



PRAP- In Plan Roth Conversions

Featured Speakers



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Pre-Retirement Redzone

STRATEGIES & OBJECTIVES

- Maximize Savings & Investments
- Utilize both Pre-Tax & Post-Tax
- Minimize/Manage Taxes

Get A Plan!



Pre-Retirement Redzone

SOURCES AND SAVINGS

- \$19,500 PRAP 401k & \$6,500 Catch-up
- 16% UAL Contribution to PRAP/\$45,600
- \$63,500 Maximum
- Health Retirement Account (HRA) Contribution/Spillage

But it's a Race!



Active Pilot

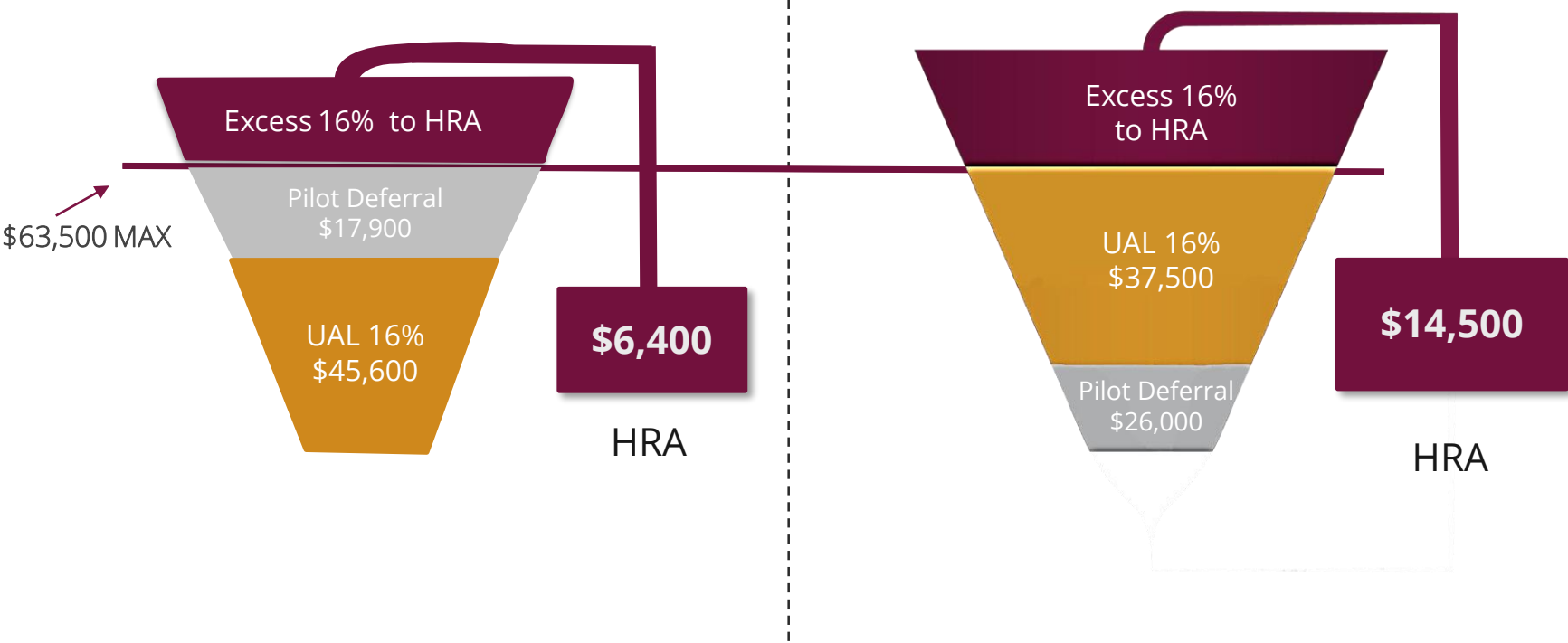
Health Retirement Account (HRA)

- Separate HRA program to augment existing Retiree Health Account (RHA) VEBA program.
- Two programs will be separate
 - » *HRA funds can be utilized while active*
 - » *Unused HRA funds can be transferred to RHA at retirement*
 - » *RHA funds cannot be transferred to HRA*

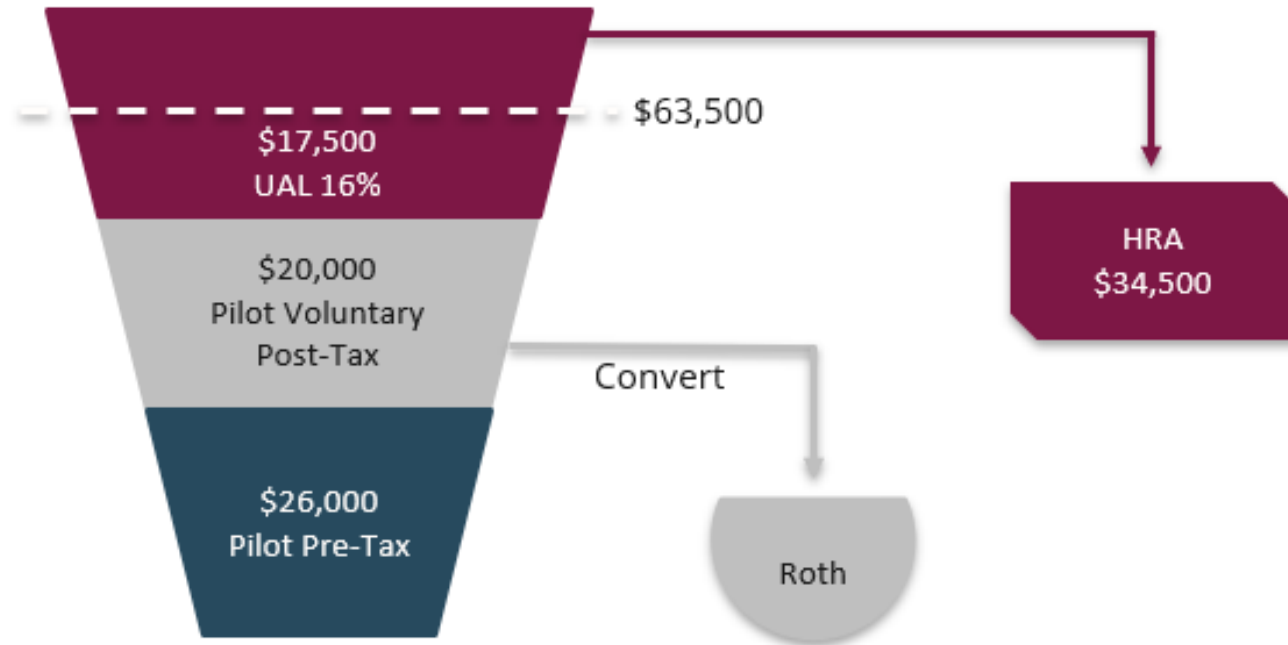


Pre-Retirement Redzone

How to max-out your 401(k) AND Fund your HRA
ANNUAL PAY \$325,000 – THE RACE IS ON!



Roth Contribution Strategy



Active Medical Costs

Name of Plan	You Only	You + Spouse	You + Child(ren)	You + Family
Traditional Medical PPO*	\$216.81	\$474.15	\$347.73	\$605.07
Traditional/Core DPPO	\$8.22	\$16.44	\$20.55	\$28.77
VSP Vision Care Plus Plan	\$14.82	\$23.12	\$27.71	\$37.06
ANNUAL TOTAL				\$8,050.80

*Costs shown are without Wellness Credit or Spousal Surcharge

\$8,050.80 annual premium
+ \$3,000.00 max out-of-pocket

\$11,050.80



Retiree Medical – Before Medicare

2020 TRADITIONAL MEDICAL PPO MONTHLY COSTS				
Before Medicare	1 Adult	1 Adult + Children	2 Adults	2 Adults + Children
25+ years of service (40%)	\$322.93	\$531.40	\$711.32	\$919.78
20-24 years of service (60%)	\$461.91	\$774.60	\$1,024.01	\$1,336.71
Less than 20 years of service (80%)	\$600.88	\$1,017.81	\$1,336.70	\$1,753.63



Medicare

- **Part A** – Hospital Insurance (free)
- **Part B** – Medical Insurance (premium)
- **Part C** – Medicare Advantage Plans
 - » *Includes Parts A and B plus extras (vision, dental, drugs,...)*
 - » *Private Insurance*
 - » *Medicare replacement, not supplement*
- **Part D** – Prescription Drug Plan (premium – anyone with parts A and B is eligible)



Medicare Part B Premiums

If your yearly income in 2018 was...		... Your monthly 2020 payment is	
File Individual Tax Return	File Joint Tax Return	One Person	Two Persons
Below \$87,000	Below \$174,000	\$144.60	\$289.20
\$87,000 - \$109,000	\$174,000 - \$218,000	\$202.40	\$404.80
\$109,000 - \$136,000	\$218,000 - \$272,000	\$289.20	\$578.40
\$136,000 - \$163,000	\$272,000 - \$326,000	\$376.00	\$752.00
\$163,000 - \$500,000	\$326,000 - \$750,000	\$462.70	\$925.40
\$500,000 or above	\$750,000 or above	\$491.60	\$983.20



Why Secondary Coverage?

- Basic Medicare doesn't cover drugs (Medicare Part D)
- Hospital Coverage is limited
 - » *60 free after \$1,408 deductible then 30 @ \$352/day*
 - » *Then 60 "lifetime reserve" days at \$704/day*
 - » *Deductibles are per benefit period*
- Skilled Nursing care limited
 - » *20 free after deductible then 80 @ \$176/night*
- No foreign coverage
- Medicare has NO out-of-pocket maximum!



Retiree Medical - United Secondary Coverage

2020	
Aetna Medicare Advantage ESA PPO*	\$151.43
Post Medicare Drug Only*	\$108.40
*per person monthly cost after \$90 subsidy	



Typical Family Coverage

Retiree over 65 (Spouse under 65)

- Pays Medicare Part B Premium
 - » *Assuming Joint Income under \$174k* **\$145**
- Takes United secondary coverage
 - » *AETNA Medicare Advantage ESA PPO* **\$151**

Spouse retains United medical coverage

- Assuming retiree had over 25 years of service
 - » *Traditional Medical PPO* **\$323**

Total Monthly Premiums

\$619



Got Military Benefits?

- TRICARE becomes TRICARE for LIFE (TFL) at age 65
- Must sign up for Medicare Part B
 - » *Unlike TRICARE, TFL won't back up any other insurance*
 - » *That's a reason to consider signing up before your birth month*
- TFL beats all other secondary coverages
 - » *Free*
 - » *Includes drug coverage*
 - » *Works worldwide*
 - » *Providers normally file both Medicare and TFL*



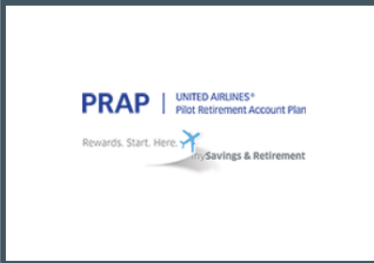
Retiree Health Account (RHA)

- \$7,104 in premiums per couple *before* you see a doctor?
- Add \$3,000 per couple max out-of-pocket before United pays
- = over \$10,000 per year (plus drugs, dental & vision)

MEDICAL PREMIUMS IN RETIREMENT		
2020 Plan	Cost/Person	Cost/Couple
Medicare Part A	Free	Free
Medicare Part B (monthly)	\$145	\$290
UAL Post 65 PPO (monthly)	\$151	\$302
Total (monthly)	\$296	\$592
Total (Annual)	\$3,552	\$7,104

Couples with average health at age 65 will need **\$285,000** to cover health care costs in retirement - 2020 Fidelity Study





Income Replacement Gets a Makeover

Check out the simplified new look and functionality of **My Retirement Progress™**. This interactive tool has been updated to make it easier than ever to manage your future retirement income savings goals.

Unused Vacation Forfeitures for 2020-2021 Vacation Year

If you have unused vacation at the end of the 2020-2021 vacation year, it will be defaulted as a PRAP contribution since you have NOT made an election for how you would like it deposited. Your associated PRAP contribution will be made to the extent there is room within the IRS limits for 2021. Any excess above the IRS limits will be contributed to your RHA.**

▼ I want to...

ACCOUNT DETAILS

Summary Positions Asset Class Contribution Type

UNITED AIRLINES PILOT RETIREMENT ACCOUNT PLAN

\$1.97M

Total Market Value: \$1,968,021.23
Balances as of market close on 09/28/2020

In-plan Roth rollover?
Online in-plan Roth rollover requests are here.

Retirement is personal.
Review your plan & get personalized advice.

Review your beneficiary.
Last updated: 12/2/2012

PRAP Resources
Information, documents and other forms for your plan.

MY NOTIFICATIONS

- Learn more about [Provisions related to CARES Act and COVID-19](#)
- [Coronavirus-Related Distribution Coronavirus-Related Distribution Application](#)
- Please note, effective 8/19/2020, your employer's retirement plan transitioned from IRS Form 1099-R issued with each distribution to an aggregated year-end Form 1099-R.



UNITED AIRLINES PILOT RETIREMENT ACCOUNT PLAN

Print

In-Plan Roth Rollover

Convert all or part of your eligible balances to Roth savings while leaving the funds in your plan account.

Maximum amount eligible: **\$1,968,021.23**

Start Here

I am a US citizen and US resident

Yes

No

I have read the Special Tax Notice

3

2

1

What to know before you begin

Everyone's tax situation is unique. Always consult a qualified tax advisor if you need help understanding whether an In-Plan Roth Rollover may be right for you. As you evaluate your needs, keep these details in mind:

You are responsible for any applicable taxes.

Your In-Plan Roth Rollover is a taxable event. Pre-tax contributions (including any associated earnings) and earnings generated on after-tax contributions prior to conversion are taxable in the year they are converted. When you retire, you will then not pay taxes on the converted amounts or any associated earnings, provided certain criteria are met. This may offer you tax benefits in the future.



In-Plan Roth Rollover

Convert all or part of your eligible balances to Roth savings while leaving the funds in your plan account.

Maximum amount eligible: **\$1,968,021.23**

Start Here

I am a US citizen and US resident

Yes No

I have read the Special Tax Notice

All Eligible Balances

Select this option to roll over all or a portion of your eligible balances.

Get Started

After-Tax Balances Only

Select this option to roll over all or a portion of your eligible balances.

Get Started

Automatic In-Plan Roth Rollover Only

Select this option to automatically transfer after-tax contributions to Roth savings with each payroll.

Get Started

What to know before you begin

Existing Contributions

Future Contributions



UNITED AIRLINES PILOT RETIREMENT ACCOUNT PLAN

Print

In-Plan Roth Rollover

Elect
Verify
Submitted

Maximum
Specific
Amount is an estimate and may differ based on account activity prior to completion of this request.

Select one or more contribution types
All
After-Tax

<input type="checkbox"/> Contribution Type	Eligible to Rollover	Taxable Amount	Non-Taxable Amount	Taxation
<input type="checkbox"/> Voluntary Post-Tax	\$12,062.99	\$562.99	\$11,500.00	After-Tax
<input type="checkbox"/> Pre-Tax Elective Deferrals	\$609,392.00	\$609,392.00	--	Pre-Tax
<input type="checkbox"/> B-Plan	\$155,018.82	\$155,018.82	--	Pre-Tax
<input type="checkbox"/> C-Plan	\$440,365.26	\$440,365.26	--	Pre-Tax
<input type="checkbox"/> Pre-Tax Rollovers	\$10,617.06	\$10,617.06	--	Pre-Tax
<input type="checkbox"/> Employer MPP	\$740,565.10	\$740,565.10	--	Pre-Tax

$$\frac{562.99}{12,062.99} = 4.67\% \text{ Taxable}$$



Elect
Verify
Submitted

Maximum
Specific

\$12,062.99 Amount is an estimate and may differ based on account activity prior to completion of this request.

Select one or more contribution types All After-Tax

<input checked="" type="checkbox"/> Contribution Type	Eligible to Rollover	Taxable Amount	Non-Taxable Amount	Taxation
<input checked="" type="checkbox"/> Voluntary Post-Tax	\$12,062.99	\$562.99	\$11,500.00	After-Tax

Automatic In-Plan Roth Rollover On Off

Automatic In-Plan Roth Rollover election transfers all future after-tax contributions to your Roth account. This will be a taxable event and you are personally liable for the payment of income taxes (including penalties, if any) on the taxable amount rolled over. You will receive an annual 1099R.

If you already have an existing after-tax balance in the plan, a proportionate amount of any earnings related to that balance may be taxed with each automatic in-plan Roth rollover of your new after-tax contributions. [Learn more](#) and talk with a tax advisor for guidance.

To activate this election select "On" and submit the change



UNITED AIRLINES PILOT RETIREMENT ACCOUNT PLAN

Print

In-Plan Roth Rollover

The Automatic In-Plan Roth Rollover election will apply to any and all after-tax contributions and will remain in effect until removed. This will generally be a taxable event and you are personally liable for the payment of income taxes (including penalties, if any) on the amount rolled over. This distribution will be reported to you and the Internal Revenue Service on an annual Form 1099-R.

If you already have an existing after-tax balance in the plan, a proportionate amount of any earnings related to that balance may be taxed with each automatic in-plan Roth rollover of your new after-tax contributions. [Learn more](#) and talk with a tax advisor for guidance.

Automatic ⓘ
In-Plan Roth
Rollover

On

Off

Cancel

Submit



Automatic In-Plan Roth Rollover

On Off

Participant Acknowledgement and Consent

I understand that an In-Plan Roth Rollover may be a taxable event and that I am personally liable for the payment of income taxes (including penalties, if any) on the taxable amount rolled over.

I have been provided with and read the Special Tax Notice outlining the tax consequences of my request. I understand that I must be provided with the Application and Special Tax Notice at least 30 days prior to the date my rollover will be processed and that I have the right to consider my withdrawal options for at least 30 days. By submitting this request, I elect to waive this 30-day time period and have my request processed as soon as practical under the Plan's administrative procedures.

I have not received any advice concerning my elections from Schwab Retirement Plan Services, Inc. or its affiliates, and have had the opportunity to consult with my own tax advisor concerning my election.

My completed request qualifies as both my Distribution Election Application as well as the Rollover Contribution Application as required under the Plan. By submitting below I

I understand that the amounts rolled over from my eligible sources will be placed into the same funds within the Roth converted sources as permitted by the Plan and that once completed, my election is irrevocable.

The Automatic In-Plan Roth Rollover election will apply to all future after-tax contributions made with each payroll and will remain in effect until you make an election to remove the Automatic In-Plan Roth Rollover feature.

I understand and agree to the information provided.

Cancel

Submit

Be Careful! Some Pilots have old voluntary post-tax contributions with substantial gains. The taxable % applies to future contributions too!



Cares Act

- Temporary suspension of Required Minimum Distribution (RMD) for 2020 calendar year
- Many IRA owners do not want to convert IRA to Roth IRA if they must first take RMD and pay taxes on it (Roth conversions do not satisfy RMD)
- Roth conversions could look very attractive due to combination of lower tax liability, no 2020 RMD and possibility of future income tax increases



Secure Act

- The recently enacted Secure Act eliminated the “stretch IRA,” a strategy used by affluent investors to pass tax-advantaged money to their heirs
- New law requires most IRAs inherited by non-spouses to be drained within 10 years, which can lead to much higher tax liability to heirs
- Secure Act also delayed Required Minimum Distribution (RMD) from age 70 ½ to 72



We're Here to Help!

- Review Contribution plan for 2021
- Assess if Roth conversion strategies make sense for you
- Build a custom plan!

Would you like to discuss your specific situation?

Contact your Johnson Financial Group advisor or Chuck Allison today at 414.291.4503 or callison@johnsonfinancialgroup.com.



Disclosure

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