-year rule is generally for deaths after December 31, 2019. But that effective date is extended for two years (for deaths after December 31, 2021) for governmental plans, including certain 403(b) and 457(b) plans, and the Thrift Savings Plan. It is also extended for as long as two years for collectively bargained plans, depending on the expiration date of the union contract.

Retirement Accounts Affected
The elimination of the stretch IRA and inclusion of the 10-year rule provisions apply to defined contributions plans, including 401(k), 403(b) and 457(b) plans, and traditional and Roth IRAs. They do not apply to defined benefit plans.

Under the SECURE Act, there are now 3 kinds of retirement plan beneficiaries for determining post-death payouts after 2019:

1. Non-Designated Beneficiary (NDB)

2. Non-Eligible Designated Beneficiary (NEDB)

3. Eligible Designated Beneficiary (EDB)

1. Non-Designated Beneficiary (NDB)

These are not people. Examples: Estate, charity or non-qualifying trust (non-look-through trust)

Post-death Payout Rules for NDBs
Based on whether the IRA owner or plan participant dies before or after the owner's required beginning date (RBD). The RBD is generally April 1 after the year of the 72nd birthday.

If owner dies before the RBD, the account must be withdrawn by the end of the 5th year after death – the 5-year rule. There are no annual RMDs during the 5-year window.

If owner dies on or after the RBD, RMDs must be taken over the deceased's remaining single life expectancy - "*ghost life rule*." (Note: This can produce a post-death payout exceeding 10 years)

2. Non-Eligible Designated Beneficiary (NEDB)

10-year rule

All designated beneficiaries who do not qualify as EDBs (see #3 below).
Examples: grandchildren, older children, some look-through trusts

Post-death Payout Rules for NEDBs - *depends on whether death occurs before or after the required beginning date (RBD)*

- If owner dies ***before*** the RBD, there are no annual RMDs during the 10-year window.
- If owner dies ***on or after*** the RBD, annual (stretch IRA) RMDs must be taken for years 1-9.

Entire account must be emptied by the end of the 10th year after death – the 10-year rule.

3. Eligible Designated Beneficiary (EDB)

Stretch applies

The SECURE Act exempts these beneficiaries from the 10-year rule. However, if the account owner dies before the RBD, an EDB can elect the 10-year rule.

EDBs must be designated beneficiaries.

5 Classes of Eligible Designated Beneficiaries
1. Surviving spouses
2. Minor children of the account owner, until age 21 – but *not* grandchildren
3. Disabled individuals – under the strict IRS rules
4. Chronically ill individuals
5. Individuals not more than 10 years younger than the IRA owner

Plus - Any designated beneficiary (including qualifying trusts) who inherited ***before*** 2020. These beneficiaries are grandfathered under the pre-2020 stretch IRA rules. In addition, trusts for the sole benefit of these EDBs should qualify as an EDB.

EDB status is determined at date of owner's (or plan participant's) death and cannot be changed.

Post-death Payout Rules for EDBs
Once an EDB no longer qualifies as an EDB, or dies, the 10-year rule is applied for them, or for their beneficiaries (i.e., successor beneficiaries).

Investment advisory services offered through Mutual Advisors, LLC DBA California Retirement Advisors, a SEC registered investment adviser. Securities offered through Mutual Securities, Inc., member FINRA/SIPC. Mutual Securities, Inc. and Mutual Advisors, LLC are affiliated companies. CA Insurance license #0B09076.
© 2022 Ed Slott and Company LLC. Reprinted with permission. Ed Slott and Company LLC takes no responsibility for the current accuracy of this information.

2022 Tax Planning for Investment Income
3.8% Surtax on Net Investment Income

What Will Be Considered Investment Income?

Investment Income

Interest, Dividends, Capital Gains (long and short - including the gain on the sale of investment real estate and second homes)
Annuities (but not annuities in IRAs or company plans)
Royalty Income
Passive Rental Income and Other Passive Activity Income

NOT Investment Income

Wages and Self-Employment Income
Active Trade or Business Income (including interest, dividends, capital gains)
Distributions from IRAs, Roth IRAs, and Company Plans – Including Net Unrealized Appreciation
Excluded Gain from the Sale of a Principal Residence
Municipal Bond Interest
Proceeds of Life Insurance Policies
Social Security and Veterans' Benefits
Gains on the Sale of an Active Interest in a Partnership or S Corporation

Taxable income from items that are ***NOT*** investment income can push taxpayers over the income threshold and cause investment income to be subject to the 3.8% surtax.

MAGI Thresholds for 3.8% Surtax

Filing Status	Threshold
Married Filing Joint	$ 250,000
Individuals	$ 200,000
Married Filing Separate	$ 125,000
Trusts and Estates	$ 13,450*

* Trusts are hit hard – The 3.8% surtax kicks in at much lower income levels for trusts. The threshold for trusts and estates is the amount at which the top trust tax bracket takes effect. This amount is **$13,450** in **2022**. All other threshold amounts are NOT indexed for inflation.

MAGI (Modified Adjusted Gross Income)

The 3.8% surtax applies to net investment income when MAGI exceeds these threshold amounts.

For this purpose, MAGI is a taxpayer's regular AGI, plus any foreign income excluded from AGI.

The 3.8% Medicare tax is imposed on the lesser of (1) net investment income or (2) the amount of MAGI over the threshold amount.

Taxpayers with income below these MAGI levels will not be subject to the tax.

– Tax Planning Points –

1 - The 3.8% tax is ***in addition*** to the tax rates for high income individuals. Those at the top brackets can have long-term capital gains and dividends taxed at 23.8% and other investment income taxed at 40.8%.

2 - There is an additional 0.9% Medicare tax on wages and self-employment income over the threshold amounts.

3 - IRA and plan distributions (including sales of employer securities with net unrealized appreciation) are exempt from the 3.8% surtax on net investment income, but taxable distributions from these accounts can push income over the threshold amounts causing other investment income to be subject to the tax.

4 - Roth conversions will increase current income, but future tax-free Roth distributions will be more valuable as a means to eliminate taxable income and required minimum distributions from traditional IRAs.

5 - The 3.8% surtax is subject to the estimated tax provisions.

6 - Taxpayers who have named a discretionary (accumulation) trust as their IRA beneficiary should consider Roth conversions to avoid potential harsh trust tax rates at low trust income levels. After the SECURE Act, the 10-year payout rule will apply to most trusts named as the IRA beneficiary. The inherited IRA funds will have to be paid out to the trust within the 10 years. Any funds retained in the trust will be subject to the high trust tax rates, including the 3.8% tax on trust net investment income that applies above the MAGI threshold (only **$13,450 for 2022**).

7 - Salary deferrals (401(k), 403(b), etc.) can reduce MAGI for the 3.8% surtax but cannot reduce earned income for the 0.9% additional Medicare tax.

Investment advisory services offered through Mutual Advisors, LLC DBA California Retirement Advisors, a SEC registered investment adviser. Securities offered through Mutual Securities, Inc., member FINRA/SIPC. Mutual Securities, Inc. and Mutual Advisors, LLC are affiliated companies. CA Insurance license #0B09076.
© 2022 Ed Slott and Company LLC. Reprinted with permission. Ed Slott and Company LLC takes no responsibility for the current accuracy of this information.

2022 Medicare Income Planning

Part B and D Charges

The Medicare health care system is largely government funded, but individuals pay premiums to participate in two portions of it.

Medicare charges premiums to participants in Medicare Part B, covering doctor visits, and Part D, the prescription drug benefit. In 2022 the basic premium for Part B is $170.10 per month. The premium for Part D varies by plan.

The standard premiums for these are increased by surcharges imposed on upper-income individuals, those with **Modified Adjusted Gross Income (MAGI)** exceeding $91,000 on an individual return or $182,000 on a joint return.

In 2022 the largest premium surcharges apply to persons with MAGI of $500,000 or over on a single return or $750,000 or over filing jointly.

The extra amount that higher-income individuals must pay is called an **Income Related Monthly Adjustment Amount (IRMAA)**. The first five IRMAA tiers for Medicare premium surcharges are adjusted for inflation each year. This could result in reduced Medicare premiums for some. The IRMAA tier for individuals earning $500,000 or more (or married couples with MAGI of $750,000 or more) will not be adjusted until 2028.

For Medicare **Part B** the largest surcharge is $408.20 per month or $4,898.40 per year. This increases the monthly premium to $578.30. For **Part D** the largest surcharge is $77.90 per month or $934.80 per year. Combined, the two surcharges can total $486.10 per month or $5,833.20 per year.

Combination Chart - Parts B and D

2022 IRMAA *MONTHLY* SURCHARGES FOR MEDICARE PART B AND PART D (Based on 2020 MAGI)

Filing Single	Married filing joint	IRMAA Surcharge Part B	Total Premium Part B	IRMAA Surcharge Part D	Total of surcharges Part B & D
$91,000 or less	$182,000 or less	$0.00	$170.10	$0.00	$0.00
Over $91,000 to $114,000	Over $182,000 to $228,000	$68.00	$238.10	$12.40	$80.40
Over $114,000 to $142,000	Over $228,000 to $284,000	$170.10	$340.20	$32.10	$202.20
Over $142,000 to $170,000	Over $284,000 to $340,000	$272.20	$442.30	$51.70	$323.90
Over $170,000 to less than $500,000	Over $340,000 to less than $750,000	$374.20	$544.30	$71.30	$445.50
$500,000 and above	$750,000 and above	$408.20	$578.30	$77.90	$486.10

IRMAA surcharges apply on a “cliff” basis. Reaching the first dollar of an IRMAA income level causes the full corresponding surcharge to apply to all premiums paid for the year.

Example:
If Bob has MAGI of as much as $91,000 on his single return, he’ll owe no surcharge. But if his income reaches $91,001 then a monthly surcharge of $68.00 for Part B plus $12.40 for Part D, or $80.40 total, will apply for all 12 months of the year. Bob’s $1 of additional income increases premium cost by $964.80 for the year.

Medicare Planning Points

Medicare premium surcharges are imposed on individuals with MAGI over $91,000 on a single tax return or $182,000 on a joint return.

2-Year Lookback
For IRMAA purposes, MAGI is defined as Adjusted Gross Income (AGI) plus tax-exempt interest and untaxed foreign income. Medicare uses the MAGI reported on the federal tax return from two years ago. For example, to determine whether someone will pay higher premiums for 2022, Medicare uses **2020** MAGI.

Similarly, the tax return filed for **2022** will be used to calculate IRMAA surcharges for the year **2024**.

RMD Effect
Address required minimum distribution (RMD) requirements well in advance of the required beginning date, explaining how RMDs are included in income for Medicare Part B and Part D costs two years down the road. RMDs are not required from Roth IRAs during the Roth IRA owner’s lifetime.

Don’t forget that this includes older beneficiaries who are also subject to RMDs on IRAs they have inherited.

Income Reduction Strategies

The key to reducing Medicare surcharges is to reduce MAGI. Items like itemized deductions won't do that. They only reduce ***taxable*** income.

Check the tax return during the year to see if reported MAGI is near one of the threshold amounts. If income is close enough, plan to realize income and deductions to keep MAGI below the nearest threshold.

Roth Conversions
A Roth IRA conversion can be useful in minimizing future IRMAA surcharges as distributions from the Roth IRA can be tax free, reducing MAGI.

To avoid a current income spike from a Roth conversion, consider making a series of partial conversions over a number of years to avoid pushing income into higher tax brackets. This is a strategy that requires long-term advance planning.

For those in early retirement, consider the benefit of converting before the conversion income would impact Medicare costs.

Converting later may still be an effective strategy. A Roth conversion would negatively affect MAGI for Medicare purposes but only for one year. It may make sense to take the hit in one year in exchange for no RMD concerns in future years.

HSAs (Health Savings Accounts)
Younger people may want to consider funding a Health Savings Account (HSA) rather than an IRA if they have a choice. They can make deductible HSA contributions in their working years, use other funds to pay medical expenses, and then they can access their HSA tax- and penalty-free to pay for qualified medical expenses in retirement. These distributions would not be included in MAGI for Medicare purposes the way RMDs and other traditional IRA distributions are.

QCDs (Qualified Charitable Distributions)
As a result of the tax law's increased standard deduction amounts, many are no longer deducting charitable contributions. QCDs can help restore charitable tax benefits by having those QCDs excluded from income. The exclusion from income will help to avoid Medicare premium increases.

With a QCD, an IRA owner (or beneficiary) who is age 70½ or over can transfer up to $100,000 annually from their IRA to a charity tax-free.

A QCD can count towards the RMD and is not included in MAGI for determining Medicare costs. Keeping the RMD amount out of MAGI can result in big savings. This is ***not*** the case if an IRA owner takes their RMD and then donates to charity and claims a charitable deduction (if they can at all). With that approach, the RMD would still be included in MAGI.

For those taking RMDs, consider how a QCD could help to save on Medicare costs.

Other strategies that can be used to manage MAGI to minimize Medicare surcharges include:

- Timing investment gains and other income by accelerating them onto a tax return for a year before IRMAA calculations occur or deferring them to a year when income is expected to be lower and there may be offsetting losses.
- Obtaining spending funds from tax-free sources. For instance, one may borrow against a life insurance policy rather than take a taxable distribution from a retirement plan or use tax-free proceeds from the sale of a principal residence (as much as $250,000, or $500,000 on a joint return).
- Using a home equity conversion mortgage (HECM - reverse mortgage line of credit) to provide a source of tax-free funds with no corresponding mortgage payment expense, to keep income below the Medicare surcharge threshold amounts.

When Income Falls

If there has been a major life-changing event that results in a large reduction in MAGI, an individual may request to use their MAGI for a more recent year. If an individual disagrees with the decision about their Medicare costs, they have the right to appeal.

Do this by submitting Form SSA-44, *"Medicare Income-Related Monthly Adjustment Amount - Life-Changing Event,"* to the Social Security Administration.

The end of employment is a qualifying "life-changing event" that should be considered for every client who retires at age 65 or later. If an IRMAA surcharge will result from high salary income reported on a return filed two years earlier, but that salary no longer exists, relief from the surcharge may be readily available.

Investment advisory services offered through Mutual Advisors, LLC DBA California Retirement Advisors, a SEC registered investment adviser. Securities offered through Mutual Securities, Inc., member FINRA/SIPC. Mutual Securities, Inc. and Mutual Advisors, LLC are affiliated companies. CA Insurance license #0B09076.
© 2022 Ed Slott and Company LLC. Reprinted with permission. Ed Slott and Company LLC takes no responsibility for the current accuracy of this information.

2022 Retirement Plan Contribution Limits

Phase-Out Ranges for IRA Deductibility

This chart is only for those who are covered by a company retirement plan.

Year	Married/Joint	Single or Head of Household
2020	104,000 - 124,000	65,000 - 75,000
2021	105,000 - 125,000	66,000 - 76,000
2022	109,000 - 129,000	68,000 - 78,000

If not covered by a company plan but the spouse is, the phase-out range for 2021 is $198,000 - $208,000 and for 2022 is $204,000 - $214,000. If filing married-separate, the phase-out range is $0 - $10,000.

IRA and Roth IRA Contribution Limits

Year	Maximum Contribution	Catch-Up Contribution*	Total Contribution w/Catch-Up
2020	6,000	1,000	7,000
2021	6,000	1,000	7,000
2022	6,000	1,000	7,000

A 2021 IRA or Roth IRA contribution can be made up to the tax filing due date, April 15, 2022. There is no extension beyond that date, regardless of whether an extension is filed for the tax return.

*Those who are 50 or older by year end can contribute an additional $1,000.

Roth IRA Phase-Out Limits for Contributions

Year	Married/Joint	Single or Head of Household
2020	196,000 - 206,000	124,000 - 139,000
2021	198,000 - 208,000	125,000 - 140,000
2022	204,000 - 214,000	129,000 - 144,000

If filing married-separate, the phase-out range is $0 - $10,000

Employee Salary Deferral Limits for 401(k)s & 403(b)s

Year	Maximum Contribution	Catch-Up Contribution*	Total Contribution w/Catch-Up
2021	19,500	6,500	26,000
2022	20,500	6,500	27,000

Limits are per person; **not** per plan.
*Those who are 50 or older at year end can contribute an additional $6,500. The catch-up contributions are also eligible for employer matching contributions if allowed by the plan.

SEP IRA Contribution Limits
(Simplified Employee Pensions)

2021 The SEP limit for 2021 is 25% of up to $290,000 of compensation, limited to a maximum annual contribution of $58,000. This limit also applies to Keoghs and profit-sharing plans.

2022 The SEP limit for 2022 is 25% of up to $305,000 of compensation, limited to a maximum annual contribution of $61,000. This limit also applies to Keoghs and profit-sharing plans.

Catch-up contributions do not apply to SEP IRAs. They still apply to old SARSEPs in effect before 1997. No new SARSEPs were allowed after 1996.

SEP contributions can be made up to the due date of the tax return, including extensions. For example, a 2021 SEP contribution can be made up to April 15, 2022 or up to October 15, 2022 if a valid extension has been filed.

SIMPLE IRA Contribution Limits
Contribution Limits for Salary Deferrals

Year	Maximum Contribution	Catch-Up Contribution*	Total Contribution w/Catch-Up
2021	13,500	3,000	16,500
2022	14,000	3,000	17,000

*Those who are 50 or older by year end can contribute an additional $3,000. The catch-up contributions are also eligible for employer matching contributions if allowed by the plan.

Qualifying Longevity Annuity Contracts (QLACs)

For 2022, retirement account owners can purchase a QLAC with the lesser of 25% of their retirement funds or **$145,000**. The 25% limit is applied to each employer plan separately, but in aggregate to IRAs.

Investment advisory services offered through Mutual Advisors, LLC DBA California Retirement Advisors, a SEC registered investment adviser. Securities offered through Mutual Securities, Inc., member FINRA/SIPC. Mutual Securities, Inc. and Mutual Advisors, LLC are affiliated companies. CA Insurance license #0B09076.
© 2022 Ed Slott and Company LLC. Reprinted with permission. Ed Slott and Company LLC takes no responsibility for the current accuracy of this information.

2022 Health Savings Account (HSA) Chart

HSA Contribution Eligibility

- Must be enrolled in a high deductible health plan (HDHP) to contribute
- Generally cannot have other health insurance that is not an HDHP
- Cannot be enrolled in Medicare or Tricare
- Can't have received care from the Veteran's Administration within the last 3 months (other than preventive care for all veterans or VA hospital care and medical services for veterans with a service-connected disability)
- Cannot be eligible to be claimed as a dependent on someone else's tax return

HDHPs: Minimum Deductibles and Maximum Out-of-Pocket Expenses*

Year	Self-Only HDHP Minimum Deductible	Self-Only HDHP Maximum Out-of-Pocket Expenses	Family HDHP Minimum Deductible	Family HDHP Maximum Out-of-Pocket Expenses
2021	$1,400	$7,000	$2,800	$14,000
2022	$1,400	$7,050	$2,800	$14,100

*Confirm with the health insurance company that the plan is an HDHP.

HSA Contribution Limits

Year	Self-Only HDHP under age 55	Self-Only HDHP age 55+	Family HDHP under age 55	Family HDHP age 55+
2021	$3,600	$4,600	$7,200	$8,200
2022	$3,650	$4,650	$7,300	$8,300

Contributions are generally pro-rated for the number of months the individual is enrolled in an HDHP. Contributions can be made by the individual, the employer or anyone, but the annual contribution limit above applies. The contribution deadline is the tax-filing deadline, not including extensions (i.e., April 15th).

HSA Tax Benefits & Advantages

Control	Owned and controlled by the individual, not the employer.
Death of HSA Owner	Spouse beneficiary automatically treated as new HSA owner. Non-spouse beneficiary must include HSA value at death as taxable income, but no 20% penalty.
Distributions	Tax-free for qualified medical expenses of the individual, spouse or dependents. Distributions not used for qualified medical expenses are taxable as ordinary income plus a 20% penalty unless due to death, disability, or age 65+.
Employee/Individual Contributions	Tax deductible as an above-the-line deduction (reduces AGI), regardless of individual's tax-filing status or income.
Employer Contributions	Tax deductible to employer and must be "comparable." Employees do not include employer HSA contributions in income.
Investment Gains	Tax-free, if used for qualified medical expenses.
Portability between HSAs	HSA funds can be rolled over or transferred to another HSA (once-per-year rule and 60-day rule applies to rollovers).
Portability from an IRA	IRA funds cannot be rolled over or transferred to an HSA. There is a one-time exception for a qualified HSA funding distribution (QHFD). HSA funds can never be rolled over to an IRA.
Qualified HSA Funding Distribution	A QHFD is a tax-free direct transfer from an IRA to an HSA. It is a one-time only transfer from an IRA that is limited to an individual's maximum HSA contribution for the year. Only pre-tax IRA funds can be transferred (exception to the IRA pro-rata rule). Does not apply to ongoing SIMPLE or SEP IRAs. After a QHFD, individual must remain HSA eligible for a 1-year testing period to avoid taxes and penalties.
Use-It-Or-Lose-It Rule	N/A - Unused HSA funds continue to belong to the owner.

Investment advisory services offered through Mutual Advisors, LLC DBA California Retirement Advisors, a SEC registered investment adviser. Securities offered through Mutual Securities, Inc., member FINRA/SIPC. Mutual Securities, Inc. and Mutual Advisors, LLC are affiliated companies. CA Insurance license #0B09076.
© 2022 Ed Slott and Company LLC. Reprinted with permission. Ed Slott and Company LLC takes no responsibility for the current accuracy of this information.

ED SLOTT'S IRA ADVISOR

20th ANNIVERSARY

April 2018

Tax & Estate Planning For Your Retirement Savings

Putting IRAs into a Bucket Plan

ABOUT THE EXPERT

Christian Cordoba, CFP®, RFC®, CFS is the founder of California Retirement Advisors, a full service and independently owned retirement consulting firm. A regular contributor to the media, Chris has appeared on CNBC's Power Lunch, CBS Radio's Money 101 Show, and has contributed to "US News & World Report," "Consumer Reports," "Kiplinger's, Daily Breeze" and the "LA Times."

Chris is a member of Ed Slott's Master Elite IRA Advisor Group and a member of the The Mastermind Group. Additionally, Chris is a licensed financial consultant affiliated with Mutual Securities, Inc., a registered broker/dealer and member FINRA/SIPC. He can be reached at 888-643-7472 or email at chris@CRAdvisors.com.

Join the Retirement Planning Conversation

Guest IRA Expert

Chris Cordoba
CFP®, RFC®, CFS

President
California Retirement Advisors

El Segundo / Manhattan Beach, CA

A Google search for "Retirement Bucket Plan" generates over 2 million results. With so much information out there, it's likely that advisors are familiar with this concept and may use such an approach for retired clients.

That said, bucket planning doesn't always drill down to the use of employer-sponsored accounts and IRAs in coordination with regular taxable accounts. In addition, as Roth IRAs mark their 20th year in 2018, it has become increasingly important to consider the role of Roth accounts as well.

A well thought out bucket plan may serve many valuable purposes. By broadening their tactics to properly place IRAs and employer accounts in the mix, astute advisors strive to help clients enjoy comfortable retirements with reduced stress.

Please keep in mind that there is no certainty that any investment strategy will be profitable or successful in achieving an investor's goals.

The Bucket List

The many reasons for implementing a bucket plan include:

- **Simplifying portfolio drawdown:** Clients easily understand the idea, which may help their retirement funds deliver essential cash flow needs over many years.
- **Complying with required minimum distributions (RMDs):** Bucket plans are typically designed to meet RMD rules, avoiding a 50% penalty while holding down tax bills.
- **Addressing sequence (or sequence of returns) risk:** Even a sound investment strategy can be endangered if clients retire when market results are near a bottom. Bucket plans can build in the flexibility to avoid selling low, which leaves fewer assets to ride the next high tide. Without planning for sequence risk prior to retirement, poor timing could mean a lower standard of living for retirees and for loved ones who inherit depleted assets.

The Pail Procession

Bucket plans will vary widely, from advisor to advisor and even from client to client. The key component of any such approach, though, is to have a cash bucket from which funds can be drawn for immediate income needs, planned expenses, and an emergency reserve. The cash bucket, which I might call the Now bucket, focuses on asset preservation.

© 2018 Smart Subscriptions, LLC

It typically holds one to three years' worth of projected spending needs in cash equivalents as well as other stable and liquid investments, which can regularly drip into the client's checking account. Markets may rise and fall, yet money will keep flowing in, so retirees can maintain their lifestyle.

Once the cash bucket is in place and funded, other buckets can hold other assets. I use an income-oriented Soon bucket, which will hold up to ten years' worth of projected spending needs, and a growth-oriented Later bucket, for other portfolio holdings.

Once the cash bucket is in place and funded, other buckets can hold other assets.

The Later bucket usually will be more heavily invested in equities. Although future performance can't be guaranteed, stocks and similar investments generally have produced attractive long term results, so an extended holding period might offer clients potential for outstanding wealth building, even as they draw down from their portfolios in retirement.

As the Now bucket is depleted for living expenses in retirement, it will be replenished from the Soon bucket, and the Soon bucket will be replenished from the Later bucket. Details will vary, depending on client need, advisor philosophy and economic circumstances.

Nevertheless, a foundational belief to a bucket plan is that holding sufficient amounts in the Now bucket permits such replenishment to be deferred during market downturns, which may reduce sequence of returns risk by avoiding ill-timed asset sales.

Streaming Options

If that's the basic skeleton of a bucket plan, how can advisors help their clients benefit from smart asset location? Should IRA money splash around in the Now bucket or flow in Soon, or Later? One way to help make such decisions is to put clients into one of two categories.

A hypothetical Carl Davis might retire at 65 and immediately need to replace his paychecks with income from his life's savings. In the other category, 65-year-old Eve Ford might retire and live comfortably on a government pension. She won't need to tap her IRA until age 70½, when RMDs begin.

It's likely that Carl, in need of cash, will start Social Security right away. The income will impact the amount he needs in his cash bucket.

Meanwhile, Eve could defer Social Security until age 70, delivering more monthly income, with at least 15% exempt from income tax. Eve will need to take RMDs from her cash bucket after age 70½, but she may have substantial after tax cash flow for family gifts, charitable planning, and "wish list" outlays.

Cashing in

Suppose that Carl will need $2,500 a month from his portfolio, in addition to Social Security and other income he expects in retirement. He would like to be comfortably insulated from market moves for up to two years.

Carl also plans $10,000 worth of home improvements and would like another $10,000 for emergencies. Altogether, he would like $80,000 in his cash bucket: $60,000 (24 months times $2,500) plus $10,000 plus $10,000.

That $80,000 could come from Carl's bank accounts and money market funds and similar holdings, which Carl can tap without owing tax. Assuming that total is below $80,000, the shortfall might be made up by taking funds from his taxable account without triggering much tax: taking losses, taking gains to offset those losses, taking small long-term gains, etc.

Suppose Carl has a total of $800,000 in financial assets. With two years' worth of cash flow in his Now bucket, plus the $20,000 for planned and unplanned costs, Carl's advisor might suggest eight years' worth of cash flow in his Soon bucket: $240,000.

This $240,000 might be held in investments such as short- and intermediate-term bonds or funds, conservative managed accounts or laddered fixed annuities, for example. If such funds are held in the taxable account (perhaps muni bonds or funds), they could be assigned to the Soon bucket.

Of course, Carl might not have $240,000 in such type of funds. If not, money could be moved within his traditional IRA to appropriate investments, without incurring current tax.

Going forward, money might go from the investments in the Soon bucket to the Now bucket, maintaining Carl's desired $80,000 balance. As an example, $30,000 might be moved towards the end of each calendar year, when it's possible to calculate the most tax-effective mix of withdrawals from Carl's taxable account and traditional IRA. Filling up his current tax bracket may be the desired outcome.

The remaining $480,000 of Carl's portfolio could be held in equities, including growth funds or less conservative managed accounts, and perhaps alternative investments, all of which might reward patient investors. They would comprise Carl's Later bucket, from which gains could also be harvested when available and redeployed into different holdings in the Soon bucket.

Note that Later-to-Soon replenishment doesn't have to take place each year. If markets are down, there's no need to sell low, as a multi-year amount in the Soon bucket provides time to wait for a possible rebound. The plan described here might change when Carl reaches age 70½. From then on, he must be sure that he withdraws at least enough from his traditional IRA to meet his RMD each year.

Advisors should keep in mind that planning for future bucket withdrawals may require funding adjustments to meet a client's real "net" taxable income needs as well as inflation; this is especially true when using an IRA or another tax-deferred account as an asset source. I have not done so in these examples in order to simplify the main points.

Meeting the Minimum

Whereas Carl's bucket plan started at retirement, that's not true for Eve, who has other income from non-portfolio sources to meet her needs. Before age 70½, even though she does not need the cash today, Eve might take enough money from her traditional IRA to fill up a modest tax bracket, pay the resulting tax, and use the withdrawn funds for a Roth IRA conversion, say, or life insurance to benefit a loved one.

Nevertheless, at age 70½, Eve must start taking annual RMDs. It will be in Eve's interest to have a Now bucket within her traditional IRA, holding one to three years' worth of anticipated expenses in safer, stable, and liquid investments. The Now bucket would be the source of her RMDs, allowing other assets to potentially grow, tax-deferred.

> The Now bucket would be the source of her RMDs, allowing other assets to potentially grow, tax-deferred.

Eve's Now bucket might be replenished with interest and dividends within the traditional IRA, with bonds maturing, bond fund withdrawals, or perhaps from interest credited on fixed interest or fixed indexed annuities. For Eve as well as Carl, Roth accounts could go in the Later bucket, with equities held for potential long-term appreciation or bequests.

Any equities not held in a Roth account could remain in the taxable account, for a possible basis step-up at death. Eve's traditional IRA could hold the fixed or dividend income to flow into cash for RMDs.

A Bucket is Not a Box

The above suggestions might apply to many clients but they are not cast in stone. Advisors should be alert for other possibilities that can work in specific situations.

Here are some hypothetical ideas derived from actual experiences:

A client might retire with two 401(k) plans, one from a major corporation containing a sizeable amount of highly appreciated employer stock and the other from a former employer's 401(k) plan holding mostly mutual funds. I would suggest he speak to his CPA about distributing the most highly appreciated employer shares in-kind, while rolling the majority of the remaining 401(k) balance to an IRA, tax-deferred.

On the in-kind distribution, only the low basis of the employer shares is taxed as ordinary income while the remaining value (the net unrealized appreciation or NUA) will be favorably taxed at long-term capital gains rates, upon sale.

I may then designate the NUA shares for the client's Later bucket (along with other more diversified tax-efficient growth investments).

In future years, consider a plan to harvest gains by selling NUA shares if the market price is attractive, then use the cash to replenish the Soon or Now bucket, depending on the client's needs at the time. Perhaps the qualified dividends from those NUA shares can help pay for a $1 million second-to-die life insurance policy with a death benefit for a special needs child.

I'd also consider using the age 55 rule to leave money behind in a 401(k) account that has a stable value fund paying about 2%, which can fund some of the client's Now bucket for the remaining part of the calendar year. If someone is 55 or older in the year of leaving the company, withdrawals from the company plan are not subject to the 10% early distribution penalty.

Meanwhile, the remaining non-NUA portion of one 401(k) can fund the Soon bucket using a conservative balanced dividend strategy and the other, an even

ED SLOTT'S
IRA ADVISOR

Editor-in-Chief
Ed Slott, CPA

Contributing Writers
Beverly DeVeny
Sarah Brenner, JD
Jim Glass, JD
Jeremy Rodriguez, JD

Copy Editor
Ryan Fortese

Graphic Design
Debbie Slott, D. Slott Design

Disclaimer and Warning to Readers:
Ed Slott's IRA Advisor has been carefully researched to provide accurate and current data to financial advisors, taxpayers, and others who seek and use the information contained in this newsletter. Readers are cautioned, however, that this newsletter is not intended to provide tax, legal, accounting, financial, or professional advice. If such services are required, then readers are advised to seek the aid of competent professional advisors. This newsletter contains timely information about complicated tax topics that may eventually be changed, outdated, or rendered incorrect by new legislation or official rulings. The editors, writers, and publisher shall not have liability or responsibility to any person or entity with respect to any loss or damage caused or alleged to be caused, directly or indirectly, by the information contained in this newsletter.

more conservative fixed indexed annuity immune to market declines, each via a direct rollover to an IRA.

A Word of Thanks

Readers may recognize the "Now, Soon, and Later" buckets as terms popularized by Jason L. Smith, my friend and mentor. Jason has kindly provided permission for me to use the concepts found in his valuable book, *The Bucket Plan*. Advisors seeking more details on this approach will find much to learn in his book and the courses that he teaches. ■

© 2018 Smart Subscriptions, LLC