



# Roth Conversions

# Featured Speakers



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# Post-Retirement Redzone

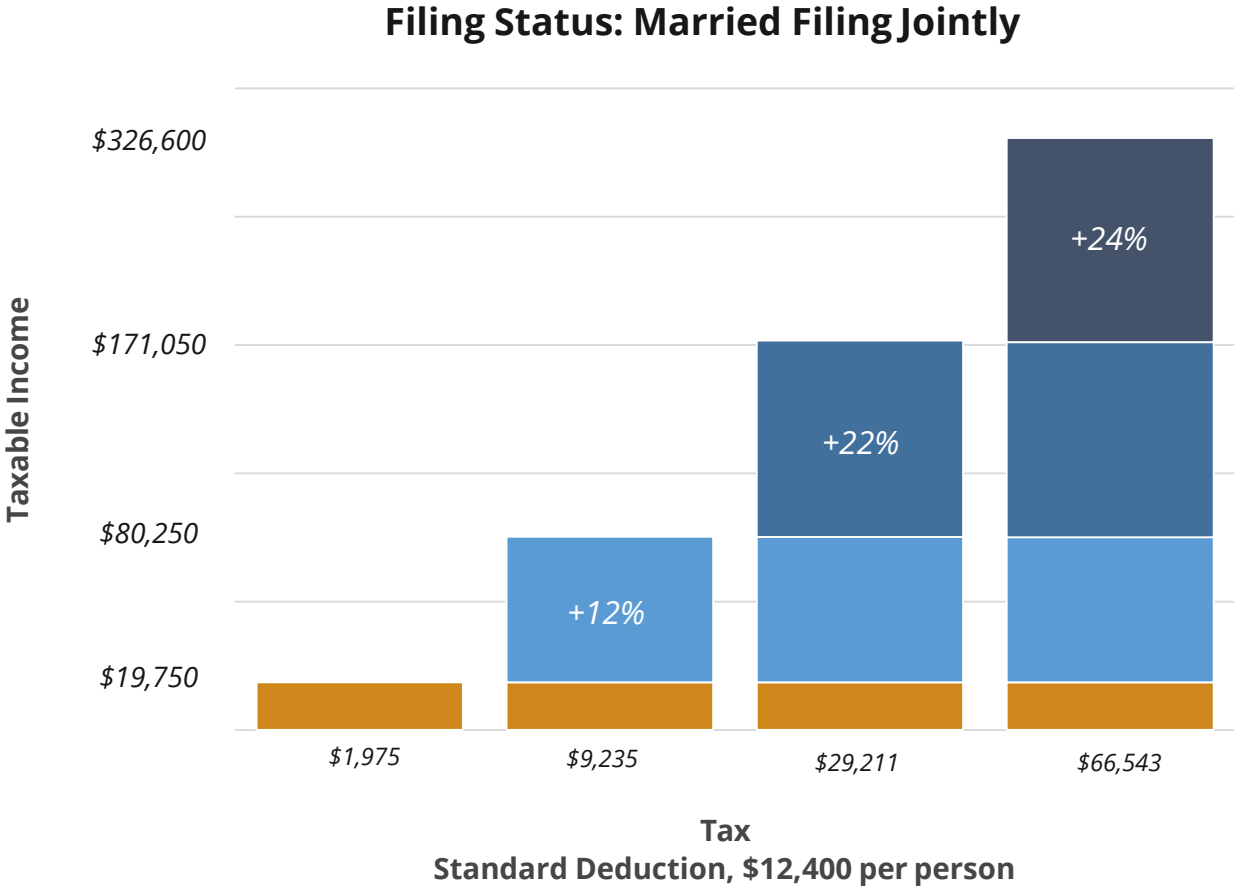
## SOURCES OF INCOME

• Social Security	→	<b>TAXABLE</b>
• Private Pension	→	<b>TAXABLE</b>
• Military Pension	→	<b>TAXABLE</b>
• 401k/IRA	→	<b>TAXABLE</b>
• Retiree Medical Account (RMA)	→	<b>NOT TAXABLE</b>
• After-Tax Savings	→	<b>NOT TAXABLE</b>

Source: IRS.gov



# Federal Income Tax - 2020



Source: IRS.gov



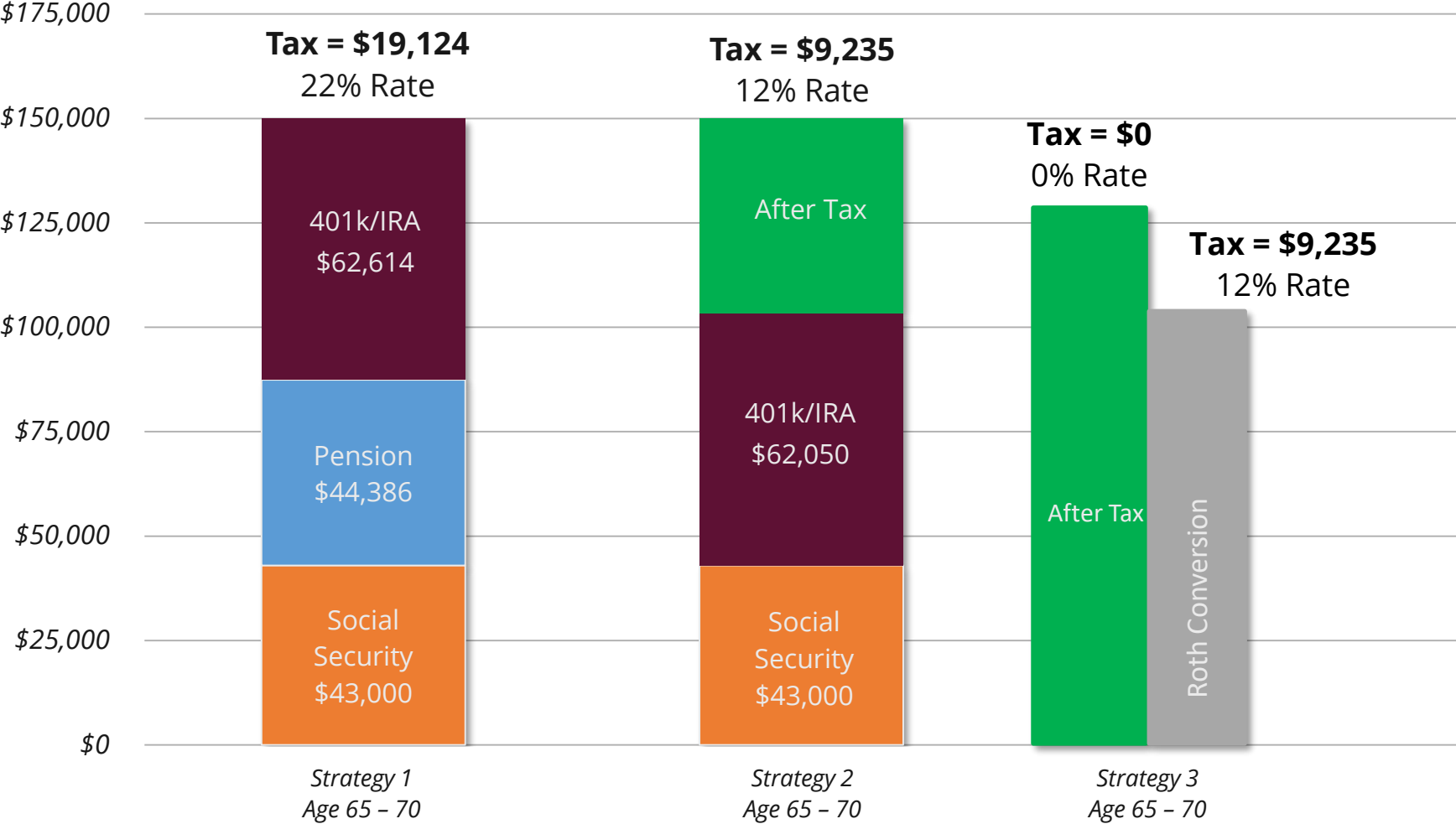
# Post-Retirement Redzone

## HOW WOULD YOU LIKE TO:

- Reduce your federal income tax liability?
- Increase your pension benefits?



# Post-Retirement Redzone

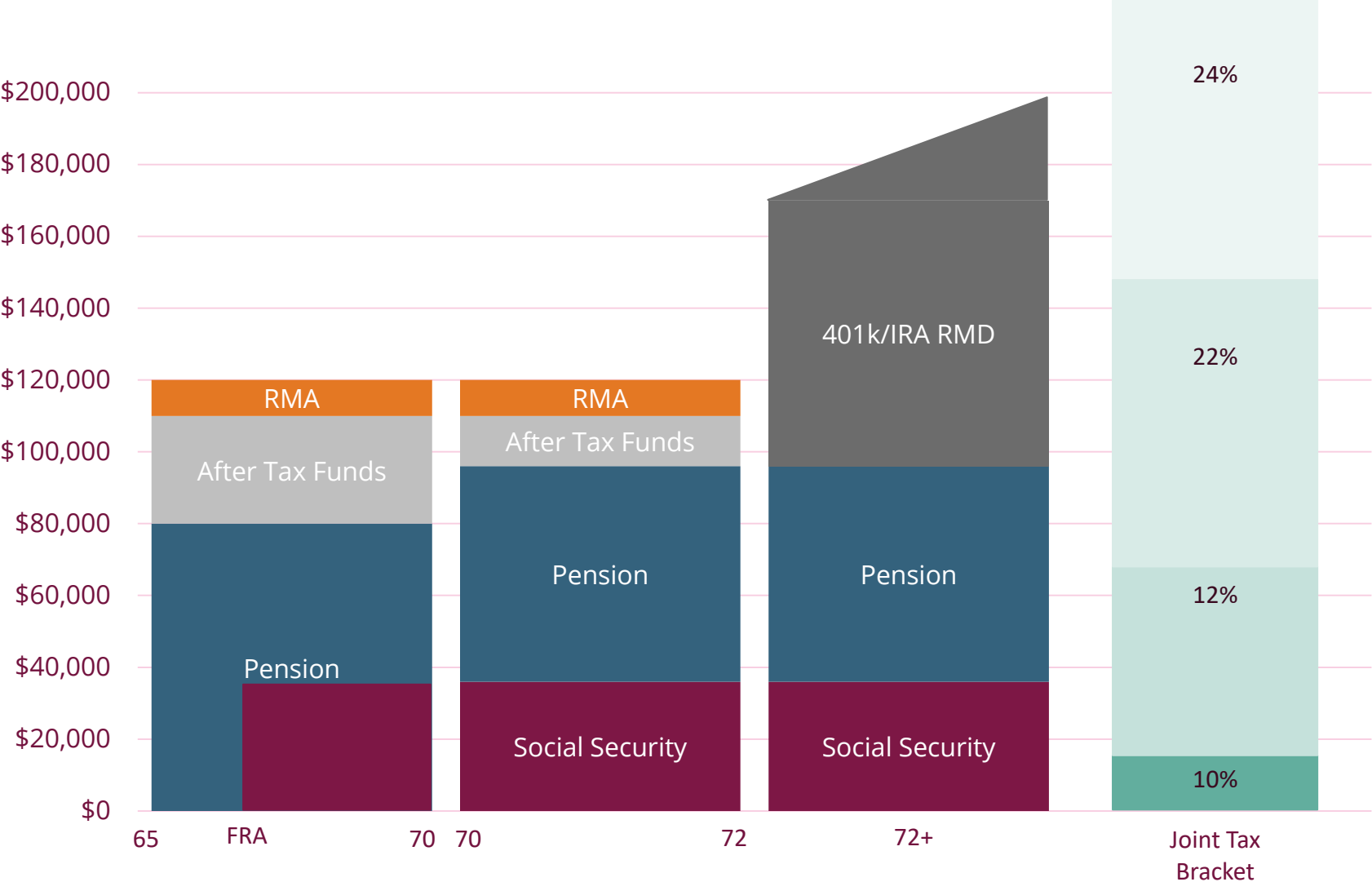


Source: IRS.gov

**Tax Savings = \$9,889**



# Tax Minimization - Retirement



Source: IRS.gov



# Roth and Medicare

- Medicare Part B Premiums based on income
  - » *Brackets above base level add “IRMAA”*
    - *“Income Related Monthly Adjustment Amount”*
- Income used is MAGI
  - » *Medicare MAGI = AGI plus tax-exempt interest income*
  - » *Roth distributions are not part of AGI*
- Premiums are based on tax returns for 2nd year prior
  - » *2021 premiums will be based on 2019 income*





# 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



# Medicare Part D

- Part D is drug coverage
  - » *Part D also has IRMAA, but much lower*
- United's Medicare Advantage Plan includes Part D
  - » *Base-level premium is covered in \$151 monthly charge*
  - » *But retirees must pay IRMAA*



# Medicare Part D - IRMAAs

If your yearly income in 2018 was...		...Your monthly 2020 Part D IRMAA is:	
File individual Tax Return	File Joint Tax Return	One Person	Two Persons
Below \$87,000	Below \$174,000	Included	Included
\$87,000 - \$109,000	\$174,000 - \$218,000	\$12.20	\$24.40
\$109,000 - \$136,000	\$218,000 - \$272,000	\$31.50	\$63.00
\$136,000 - \$163,000	\$272,000 - \$326,000	\$50.70	\$101.40
\$163,000 - \$500,000	\$326,000 - \$750,000	\$70.00	\$140.00
\$500,000 or above	\$750,000 or above	\$76.40	\$152.80



# Roth Conversion Considerations

- Positive impacts
  - » *If you have a substantial 401k, you have a brief window (age 65-72) to lower your RMDs*
  - » *That reduces out-year taxes and (maybe) IRMAAs*
  - » *Plus, your Roth balance grows tax-free*
- Negative impacts
  - » *Higher taxes now... but maybe a lower rate than future?*
  - » *Each year of conversions can impact IRMAA two years later*



# Important Dates

- Medicare Open Enrollment
  - » *October 15- December 7, 2020*
- UAL Annual Enrollment for Retirees
  - » *November 2-13, 2020*
- MEC R&I Committee Virtual Retirement Seminar
  - » *November 19, Noon CT; takes about 3 hours*
  - » *RSVP to [ualmecri@alpa.org](mailto:ualmecri@alpa.org)*
  - » *Use same email address for further details or questions*



# 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](mailto:callison@johnsonfinancialgroup.com).





# Disclosure

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