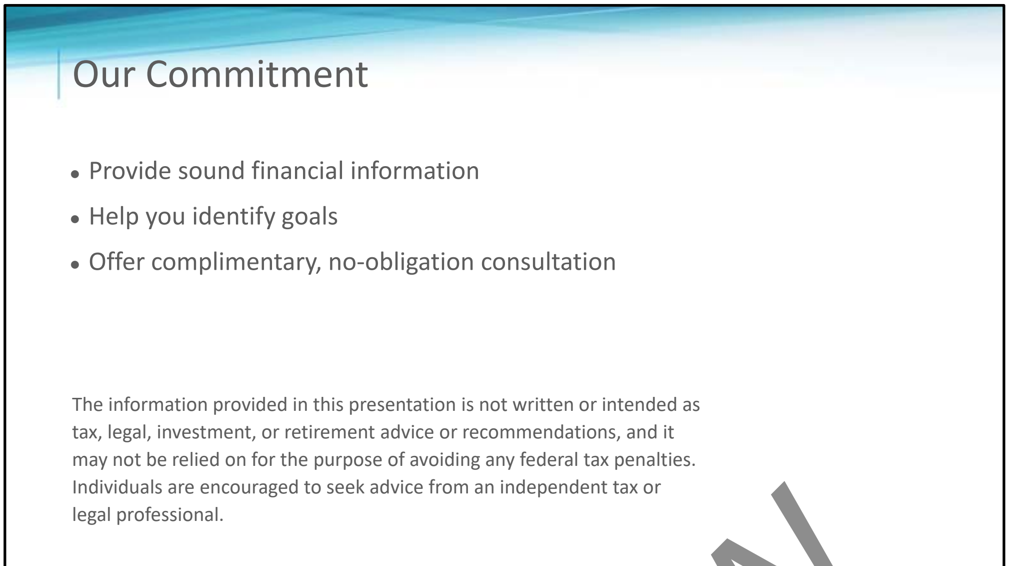
Welcome to our seminar on Tax Planning and Your Retirement. We're glad that you could join us here today.

Before we get started, I'd like to introduce myself and my company.

[Note to presenter: Give a brief personal background, then talk about your organization and give its location. If appropriate, introduce other members of your organization who are in the room and discuss any housekeeping issues.]



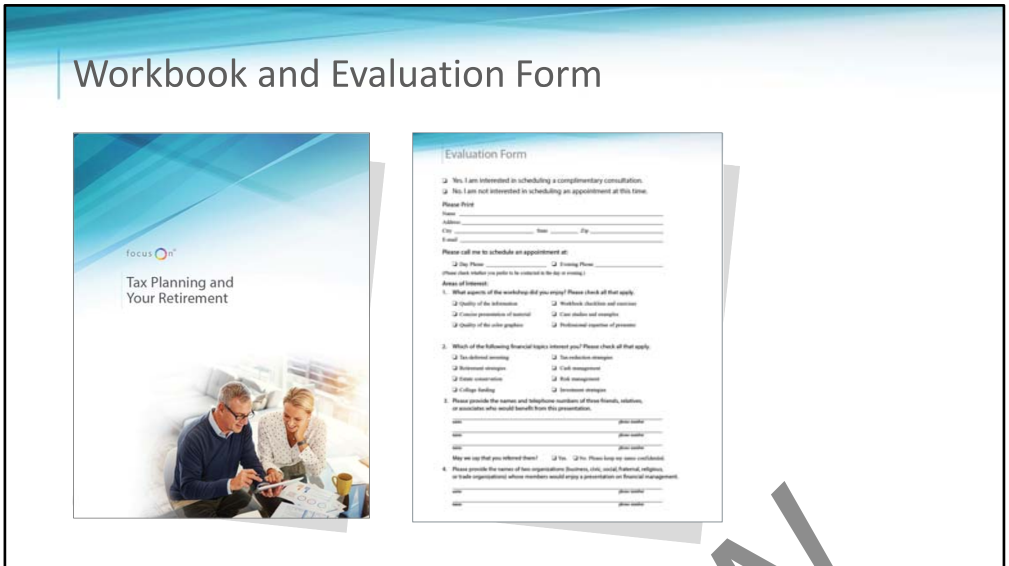
We use seminars like this one to introduce ourselves and to develop strong working relationships with members of the community like you.

Our commitment extends beyond simply offering financial services. We are committed to helping you evaluate your financial situation and giving you tools to help make informed decisions and pursue your financial goals.

We hope that after attending the seminar, you'll want to meet with us in our office. This is a complimentary, no-obligation consultation that we offer to everyone who attends our seminars. During that meeting, we can discuss any questions you have as a result of what we discuss here. If you prefer, we can use that time to examine your specific situation and begin the process of helping you formulate a financial strategy that will suit your needs.

We know that we'll establish a working relationship with you only when *you* are confident that we can be of service. We want you to understand your options and to know how you may benefit from working with us.

The information in this presentation is not written or intended as tax, legal, investment, or retirement advice or recommendations, and it may not be relied on for the purpose of avoiding any federal tax penalties. You are encouraged to seek advice from an independent tax or legal professional based on your individual circumstances.



Let's talk about the workbook you received as you entered.

We've found that people are more likely to remember something they act on rather than something they only hear about. That's why we designed this workbook so you can apply what you learn to your situation. In it you'll find helpful materials that reinforce the seminar's major points and will be a valuable resource for you.

Feel free to highlight, underline, or make notes in whatever way serves you best.

Inside your workbook, you'll find an evaluation form just like this one.

[Note to presenter: Pull out an evaluation form for your seminar participants to see.]

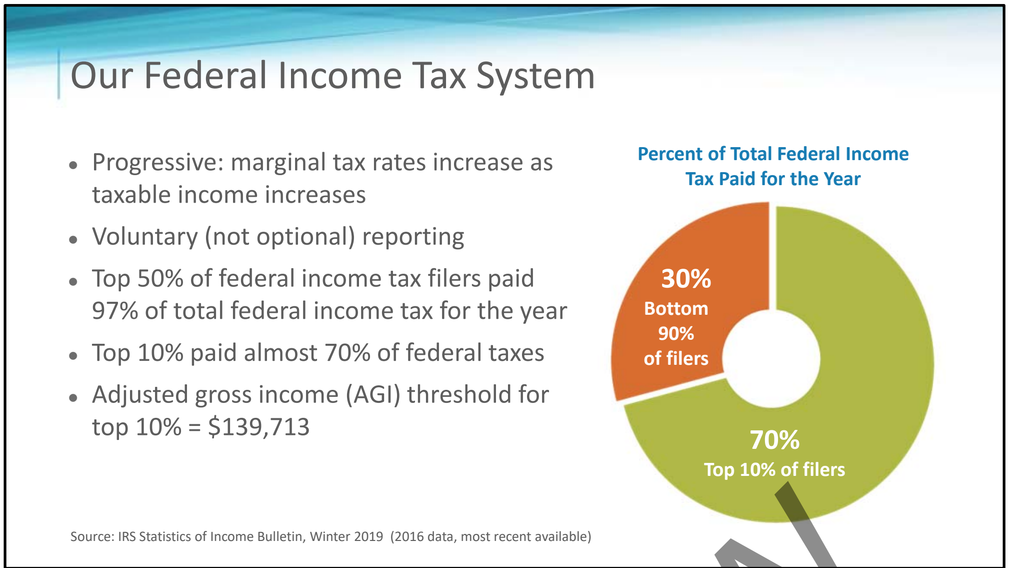
At the end of the presentation, please use this form to tell us whether you're interested in taking advantage of the complimentary consultation.

We'd like to make you two promises concerning this form. First, if you check "Yes, I am interested in scheduling a complimentary consultation," we'll call you in the next couple of days and set up an appointment.

Second, if you check "No, I am not interested in scheduling an appointment at this time," we won't call you directly after the seminar.

In exchange for these two promises to you, please promise that you will fill out this form. Many seminar attendees do come in for a consultation, so we've set aside time just to meet with you.

When you do come to our office, feel free to leave your checkbook at home. We are very interested in developing working relationships with you, but that decision is yours.



Let’s start with some general observations about our federal income tax system.

First, the United States has a progressive tax system. Generally, this means that the higher your overall taxable income, the higher the tax rate that applies to your next dollar of income.

Second, we have a voluntary tax system. That *doesn’t* mean you have a choice in whether to pay federal income tax; you *don’t* get to opt out. It just means you are responsible for calculating your own taxes, reporting your calculations to the government, and paying any taxes due.

And while virtually everyone complains about paying too much in tax, the truth is that not everyone actually pays federal income tax equally. In fact, for the 2016 tax year, the most recent year for which data is available, the top 50 percent of filers (as measured by reported adjusted gross income) were responsible for paying 97 percent of total federal income taxes.

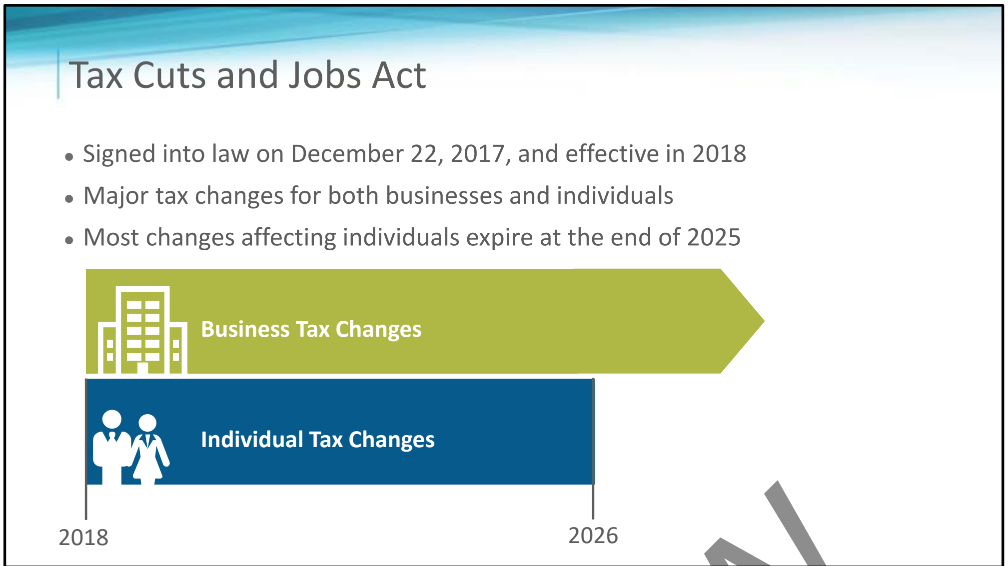
For that tax year, almost 70 percent of total federal income tax was paid by the top 10 percent of filers. And what did it take to make that top 10 percent? Not as much as you might think — the top 10 percent includes all those with adjusted gross incomes of $139,713 or more.

Source: IRS Statistics of Income Bulletin, Winter 2019 (2016 data is most recent available)

Tax laws change with relative frequency. Listed here are just some of the major pieces of tax legislation that have passed in the last 10 years.

Of course, it wouldn’t surprise me if part of the reason that many of you are here is the tax legislation passed in the last few years, starting with the 2017 Tax Cuts and Jobs Act, a sweeping $1.5 trillion tax-cut package that dramatically reshaped the tax landscape, as well as the SECURE and CARES Acts that were signed into law in late 2019 and early 2020, respectively.

If that’s the case, congratulations on recognizing the fact that these tax rule changes could affect and shape your plans for retirement.

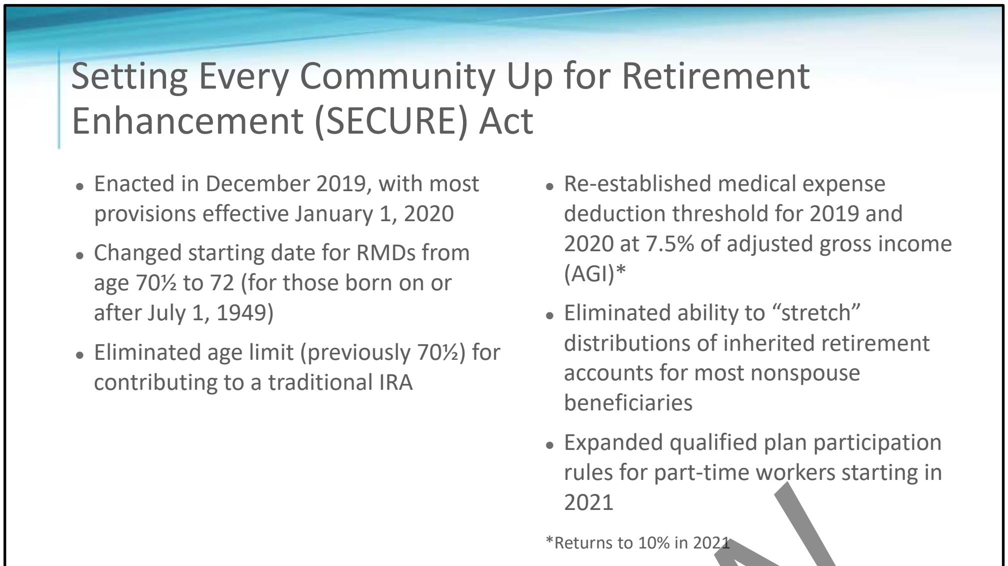


The Tax Cuts and Jobs Act made significant changes to the tax rules that govern businesses and that relate to individuals. As we proceed, we'll be focusing on some of the specific income tax changes that affect individuals.

Most of the tax changes implemented by the legislation were effective as of January 1, 2018.

For our purposes, it's important to note that most of the business tax changes in the legislation are permanent, whereas most of the changes affecting individuals expire at the end of 2025. Of course, future legislation could extend the reach of these provisions, or even make them permanent. However, if that doesn't happen, starting in 2026, the individual tax changes will revert to the rules that were in effect for 2017.

Keeping this in mind, we'll look at two additional pieces of legislation that might affect you, and then focus on the basics of how — and at what rates — your retirement income will be taxed.



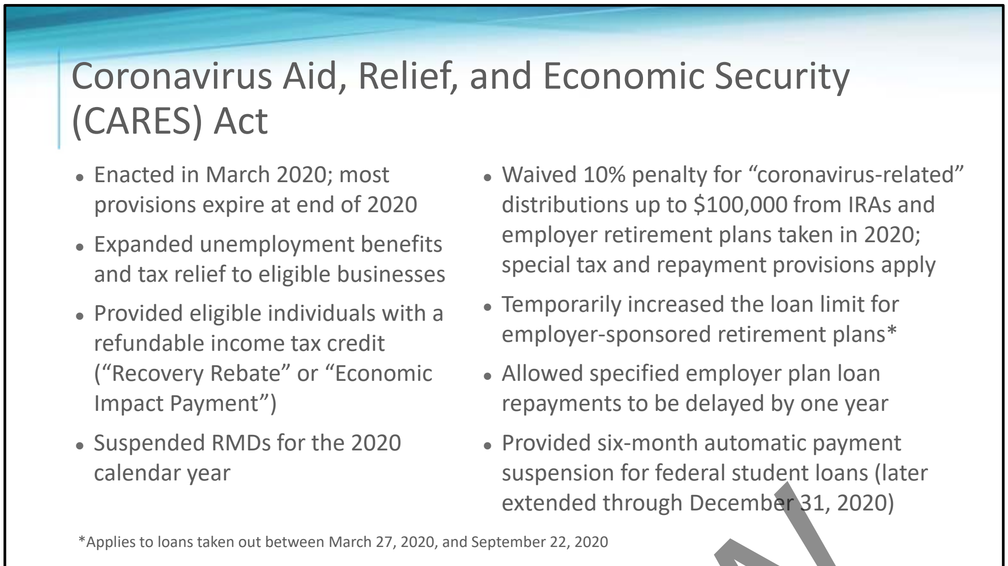
The SECURE Act was enacted in December 2019 as part of a larger spending package. The law made it easier for small businesses to offer retirement plans and increased the tax credit for small businesses that start a new retirement plan. Here are some of the changes that could most significantly affect your retirement, tax, and estate planning strategies.

The law permanently changed the starting date for required minimum distributions (RMDs) from traditional IRAs and employer-sponsored retirement plans from age 70½ to age 72 for individuals born on or after July 1, 1949. It also eliminated the restriction on contributing to a traditional IRA after age 70½. Now you can contribute at any age as long as you have earned income.

For the 2019 and 2020 tax years, the legislation retroactively reinstated a 7.5 percent adjusted gross income (AGI) threshold for unreimbursed medical expenses if you itemize deductions; the threshold increases to 10 percent in 2021. In addition, withdrawals may be taken from tax-deferred retirement accounts to cover medical expenses that exceed this threshold without owing the additional 10 percent penalty tax that normally applies before age 59½.

The legislation also eliminated rules allowing beneficiaries who inherit IRAs and employer-sponsored retirement plan assets to spread distributions over their lifetimes; these “stretch” provisions have generally been replaced with a 10-year distribution requirement — unless the beneficiary is a spouse, a disabled or chronically ill individual, or a minor child of the IRA or retirement account owner.

For plan years beginning on or after January 1, 2021, part-time workers age 21 and older who log at least 500 hours annually for three consecutive years generally must be allowed to contribute to qualified retirement plans. The previous requirement was 1,000 hours and one year of service.



The CARES Act was signed into law on March 27, 2020, to provide individuals and businesses with relief during the coronavirus pandemic and accompanying economic crisis. In addition to expanding unemployment benefits and offering tax relief to eligible businesses, the legislation provided many taxpayers with a refundable income tax credit and made it significantly easier for those affected by the pandemic to access money in their retirement plans.

Eligible taxpayers generally received an economic impact payment of $1,200 per adult and $500 for each qualifying child under age 17 (up to $3,400 for a family of four), with payments gradually phased out at higher income levels. We’ll say a little more about these payments momentarily.

The law also suspended required minimum distributions for the 2020 calendar year and waived the normal 10 percent early-distribution penalty for “coronavirus-related” distributions up to $100,000 taken in 2020 from IRAs and work-based retirement plans. Further, individuals can spread the resulting income from these distributions evenly over three years for tax purposes, and all or some of the withdrawn amount can be paid back to an eligible retirement account within three years to avoid income taxes on the withdrawal.

Normally, loans from employer-sponsored retirement plans are limited to 50 percent of the vested account balance or $50,000, whichever is less. For plan participants affected by COVID-19,* the CARES Act increased the loan limit to the lesser of $100,000 or 100 percent of the vested balance for loans taken out between March 27 and September 22, 2020. Individuals who have outstanding loans with payments due between March 27 and December 31, 2020, can delay those payments by one year.

The act also provided a six-month automatic payment suspension (without interest) for federal student loans through September 30, 2020. Later executive action extended this suspension through December 31, 2020.

*Such situations include a diagnosis of COVID-19 for the account owner and certain family members; a financial setback due to a quarantine, layoff, or reduced work hours; or an inability to work due to lack of child care.

CARES Act Economic Impact Payments

- Technically a 2020 refundable tax credit
- Must have Social Security number and not qualify as someone else's dependent
- Calculated based on 2019 (or 2018) federal income tax return and sent automatically; may be a prepaid debit card

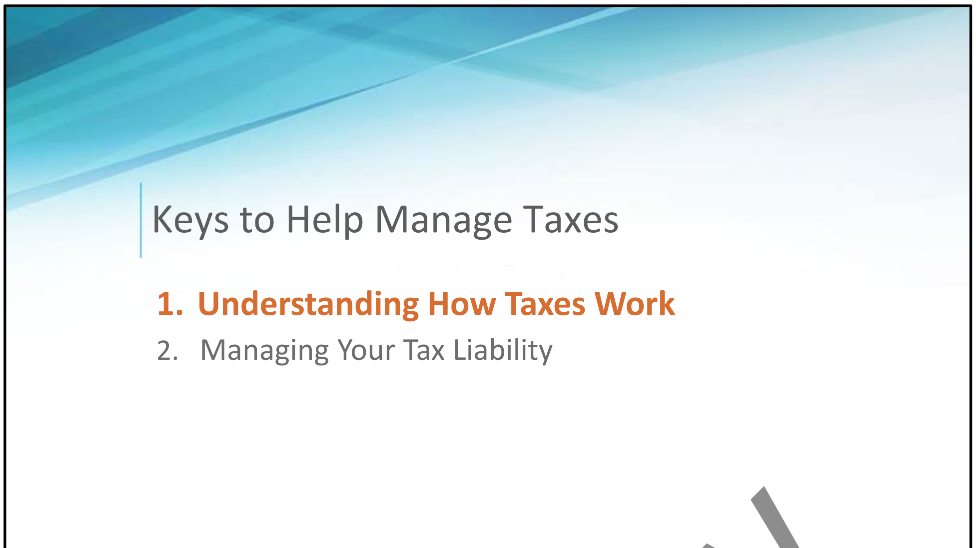
Haven't received a payment?
Go to irs.gov/coronavirus

Filing Status	Payment Amount	AGI Phaseout Threshold	AGI Phaseout Completed
Married Filing Jointly	$2,400	$150,000	$198,000
+ 1 Child	$2,900	$150,000	$208,000
+ 2 Children	$3,400	$150,000	$218,000
Head of Household	$1,200	$112,500	$136,500
+ 1 Child	$1,700	$112,500	$146,500
+ 2 Children	$2,200	$112,500	$156,500
All Others	$1,200	$75,000	$99,000

Most eligible individuals have already received an Economic Impact Payment from the federal government. Technically a 2020 refundable income tax credit, the rebate was calculated based on 2019 tax returns filed (2018 returns in cases where a 2019 return hasn't been filed) and sent automatically via check or direct deposit to qualifying individuals. To qualify for a payment, individuals generally must have a Social Security number and must not qualify as the dependent of another individual.

The amount of the recovery rebate is $1,200 ($2,400 if married filing a joint return) plus $500 for each qualifying child under age 17. Recovery rebates are phased out for those with an adjusted gross income (AGI) exceeding $75,000 ($150,000 if married filing a joint return, $112,500 if filing as head of household). For those with an AGI exceeding the threshold amount, the allowable rebate is reduced by $5 for every $100 in income over the threshold.

If you qualify for a payment but haven't received one yet, you can check the IRS website at *irs.gov/coronavirus*. In addition to details on qualifications and timing, there's a tool to check on the status of your payment and to provide information the IRS may need to process your payment.



With all the changes that have been made in recent years, many people feel that there's nothing they can do to improve their tax situations. We don't agree. There are still ways to defer taxes and reduce your income tax liability.

During the seminar, we're going to address these key areas.

First, it's important to understand the tax system and how you will be taxed on all types of income.

Once you have a basic understanding of how taxes work, you can take steps to help reduce your income tax liability. Being aware of the tax implications of your decisions could save you valuable dollars in the future.

Remember, tax strategies and implementation steps should be discussed with your tax professional.