Exceptional Care, Exceptionally Close

Welcome!

IRA, 401(k), and RMD Planning to Help Protect Your Retirement

September 9, 2022

PROFESSIONAL ADVISORY COUNCIL

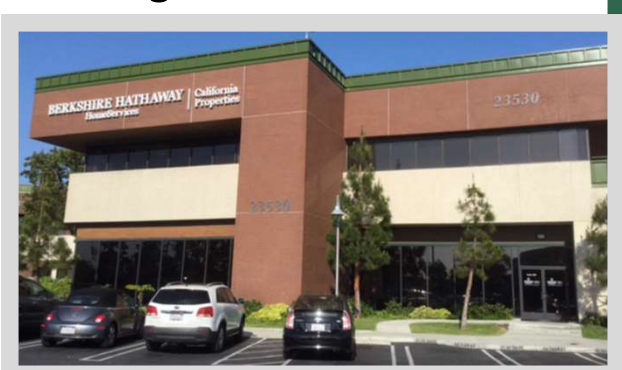
TORRANCE MEMORIAL

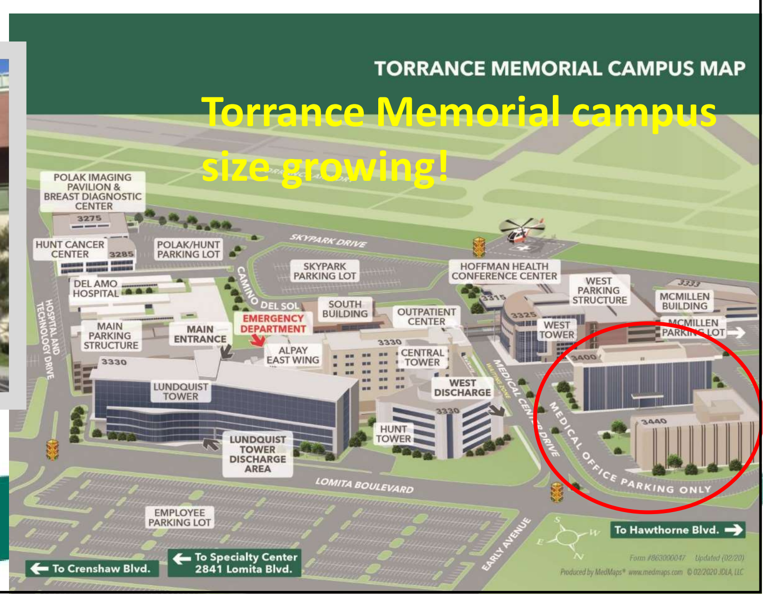
An Affiliate of Cedars Sinai

1

Torrance Memorial Highlight

New orthopedic SurgiCenter coming to Hawthorne Blvd!





PROFESSIONAL ADVISORY COUNCIL

2

Types of Planned Gifts

1. **Bequest** – gift through will, living trust or designation in a qualified retirement plan.
2. **Immediate Charitable Gift Annuity** – Simple contract between donor and the Torrance Memorial Foundation whereby lifetime payments are made to one or two individuals.
3. **Deferred Charitable Gift Annuity** – Annuity payments are deferred until a specified date in the future.
4. **Charitable Remainder Trust** – Trust that provides fixed or variable payments to named beneficiaries for life or a specified term of years.
5. **Retained Life Estate** – Gift of remainder interest in home or farm. Donor retains the right to live in the home for life.
6. **IRA Beneficiary** – Naming Torrance Memorial as the beneficiary of your retirement accounts (percentages can be designated as desired)

PROFESSIONAL ADVISORY COUNCIL

TORRANCE MEMORIAL | An Affiliate of Cedars Sinai

3

Beware of Scammers – Protect your Assets!

Don't fall for hackers | phone scams | fake texts

EMAIL: Suspicious charges on your credit card. . .Click here. .Urgent!	CALL: This is the IRS. Your taxes are overdue. Call #___ immediately. . .	TEXT: Your Amazon account is locked – click here for assistance. . .

- Watch for message of **urgent action needed** – playing on emotions
- Watch for misspellings, poor grammar and irrelevant content
- Check the "from" address for URLs not matching the message
- Don't click on provided links – go directly to website and log in to account
- If it sounds too good to be true, it's probably a scam!

PROFESSIONAL ADVISORY COUNCIL

TORRANCE MEMORIAL | An Affiliate of Cedars Sinai

4

Resource for Planned Giving

www.TorranceMemorialFoundation.org/planned-giving

- Learn about the different arrangements available
- Plug in some numbers in the "gift calculator" to get an idea of how this type of gift might work for you
- **Download a FREE estate planning kit**
- Contact Sandy VandenBerge at (310) 784-4843
  sandy.vandenberge@tmmc.com

Financial Health articles - www.torrancememorialfoundation.org/News

PROFESSIONAL ADVISORY COUNCIL

TORRANCE MEMORIAL | An Affiliate of Cedars Sinai

5

How to Donate to Torrance Memorial Medical Center

Online

https://www.torrancememorialfoundation.org/Donate

By Phone

Please call Torrance Memorial Foundation at 310-517-4703.

You may charge your gift to your credit card or make a gift pledge.

By Mail

Check or credit card information to: Torrance Memorial Foundation
3330 Lomita Blvd.
Torrance, CA 90505

PROFESSIONAL ADVISORY COUNCIL

TORRANCE MEMORIAL | An Affiliate of Cedars Sinai

6

Exceptional Care, Exceptionally Close

IRA, 401(k) & RMD Planning to Help Protect Your Retirement

Christian Cordoba*, CFP®, RFC, CFS
California Retirement Advisors
898 N Pacific Coast Hwy Suite 740
El Segundo, CA 90245
(310) 643-7472
Chris@CRAdvisors.com
www.CRAdvisors.com

*Disclosure next page

Disclosure

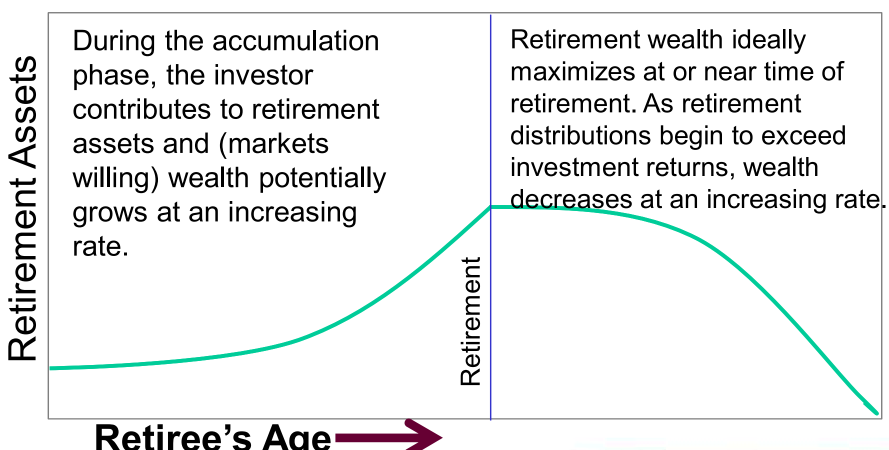
The information presented in this presentation is not to be considered advice you can act on for tax, investment or estate planning purposes. This presentation is designed to provide you with some basic educational information with regard to IRAs and planning for them. You must seek professional advice separately before acting on any items discussed in this presentation.

*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. CFP®, CERTIFIED FINANCIAL PLANNER™ and CFP® (with flame logo) are certification marks owned by the Certified Financial Planner Board of Standards, Inc. These marks are awarded to individuals who successfully complete the CFP Board's initial and ongoing certification requirements.

Everest & Retirement

Accumulation vs. Distribution in Retirement

Hypothetical Wealth of an Investor's Life



Source: Russell Investments/Helping Advisors

What You Will Gain Today

- Know specific elements of how to protect your retirement
- Learn why special attention to your 401(k), IRA and other "retirement account" is uniquely important
- Handouts for future reference
- Have a better understanding of how to take money OUT
  - Choices affecting your income and tax savings during lifetime
  - Choices affecting your beneficiaries
- Knowledge and confidence!

PROFESSIONAL ADVISORY COUNCIL

TORRANCE MEMORIAL | An Affiliate of Cedars Sinai

11

Agenda

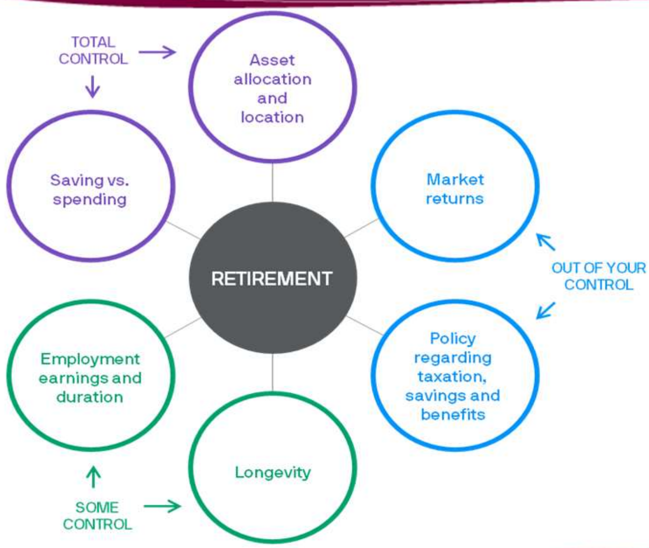
- Retirement – Planning you can control even during times of uncertainty
- Tax aspects that make 401(k)s, IRAs and other retirement accounts different
- Rollover and distribution choices for income
- Required Minimum Distributions (RMDs) revisited
- Proactive questions to begin your review and action plan

PROFESSIONAL ADVISORY COUNCIL

TORRANCE MEMORIAL | An Affiliate of Cedars Sinai

12

The Retirement Equation



A sound retirement plan

Make the most of the things that you can control but be sure to evaluate factors that are somewhat or completely out of your control within your comprehensive retirement plan.

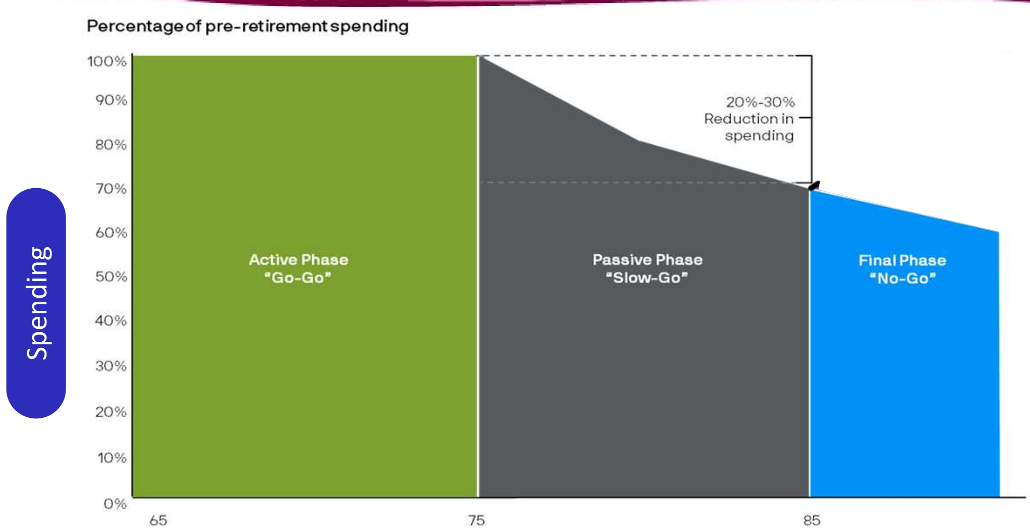
PROFESSIONAL ADVISORY COUNCIL

Source: The Importance of Being Earnest, J.P. Morgan Asset Management, 2013.

TORRANCE MEMORIAL | An Affiliate of Cedars Sinai

13

"The Prosperous Retirement": Theoretical Spending Profile



Source: The Prosperous Retirement: Guide to the New Reality, Michael K. Stein, CFP, 1998, pp. 16-18.

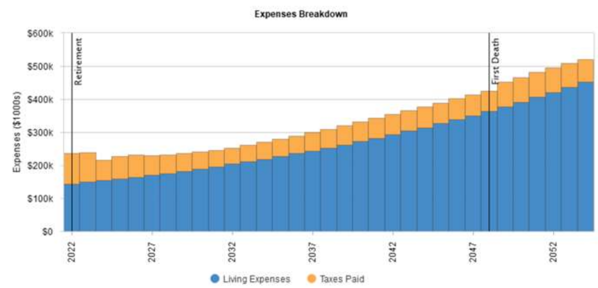
PROFESSIONAL ADVISORY COUNCIL

TORRANCE MEMORIAL | An Affiliate of Cedars Sinai

14

Cash Flow: Multi-Year Expense and Tax Projection

Spending



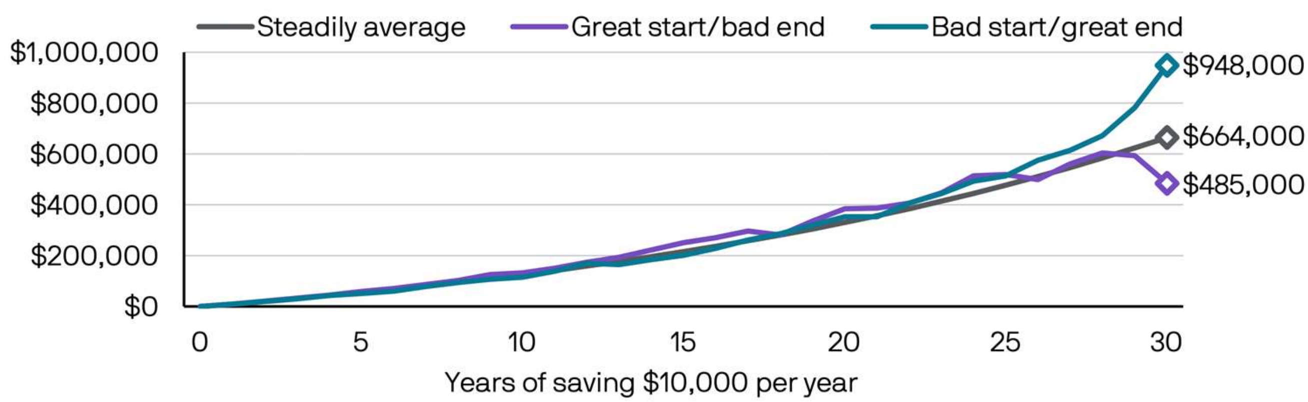
Year	Age	Living Expenses	Other Expense Flows	Taxes Paid	Total Expenses
2022	**69/68**	**$142,342**	**$0**	**$93,924**	**$236,266**
2023	70/69	150,526	0	89,086	239,612
2024	71/70	154,732	0	62,312	217,044
2025	72/71	158,174	0	69,295	227,469
2026	73/72	163,632	0	67,462	231,094
2027	74/73	169,688	0	60,323	230,011
2028	75/74	175,966	0	55,669	231,635
2029	76/75	182,476	0	52,823	235,299
2030	77/76	189,228	0	50,721	239,949
2031	78/77	196,229	0	49,785	246,014
2032	79/78	203,491	0	49,669	253,160
2033	80/79	211,019	0	50,212	261,231
2034	81/80	218,826	0	50,767	269,593
2035	82/81	226,923	0	52,189	279,112
2036	83/82	235,320	0	53,397	288,717
2037	84/83	244,026	0	55,449	299,475
2038	85/84	253,055	0	56,932	309,987
2039	86/85	262,419	0	58,354	320,773

PROFESSION… …RIAL

15

Sequence of Return Risk: "Savings" Years

Portfolio values assuming various return sequence scenarios



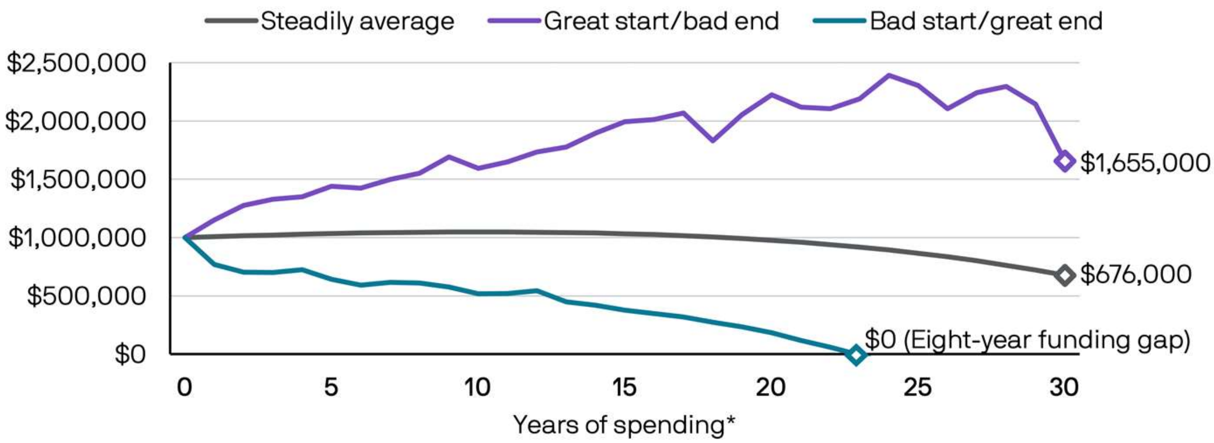
Source: J.P. Morgan Asset Management. For return sequence scenarios, see slide titled "Sequence of return risk – lump sum investment." Hypothetical return scenarios are for illustrative purposes only and are not meant to represent an actual asset allocation. *Spending in retirement chart assumes an initial $1,000,000 and a 4% withdrawal adjusted annually for inflation of 2.3%.

PROFESSIONAL ADVISORY COUNCIL

TORRANCE MEMORIAL | An Affiliate of Cedars Sinai

16

Sequence of Return Risk: “Spending” Years



Source: J.P. Morgan Asset Management. For return sequence scenarios, see slide titled “Sequence of return risk – lump sum investment.” Hypothetical return scenarios are for illustrative purposes only and are not meant to represent an actual asset allocation. *Spending in retirement chart assumes an initial $1,000,000 and a 4% withdrawal adjusted annually for inflation of 2.3%.

PROFESSIONAL ADVISORY COUNCIL

TORRANCE MEMORIAL | An Affiliate of Cedars Sinai

17

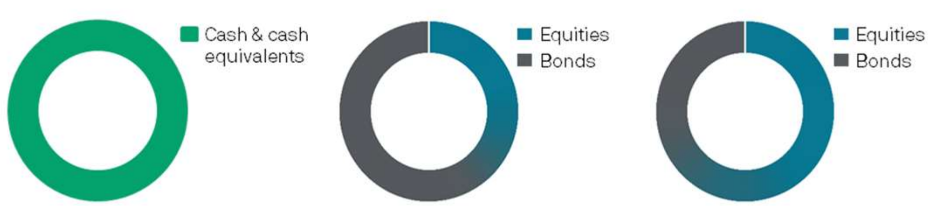
Goals-based Retirement Wealth Management

Invest by Spending Time-Horizon

Short-term goals
Includes emergency reserve fund of total spending needs for 3-6 months

Medium-term goals
5-10 years, e.g., college, home

Long-term goals
15+ years, e.g., retirement



Divide and conquer

Aligning your investment strategy by goal can help you take different levels of risk based on varying time horizons and make sure you are saving enough to accomplish all of your goals – not just the ones that occur first.

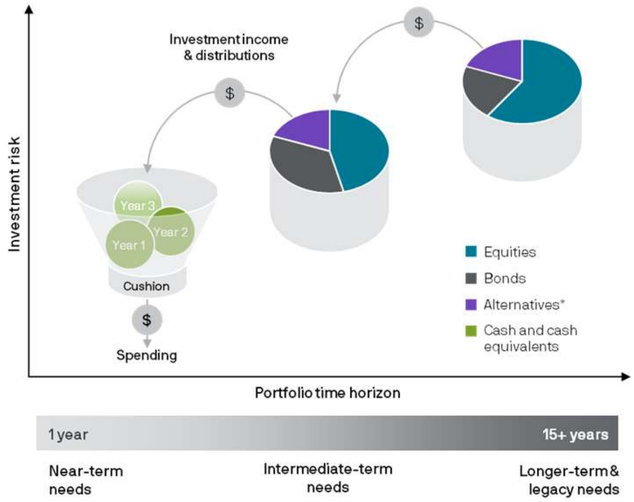
PROFESSIONAL ADVISORY COUNCIL

TORRANCE MEMORIAL | An Affiliate of Cedars Sinai

18

Structuring a Portfolio in Retirement: Bucket Strategy

Investing



Time-based segmentation

Aligning your time horizon with an investment approach may help you to be more comfortable with maintaining diversified portfolio allocations in retirement.

For the near-term portfolio, consider maintaining:

- Funds to cover 1-3 years worth of the gap between your income and spending needs
- A cushion for unexpected expenses

For illustrative purposes only. Source: J.P. Morgan Asset Management. Bonds are subject to interest rate risks. Bond prices generally fall when interest rates rise. The price of equity securities may rise or fall because of changes in the broad market or changes in a company's financial condition, sometimes rapidly or unpredictably. Equity securities are subject to stock market risk, meaning that stock prices in general may decline over short or extended periods of time. Investing in alternative assets involves higher risks than traditional investments and is suitable only for the long term. They are not tax efficient and have higher fees than traditional investments. They may also be highly leveraged and engage in speculative investment techniques, which can magnify the potential for investment loss or gain.
*Equity, fixed income and cash are considered traditional asset classes. The term "alternative" describes all non-traditional asset classes. They include private and public equity, venture capital, hedge funds, real estate, commodities, distressed debt and more.

PROFESSIONAL ADVISORY COUNCIL

TORRANCE MEMORIAL | An Affiliate of Cedars Sinai

Diversified Sources of Retirement Funding

Spending

Account type	Investment earnings/ withdrawals	Included when calculating: Income taxes owed?	Included when calculating: Social Security % taxed? Medicare surcharges?
Health Savings Account	Tax-free withdrawals (for qualified health care expenses)[1]		
Roth 401(k)/IRA	Tax-free withdrawals[2]		
Taxable Account	Tax-exempt interest		☑
	Ordinary dividends Taxable interest	☑	☑
	Qualified dividends	☑	☑
	Realized capital gains	☑	☑
Pre-tax 401(k)/ Traditional IRA	Taxable withdrawals (ordinary income)	☑	☑

Retirement funding sources are not created equal

Investment earnings and withdrawals from tax-advantaged accounts are primary sources to fund retirement spending needs.

When building a retirement income plan, be aware of sources that may be used to determine:

- Income taxes
- How much of a Social Security benefit is subject to tax
- Additional required Medicare premiums

Qualified withdrawals from Roth or Health Savings Accounts can provide tax-free funding that is not included in the means-testing of retirement-related government benefits.

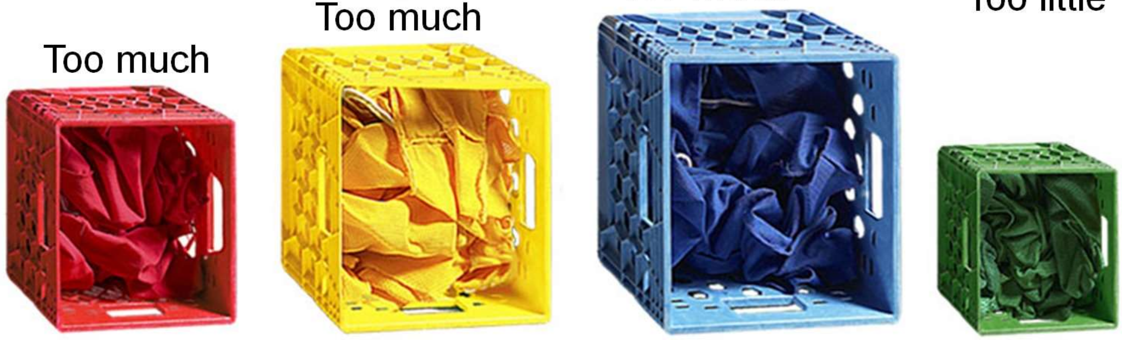
This is not intended to be individual tax advice; consult your tax professional.
[1]Must have a qualifying high-deductible health plan to make contributions. Funds in the HSA may be withdrawn tax free for qualified medical expenses unless a credit or deduction for medical expenses is claimed. After age 65 funds also may be withdrawn at ordinary income tax rates without penalty for any reason.
[2]Subject to five-year Roth account holding period and age requirements.
Source: J.P. Morgan Asset Management.

PROFESSIONAL ADVISORY COUNCIL

TORRANCE MEMORIAL | An Affiliate of Cedars Sinai

Typical Retirement Strategy

Too much | Too much | Too much | Too little

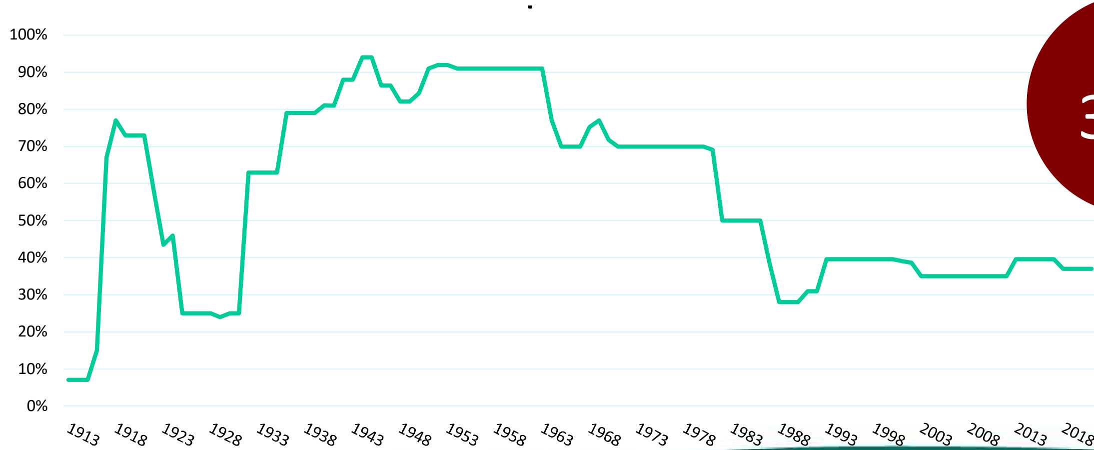


Taxable | **Nondeductible, tax-deferred** | **Tax-deductible, tax-deferred** | **Tax-free**

21

Historical Top Tax Rates

Do you think taxes will be lower or higher in the future?



2022
37%

22

Taxation of 401(k) & IRA Withdrawals

- Withdrawals from retirement accounts are generally taxed at ordinary income tax rates
- Withdrawals are added to your income and taxed at whatever bracket you're in

2022 Federal Tax Brackets		
Tax Bracket	Single	Married/Joint
10%	$0-$10,275	$0-$20,550
12%	$10,276-$41,775	$20,551-$83,550
22%	$41,776-$89,075	$83,551-$178,150
24%	$89,076-$170,050	$178,151-$340,100
32%	$170,051-$215,950	$340,101-$431,900
35%	$215,951-$539,900	$431,901-$647,850
37%	$539,900+	$647,850+

Source: IRS

PROFESSIONAL ADVISORY COUNCIL

TORRANCE MEMORIAL | An Affiliate of Cedars Sinai

23

Do You Know Your IRA Tax Debt?

Imagine your IRA as a house with a mortgage

PROFESSIONAL ADVISORY COUNCIL

TORRANCE MEMORIAL | An Affiliate of Cedars Sinai

24

Have you factored your IRA tax liability?

Income tax must be paid during life or after death.

But it must be paid.

Detailed Balance Sheet

Assets	Jen	Martin	Joint - ROS	Total
Checking Account	--	--	$50,000	$50,000
E*Trade Stock Account	--	--	56,280	56,280
Fidelity Stock Account	1,085,900	--	--	1,085,900
401(k)-American Funds	939,530	--	--	939,530
403(b)-Oppenheimer	200,000	--	--	200,000
IRA-Charles Schwab	671,615	--	--	671,615
Roth IRA-Charles Schwab	--	285,770	--	285,770
TSA - Annuity at TIAA CREF	--	315,300	--	315,300
12345 PCH	--	--	2,000,000	2,000,000
Investment RE Rental Condo	--	650,000	--	650,000
Home Furnishings, Art, Jewelry & Etc.	--	--	50,000	50,000
Life Insurance-AIG UL	--	--	25,000	25,000
Total Assets:	**2,897,045**	**1,251,070**	**2,181,280**	**6,329,395**
Liabilities	**Jen**	**Martin**	**Joint - ROS**	**Total**
Estimated Tax Liability on IRAs at 40%	--	--	($850,000)	($850,000)
Total Liabilities:	**0**	**0**	**(850,000)**	**(850,000)**
Total Net Worth:	**$2,897,045**	**$1,251,070**	**$1,331,280**	**$5,479,395**

PROFESSIONAL ADVISORY COUNCIL

MEDICAL CENTER

25

Tax Deferred Retirement Accounts are Different

- Generally taxed at ordinary income rates upon withdrawal – both during life and after death
- Investment gains receive no favorable capital gains tax rates, and losses receive no deductions
- Receive no step-up in basis at death
- Cannot be transferred to trusts during lifetime
- And much more…

PROFESSIONAL ADVISORY COUNCIL

TORRANCE MEMORIAL

An Affiliate of Cedars Sinai

26

Get to know your retirement account type

General types of tax advantaged retirement plans

- Traditional IRA
- Inherited IRA
- Roth IRA
- Inherited Roth IRA
- 401(k)
- 403(b)
- 457
- TSP
- SIMPLE, SEP and other company plans
- Roth 401(k)

PROFESSIONAL ADVISORY COUNCIL

TORRANCE MEMORIAL | An Affiliate of Cedars Sinai

27

Know the Six Potential "Rollover" Options for Your Plan Funds

1. Leave your assets in your existing plan account
2. Roll over your plan assets to another plan
3. Roll over your assets to an IRA
4. Take a lump-sum distribution
5. Convert your plan assets to a Roth IRA
6. Make an in-plan Roth conversion

*Rolling over your plan assets may not be right for you, as there may be disadvantages, including surrender charges, deferred sales charges, early withdrawal penalties and the loss of certain rights and guarantees.

PROFESSIONAL ADVISORY COUNCIL

TORRANCE MEMORIAL | An Affiliate of Cedars Sinai

28

The "Charitable IRA Rollover"

Qualified Charitable Distributions

This tax strategy helps someone who is charitably inclined to make a direct donation while eliminating the income taxes due on the distribution.

IRA Direct transfer → **Charitable organization**[1]

Qualifications

- Donor must be age 70½
- Annual $100,000 cap[2]
- Transfer from IRAs only[3]
- Transfer prioritizes deferred taxable income first
- No tax deduction on transfer but removes amount from AGI

Giving more by paying less tax

Qualified Charitable Distributions (QCDs) allow Required Minimum Distributions (RMDs) to be transferred directly to charity and to not be included in the account owner's taxable income.

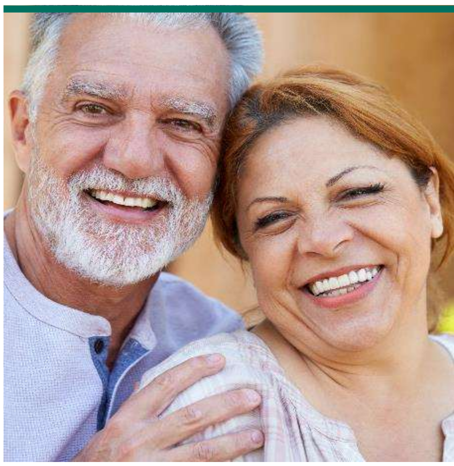
Although the **Secure Act** has moved the RMD age to 72, QCDs can still be made beginning at age 70 ½.

1 Not applicable to supporting organizations, donor advised funds or private foundations. 2Reduced by any deductible IRA contribution made in the same year. 3Traditional IRAs. While in certain circumstances a QCD could be made from a Roth IRA, a Roth is not subject to RMDs and typically withdrawals do not incur income tax so generally this strategy would not be recommended. Not intended to be personal advice. Consult with your tax professional. Consolidated Appropriations Act of 2016 made the QCD permanent. Source: J.P. Morgan Asset Management.

Torrance Memorial | An Affiliate of Cedars Sinai

29

Charitable Giving and Tax Planning Example



Albert and Shirley (age 71)

- 24% bracket
- Give $5,000 to charity
- $15,000 existing itemized deductions
- 2022 Standard Deduction is $28,700
- $5,000 donation—no federal tax benefit

*Always consult a tax professional before taking action.

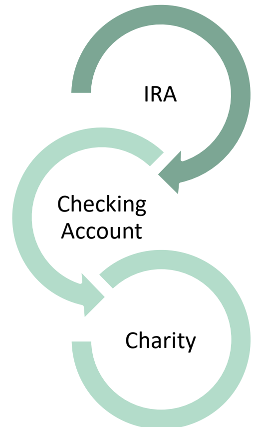
Professional Advisory Council

Torrance Memorial | An Affiliate of Cedars Sinai

30

Option 1: What's the cost of a "non"QCD contribution?*

- Charity (TMMC for example) gets $5,000
- $5,000 satisfies RMD
- $5,000 is **reported as taxable income**
- Tax bill on distribution at 24% tax bracket = $1,200
- Total cost of charitable contribution = $6,200



*Always consult a tax professional before taking action.

PROFESSIONAL ADVISORY COUNCIL

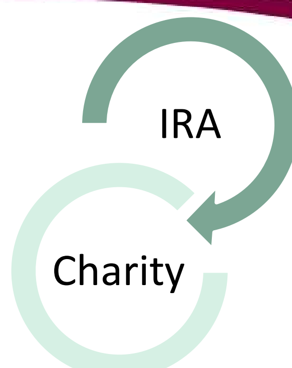
TORRANCE MEMORIAL | An Affiliate of Cedars Sinai

31

Option 2: What's the cost of a QCD contribution?*

- Charity (TMMC for example) gets $5,000
- $5,000 satisfies RMD
- $5,000 is **excluded** from taxable income
- Tax bill on distribution = $0
- Total cost of charitable contribution:

  = $5,000 - $1,200 savings from "non" QCD Option



*Always consult a tax professional before taking action.

PROFESSIONAL ADVISORY COUNCIL

TORRANCE MEMORIAL | An Affiliate of Cedars Sinai

32

Which Accounts to Spend Down First?

Sam's IRA
$450,000

Mary's IRA
$450,000

Sam and Mary
Want to spend
$8,500/month

Sam's Roth IRA
$600,000

Mary's Roth IRA
$60,000

Joint Bank Account
$300,000

*Always consult a tax professional before taking action.

PROFESSIONAL ADVISORY COUNCIL

TORRANCE MEMORIAL | An Affiliate of Cedars Sinai

33

Which Accounts to Spend Down First?

Conventional Wisdom

- Spend taxable money first (bank accounts), **then...**
- Spend tax-deferred money (IRAs), **then...**
- Spend tax-exempt money

*Always consult a tax professional before taking action.

PROFESSIONAL ADVISORY COUNCIL

TORRANCE MEMORIAL | An Affiliate of Cedars Sinai

34

Deferring your IRA distributions may not always be best

Potential Problems with Conventional Wisdom

- Risk cannibalizing your after-tax money, leaving only taxable income sources
- You can't defer taxes forever
- Taxes may be higher in the future

*Always consult a tax professional before taking action.

PROFESSIONAL ADVISORY COUNCIL

TORRANCE MEMORIAL An Affiliate of Cedars Sinai

35

Which Accounts to Spend Down First?

Alternative Approach

- Spend taxable money first (bank accounts), **but also...**
- Blend distributions from taxable money and IRAs to use your lower tax brackets, **and/or...**
- Convert your IRAs to Roth IRAs in low tax years, **then...**
- Spend tax-deferred money until depletion, **then...**
- **Spend your tax-exempt money**

*Always consult a tax professional before taking action.

PROFESSIONAL ADVISORY COUNCIL

TORRANCE MEMORIAL An Affiliate of Cedars Sinai

36

Smart Late-Retirement Strategy

Assuming these accounts are spent first, you may be left with a tax-free income source at the latter part of your retirement

Taxable | Nondeductible, tax-deferred | Tax-deductible, tax-deferred | Tax-free

PROFESSIONAL ADVISORY COUNCIL

TORRANCE MEMORIAL | An Affiliate of Cedars Sinai

37

Should I "Convert" to Roth IRA?

8 Basic Considerations

- What's your primary reason to convert?
- What do you believe about future tax rates?
- What will it cost you?
- How can you reduce that cost?
- What's your age and life expectancy?
- When will you need the money for income?
- Where will the money come from to pay the tax?
- Who are your beneficiaries?

PROFESSIONAL ADVISORY COUNCIL

TORRANCE MEMORIAL | An Affiliate of Cedars Sinai

38

Roth IRAs Have No Required Minimum Distributions (RMDs)

No required distributions during your lifetime

You decide when you want to take distributions.

Allows your account to grow uninterrupted, tax-free for life.

Can provide tax-free money for you during life or upon inheritance to heirs.

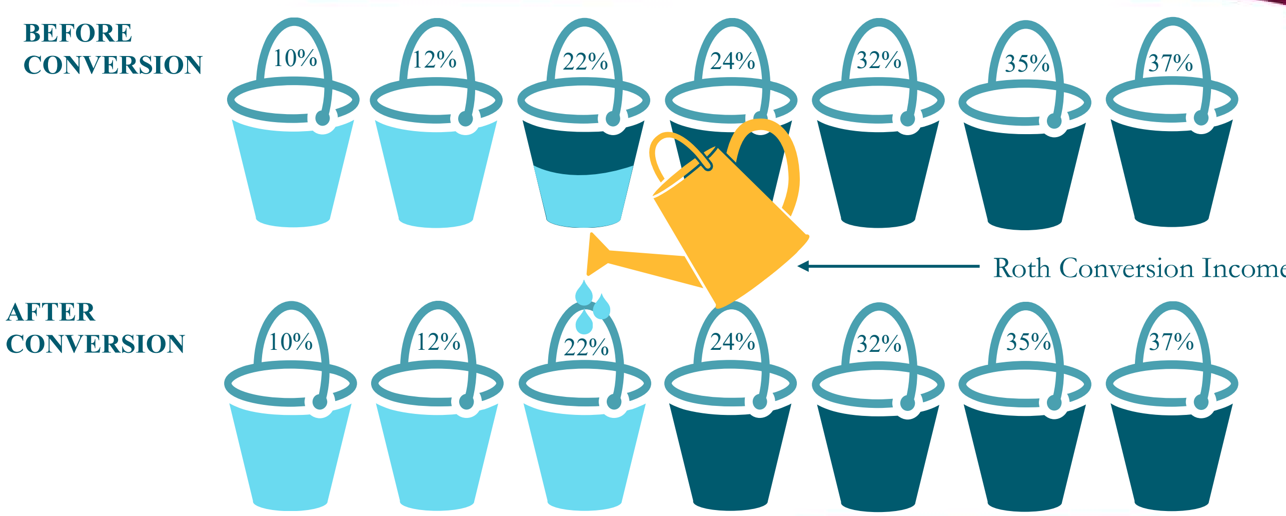
*Always consult a tax professional before taking action.

PROFESSIONAL ADVISORY COUNCIL

TORRANCE MEMORIAL An Affiliate of Cedars Sinai

39

"Filling Up The Bracket" Roth IRA Conversion Strategy



PROFESSIONAL ADVISORY COUNCIL

TORRANCE MEMORIAL An Affiliate of Cedars Sinai

40

Watch for Potential "Side Effects" of Roth IRA Conversions

6 Potential Side Effects

- Phase-outs of deductions and tax credits
- Increase Medicare Part B premiums
- Increase the amount of taxable Social Security benefits
- Did not adjust quarterly estimated tax payments for the year resulting in a penalty
- Increase exposure to the 3.8% surtax on net investment income
- Can increase taxable effect to capital gains

PROFESSIONAL ADVISORY COUNCIL

TORRANCE MEMORIAL An Affiliate of Cedars Sinai

41

Potential Benefits to Surviving Spouse of Roth IRA Conversions

5 Potential Benefits

- No required minimum distributions for your spouse during his/her lifetime after you pass
- But distributions can be taken at any time
- This may help avoid the widow/widower's tax penalty when filing tax return as "single"
- May also help keep Medicare Part B costs below the next threshold due to filing single
- May help avoid exposure to the 3.8% surtax on net investment income

PROFESSIONAL ADVISORY COUNCIL

TORRANCE MEMORIAL An Affiliate of Cedars Sinai

42

What if you don't want to convert to a Roth IRA?

Should you continue to defer your IRA distributions?

- It allows your account to grow tax-deferred for as long as possible
- May provide continued triple tax-deferred compounding of interest or dividends
- It keeps income off your tax return
- It keeps things simple

PROFESSIONAL ADVISORY COUNCIL

TORRANCE MEMORIAL | An Affiliate of Cedars Sinai

43

But You Can't "Defer" Forever!

Required Minimum Distributions (RMDs) Must Be Taken From *Most* of Your Retirement Accounts

- Required minimum distributions (RMDs) begin for *IRAs* once you turn 72*
- Required minimum distributions (RMDs) begin for most *plans* once you turn 72*

Failure to take an RMD can result in a 50% penalty.

*Individuals who reached age 70½ in 2019 MUST still have taken an RMD. RMDs were eliminated for 2020 due to the COVID-19 pandemic. First RMD can be delayed until April 1, of the year following the year you turn age 72). However, if you delay you MUST take TWO distributions in that following year.

44

Here's How It Works

Required Minimum Distributions (RMDs) add to your taxable income even if you don't need the income!

Start with the year you reach age 72

↓

Divide prior year's ending account balance by the remaining life expectancy

↓

For example, with a $500,000 balance:

$500,000 / 27.4 = $18,248

PROFESSIONAL ADVISORY COUNCIL

TORRANCE MEMORIAL | An Affiliate of Cedars Sinai

45

Don't Use the "OLD 2021" Chart (shown below)

RMDs as a Percentage of Your Account Balance

Age of IRA Owner or Plan Participant	RMD as a Percentage*	Age of IRA Owner or Plan Participant	RMD as a Percentage*
72	3.91%	82	5.85%
73	4.05%	83	6.14%
74	4.21%	84	6.46%
75	4.37%	85	6.76%
76	4.55%	86	7.10%
77	4.72%	87	7.47%
78	4.93%	88	7.88%
79	5.13%	89	8.34%
80	5.35%	90	8.78%
81	5.59%	91	9.26%

*Note: All percentages are rounded *up* to the nearest hundredth.

PROFESSIONAL ADVISORY COUNCIL

TORRANCE MEMORIAL | An Affiliate of Cedars Sinai

46

Instead Use the "NEW 2022" Chart (shown below)

RMDs as a Percentage of Your Account Balance

Age of IRA Owner or Plan Participant	RMD as a Percentage*	Age of IRA Owner or Plan Participant	RMD as a Percentage*
72	3.65%	82	5.41%
73	3.77%	83	5.65%
74	3.92%	84	5.95%
75	4.07%	85	6.25%
76	4.22%	86	6.58%
77	4.37%	87	6.94%
78	4.55%	88	7.30%
79	4.74%	89	7.75%
80	4.95%	90	8.20%
81	5.15%	91	8.70%

NEW RMD CHART FOR 2022 – DOWNLOAD FREE HANDOUT

PROFESSIONAL ADVISORY COUNCIL

TORRANCE MEMORIAL An Affiliate of Cedars Sinai

47

A Few (of many) Important RMD Considerations

- Do you take them early in the year or late in the year?
- Do you have automatic RMDs established on each IRA account?
- Are you selling *specific* investments or proportionately across your IRA account?
- Which types of *investments* do you own to help fund those RMDs

*New life expectancy factors begin in 2022

PROFESSIONAL ADVISORY COUNCIL

TORRANCE MEMORIAL An Affiliate of Cedars Sinai

48

Three Common RMD Mistakes

1

Aggregating RMDs between IRAs and different types of retirement plans.

2

Aggregating RMDs between spouses.

3

Aggregating RMDs with any Inherited IRAs you may own

*Always consult a tax professional before taking action.

PROFESSIONAL ADVISORY COUNCIL

TORRANCE MEMORIAL | An Affiliate of Cedars Sinai

49

What about RMDs after the IRA owner dies?

PROFESSIONAL ADVISORY COUNCIL

TORRANCE MEMORIAL | An Affiliate of Cedars Sinai

50

Spousal Beneficiary has the Most Options

Assuming Surviving Spouse = 100% Primary Beneficiary

RMDs Depend Upon 1 of 3 Options Taken by the Spouse

1. Remain as beneficiary (Inherited IRA)
2. Election to treat account as own
3. Spousal rollover to Spouse's own IRA

2019 SECURE Act (1.0) Caused Major Changes

Inherited IRAs now have a 10-year distribution RMD period

- Potentially more flexible within the first 10 years*
- Account must be emptied by the end of year 10

Exceptions for 5 Eligible Designated Beneficiary (EDB) groups:

- Spouse
- Disabled
- Chronically ill
- Individuals not more than 10 years younger than the IRA owner
- Minor Children – until they reach the age of 21

Plus - Unwritten "Grandfathered" Exceptions for designated beneficiaries who inherited before 2020

*Flexibility occurs when the IRA owner dies before the Required Beginning Date (RBD). Under the new IRS proposed regulations when the IRA owner dies after the RBD, RMDs would be required.

Inherited IRA - RMD Rule (Part 1)

- Determine if the deceased IRA owner was subject to RMDs as of the year of death
- If so, be sure the total RMD amount was taken
- If not, be sure it is taken ideally by December 31 of that same year*

***Otherwise by tax filing deadline of the following year.**

Inherited IRA - RMD Rule (Part 2)

- If multiple beneficiaries exist, split accounts by 12/31 of the year following the year of death
- Determine the type of beneficiary or beneficiaries
  - Non-Designated Beneficiary (NDB)
  - Non-Eligible Designated Beneficiary (NEDB)
  - Eligible Designated Beneficiary (EDB)

***Speak to your tax and financial advisor**

Inherited IRA - RMD Rule (Part 3)

Take RMDs "at least as rapidly" as required per type of beneficiary (NDB, NEDB, EDB) and depending on if the deceased IRA owner was already taking RMDs or not

Type of Beneficiary	If Account Owner Dies ***Before*** Required Beginning Date (RBD)	If Account Owner Dies ***After*** Required Beginning Date (RBD)
Non-Eligible Designated Beneficiary (NEDB) (All designated beneficiaries who do not qualify as EDBs)	**10-Year Rule** No annual required distributions but account must be emptied by the end of the tenth year after the year of the account owner's death	**10-Year Rule** Annual required distributions required in years 1-9 of the 10- year period. Account must be emptied by the end of the tenth year after the year of the account owner's death.
Eligible Designated Beneficiary (EDB) (5 classes of EDBs: Spouse, Disabled, Minor children to age 21, Disabled – under IRS strict rules, Individuals not more than 10 years younger than the IRA owner)	**Stretch Applies** Distributions based on the life expectancy of the beneficiary. **Use Single Life Expectancy Table**, look up attained age in the year after account owner's death to get factor. **Factor is reduced by one in each subsequent year (for non-spouse). OR Choice of 10-Year Rule as indicated above**	Distributions based on the life expectancy of the younger of the account owner or the beneficiary. **Use Single Life Expectancy Table**, look up attained age in the year after account owner's death to get factor. **Factor is reduced by one in each subsequent year (for non-spouse)***
Non-Designated Beneficiary (NDB) (Not people – Estate, Charity, Non-Qualifying Trusts)	**5-Year Rule** No annual required distributions but account must be emptied by the end of the fifth year after the year of the account owner's death	**The "Ghost" Rule** Stretch payments are made to the non-designated beneficiary over the remaining single life expectancy of the deceased account owner, had he/she lived. RMDs apply annually under the ghost rule.

**You must compare the factor for the beneficiary to the factor for the deceased account owner and use the larger of the two factors to calculate the RMD.*

Source: Ed Slott & Company

Torrance Memorial | An Affiliate of Cedars Sinai

55

Calculating Your RMD for Inherited IRAs Using Single Life Table

For "Non-Spouse" Beneficiary

1. Obtain account prior year-end balance.
2. Look up attained age in the year after the IRA account owner's death on the table to get the factor*.
3. The factor is reduced by 1 in each subsequent year.
   Note: Do not use a new factor from the table each year.

**Single life table is generally for "inherited" IRAs.*
Use the uniform life table for IRAs and plan assets instead.
Consult with your tax and financial advisor"

Single Life Expectancy Factors for Ages 72–79*

Age of IRA Beneficiary	Life expectancy in years
72	17.2
73	16.4
74	15.6
75	14.8
76	14.1
77	13.3
78	12.6
79	11.9

Professional Advisory Council

Torrance Memorial | An Affiliate of Cedars Sinai

56

Calculating Your RMD for Inherited Roth IRAs

For "Roth IRA" Beneficiaries

- Surviving spouse is able to rollover deceased spouse's Roth IRA to his/her own Roth IRA. **No RMDs apply**.
- Eligible Designated Beneficiaries (EDBs) can stretch distributions using the Single Life Expectancy table.
- Non-Eligible Designated Beneficiaries (NEDBs) 10 Year Rule:
  No annual required distributions but account must be emptied by the end of the 10th year after the account owner's death.

Single Life Expectancy Factors for Ages 72–79*

Age of IRA beneficiary	Life expectancy in years
72	17.2
73	16.4
74	15.6
75	14.8
76	14.1
77	13.3
78	12.6
79	11.9

** Single life table is generally for "inherited" IRAs/Roth IRAs. Use the uniform life table for IRAs and plan assets instead. Consult with your tax and financial advisor"*

PROFESSIONAL ADVISORY COUNCIL

TORRANCE MEMORIAL | An Affiliate of Cedars Sinai

57

Summary Action Plan of What You Can Control

- **There is no substitute for having a comprehensive retirement distribution plan. Review your:**
  - Cash Flow Projections
  - Income Tax Projections
  - Net Worth Projections
  - Estate Plan Tax Projections
- **Consider building a customized bucket plan based upon your income needs, leveraging tax diversification of your assets to your advantage**
- **Review the new SECURE Act changes. There may be more reason than ever to consider converting IRAs to Roth IRAs**

PROFESSIONAL ADVISORY COUNCIL

TORRANCE MEMORIAL | An Affiliate of Cedars Sinai

58

Proactive Questions to Consider Carefully with your Advisor(s)

- Should I leave my employer plan assets in my existing company retirement plan?*
- Do I have a plan to reduce the tax issues on my IRA, 401(k) or other retirement accounts?
- Should I begin doing Roth IRA Conversions now for myself and/or my family?
- How should I structure my retirement "distribution" plan?
- Have I reviewed my beneficiary designation forms lately?
- How will I strategically take RMDs to help preserve assets?
- How will the SECURE Act changes impact the RMDs to my beneficiaries?
- Do I know the rules for an inherited IRA, Roth IRA or retirement account? – If not, TOUCH NOTHING!

* Rolling over your plan assets may not be right for you, as there may be disadvantages, including surrender charges, deferred sales charges, early withdrawal penalties and loss of certain rights and guarantees. Each of these options has its own advantages and disadvantages that should be evaluated against your unique set of facts, circumstances, goals and objectives.

59

Many Happy Travels and Safe Returns in Retirement!

PROFESSIONAL ADVISORY COUNCIL

TORRANCE MEMORIAL | An Affiliate of Cedars Sinai

60

Thank you!

Questions?

<u>Disclosure</u>

This material is for general information only and is not intended to provide specific advice or recommendations for any individual. To determine what is appropriate for you, please consult a qualified professional.

PROFESSIONAL ADVISORY COUNCIL

TORRANCE MEMORIAL | An Affiliate of Cedars Sinai

61

Holiday Festival 2022!

11/29 – 12/04

TORRANCE MEMORIAL | An Affiliate of Cedars Sinai

63