

TEG Federal Credit Union

Current Considerations September 27, 2021



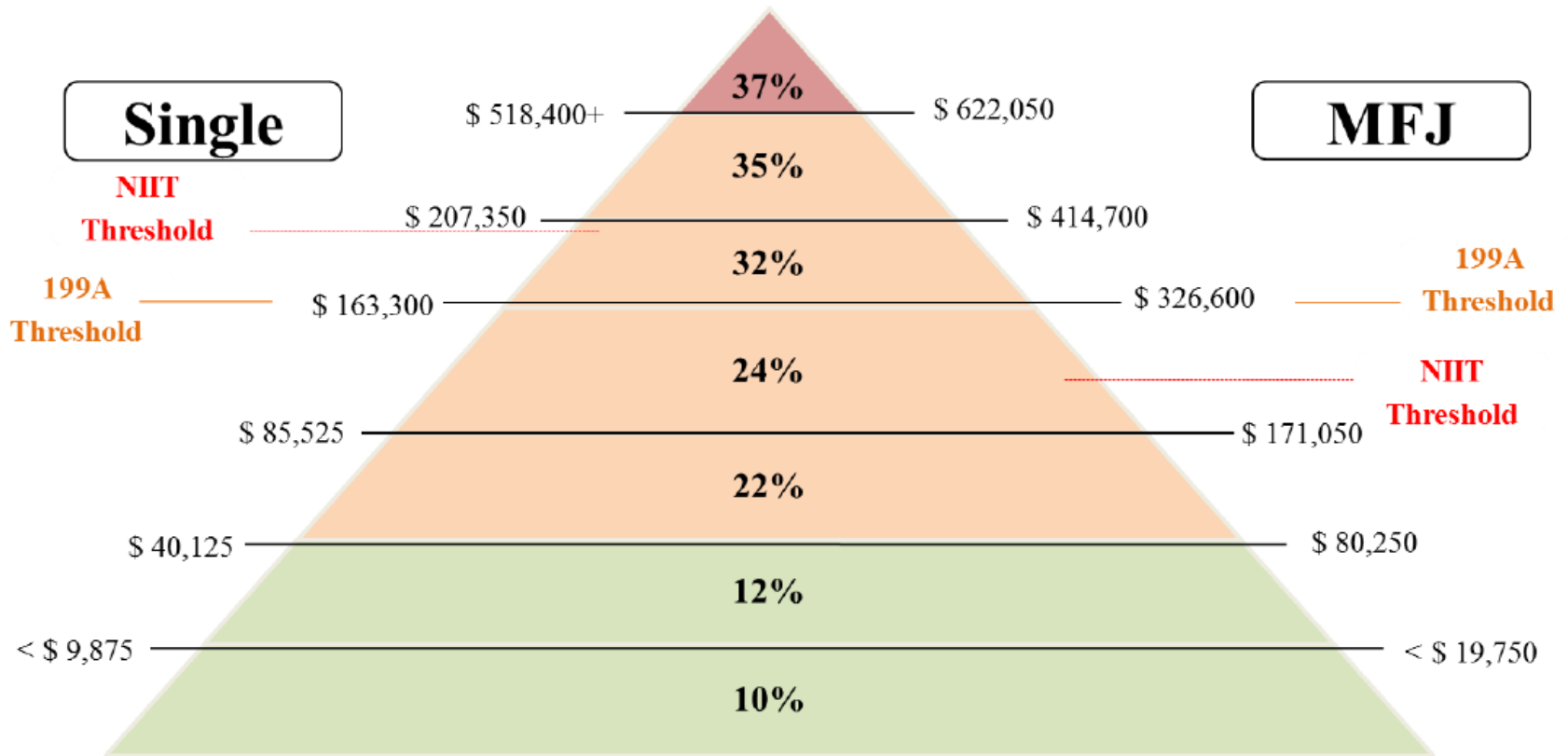
Presented by:
Jean Riordan, CFP®

Securities and advisory services offered through LPL Financial, a Registered Investment Advisor, Member FINRA/SIPC. Financial planning offered through LEXCO Wealth Management, Inc., a Registered Investment Advisor and a separate entity from LPL Financial.

TODAY'S DISCUSSIONS

- Roth Conversion thoughts
- Secure Act significantly impacts those with large retirement plans hoping to do legacy planning. Essentially the law forces beneficiaries to deplete their IRA asset over 10 years instead of over their actual life expectancy

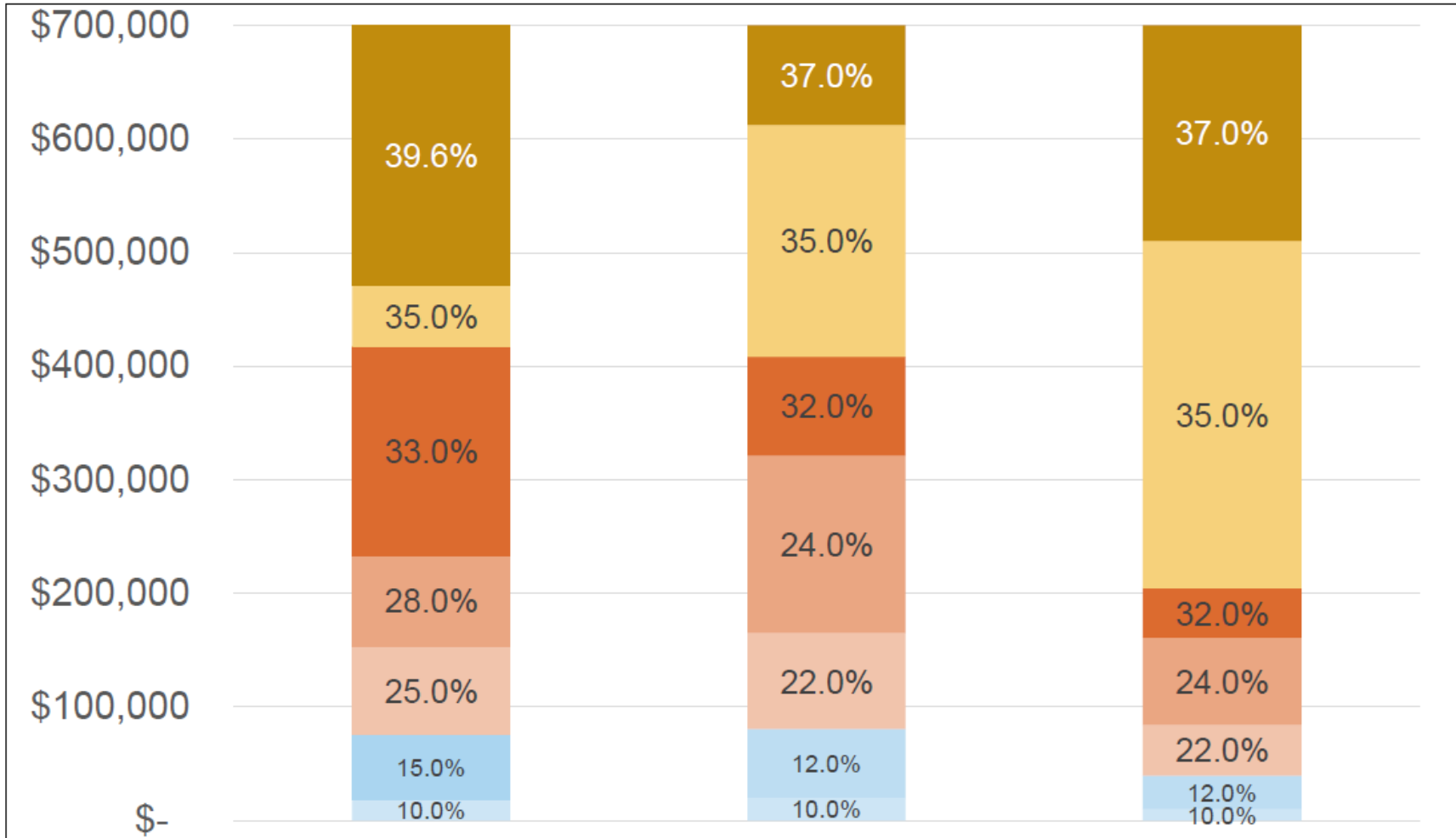
2020 Ordinary Income Tax Rates



2017
Married

2020
Married

2020
Single



SECURE ACT TEN-YEAR RULE

Modification of
Required Minimum Distribution Rules
for Designated Beneficiaries

Basically, requires all IRAs and Qualified Plans
to be distributed within 10-years of death

H.R. 1994 – Sec. 401

© 2018 Association of International Certified Professional Accountants. All rights reserved.

SECURE ACT TEN-YEAR RULE

Exceptions for certain beneficiaries (“eligible designated beneficiary”)

- Surviving Spouse
- The employee’s **Children** under the age of majority (*not grandchildren or any other children*)
- Disabled
- Chronically ill
- Individual not more than ten years younger than employee

IRC § 401(a)(9)(E)(ii)

© 2018 Association of International Certified Professional Accountants. All rights reserved.

SECURE ACT TEN-YEAR RULE

Example

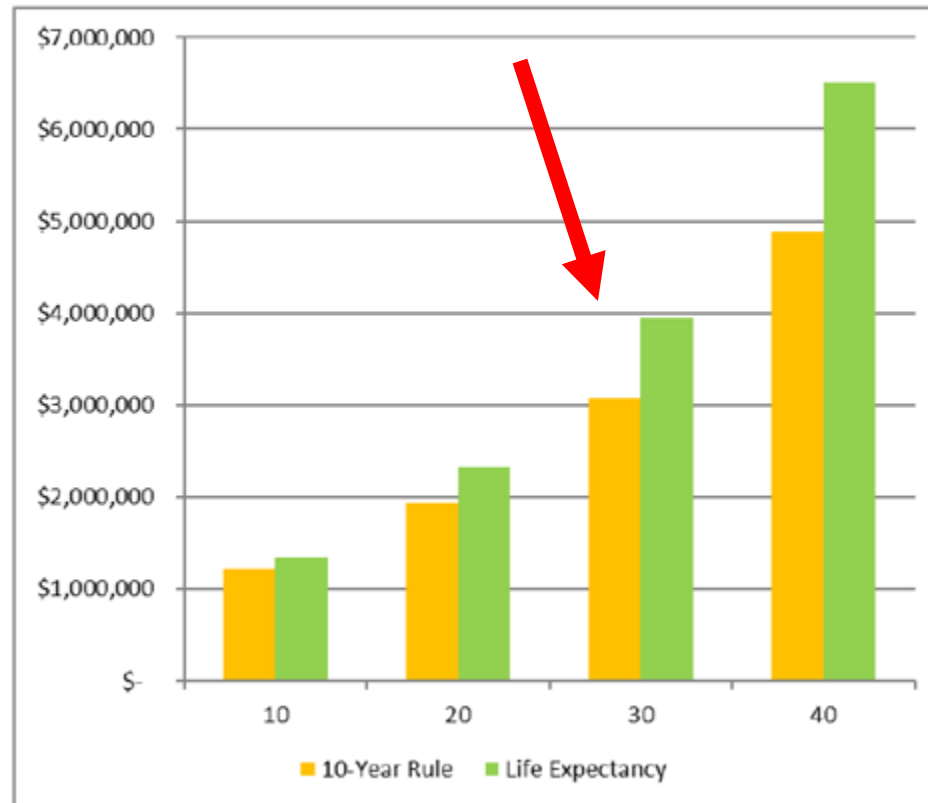
Ten-Year vs. Life Expectancy

Age of (Oldest Trust) Beneficiary	40
IRA Balance	\$ 1,000,000
Pre-Tax Growth Rate	6.00%
After-Tax Growth Rate	4.75%
Average Income Tax Rate - Life Expectancy Rule	24.00%
Average Income Tax Rate - Ten Year Rule	28.00%
Distributions Occur at Beginning or End of Period?	End
Lump-Sum Distribution or Amortize Payments?	Amortize

© 2018 Association of International Certified Professional Accountants. All rights reserved.

SECURE ACT TEN-YEAR RULE

Example



© 2018 Association of International Certified Professional Accountants. All rights reserved.

© 2018 Association of International Certified Professional Accountants. All rights reserved.

NEXT STEPS

What are the options?

1. Do nothing “they get what they get’ theory
2. Annual exclusion gifting
3. Roth conversions
4. Aggressive IRA spend downs
5. Self Insure
6. Wait and see

Financial Planning Checklist

KEY FINANCIAL DATA 2021

Jean Riordan, CFP®, MBA, CLTC
Vice President
TEG Retirement & Advisory Services
1 Commerce Street
Poughkeepsie, NY 12603

845.452.7323 x1222
Jean.Riordan@LPL.com
TEGFCU.com/invest-and-insure



Taxable income (\$)	Base amount of tax (\$)	Plus	Marginal tax rate	Of the amount over (\$)
Single				
0 to 9,950		+	10%	
9,951 to 40,525	995.00	+	12%	5,650.00
40,526 to 86,375	4,664.00	+	22%	40,525.00
86,376 to 164,725	14,152.00	+	24%	86,375.00
164,726 to 209,475	33,063.00	+	32%	164,725.00
209,476 to 523,600	47,843.00	+	35%	209,475.00
Over 523,600	157,804.25	+	37%	523,600.00
Married filing jointly and surviving spouses				
0 to 19,900		+	10%	
19,901 to 40,525	1,990.00	+	12%	11,300.00
40,526 to 112,750	9,328.00	+	22%	81,050.00
112,751 to 192,950	20,902.00	+	24%	112,750.00
192,951 to 418,850	47,206.00	+	32%	192,950.00
418,851 to 628,300	52,686.00	+	35%	418,850.00
Over 628,300	168,093.50	+	37%	628,300.00
Head of household				
0 to 14,200		+	10%	
14,201 to 54,200	1,420.00	+	12%	11,300.00
54,201 to 86,350	6,790.00	+	22%	54,200.00
86,351 to 154,500	13,293.00	+	24%	86,350.00
154,501 to 209,400	33,145.00	+	32%	154,500.00
209,401 to 523,600	46,385.00	+	35%	209,400.00
Over 523,600	156,355.00	+	37%	523,600.00
Married filing separately				
0 to 9,950		+	10%	
9,951 to 40,525	995.00	+	12%	5,650.00
40,526 to 86,375	4,664.00	+	22%	40,525.00
86,376 to 164,725	14,152.00	+	24%	86,375.00
164,726 to 209,475	33,063.00	+	32%	164,725.00
209,476 to 523,600	47,843.00	+	35%	209,475.00
Over 523,600	157,804.25	+	37%	523,600.00
Estates and trusts				
0 to 2,050		+	10%	
2,051 to 9,350	205.00	+	24%	2,650.00
9,351 to 13,050	1,922.00	+	35%	9,550.00
Over 13,050	3,146.00	+	37%	13,050.00

Copyright © 2021 Horowitz, LLC. All rights reserved.
Licenses # 5128695 Reprint Licensee: Jean Riordan
Horowitz, LLC is an independent organization providing info e, unbiased insight into the critical issues facing financial professionals and their clients.
Horowitz, LLC is not affiliated with the reprint license or any of its affiliates.

Standard Deductions & Child Tax Credit

Filing status	Standard deduction
Married, filing jointly and qualifying widow/widower	\$25,100
Single or married, filing separately	\$12,650
Head of household	\$12,800
Dependent filing own tax return	\$1,100*
Additional deductions for non-itemizers	
Blind or over 65	Add \$1,300
Blind or over 65, unmarried & not a surviving spouse	Add \$1,700
Child Tax Credit	
Credit per child under 17	\$2,000 - \$1,400 (refundable)
Income phaseout begins at AGI of:	\$400,000 joint, \$200,000 all other

Tax Rates on Long-Term Capital Gains and Qualified Dividends	Rate
If taxable income falls below \$40,400 (single/married-filing separately), \$80,800 (joint), \$54,100 (head of household), \$7,700 (estate)	0%
If taxable income falls on or above \$40,400 (single/married-filing separately), \$80,800 (joint), \$54,100 (head of household), \$7,700 (estate)	15%
If income falls at or above \$445,850 (single), \$139,400 (married-filing separately), \$201,000 (joint), \$113,500 (head of household), \$13,250 (estate)	20%

3.8% Tax on Excess of Net Investment Income or Excess of MAGI Over	Amount
Married, filing jointly	\$257,000
Single	\$128,500
Married, filing separately	\$128,500

Exemption Amounts for Alternative Minimum Tax**	Amount
Married, filing jointly or surviving spouses	\$154,600
Single	\$77,300
Married, filing separately	\$77,300
Estates and trusts	\$23,700
38% tax rate applies to income over:	
Married, filing jointly	\$98,950
All others	\$197,900
Exemption amounts phase out at:	
Married, filing jointly or surviving spouses	\$1,047,700
Single and married, filing separately	\$698,450
Estates and trusts	\$85,850

Gift and Estate Tax Exclusions and Credits

Maximum estate, gift & GST exclusions	40%
Estate, gift & GST exclusions	\$11,700,000
Gift tax annual exclusion	\$15,000
Exclusion on gifts to non-citizen spouse	\$159,000

Education Credits, Deductions, and Distributions

Credit/Deduction/Account	Maximum credit/deduction/distribution	Income phaseouts begin at AGI of:
American Opportunity Tax Credit/ Hope Tax Credit/ Lifetime learning credit	\$2,000 credit	\$18,000 joint, \$8,000 all others
Savings bond interest: tax-free if used for education	None	\$18,000 joint, \$8,000 all others
529 plan (K-12)	\$10,000 distribution	None
529 plan (higher ed.)	Distribution limited to amount of qualified expenses	None

Tax Deadlines

Jan 15 - 15th installment of the previous year's estimated taxes due
April 15 - Tax filing deadline, or next business day if April 15 is a holiday. If you are a nonresident alien, you may be required to file by Oct. 15. Tax installment due by April 15. Last day to file a return for 2021. Last day to contribute to Roth or traditional IRA for 2021, SA for 2021, Keogh or SEP for 2021. Last day to file a return for 2021. Last day to file a return for 2021.
June 15 - Third installment of estimated taxes due
September 15 - Third installment of estimated taxes due
October 15 - Tax return due for those who requested an extension. Last day to contribute to 529 or Keogh for 2021. If extension was filed.
December 31 - Last day to file a return for 2021. Last day to complete transactions for capital gains or losses, to establish a Keogh plan for 2021, to establish and fund a 401(k) for 2021, to complete 2021 contributions to employer-sponsored 401(k) plans, to correct excess contributions to IRAs and qualified plans to avoid penalty.

* Amount of \$1,100 or 10% (whichever is less) of the individual's adjusted gross income.
** Above the 1040 and excluded to the extent of 2021.
† 2021.000 (before distribution) can be applied to student tax debt.

Check with your financial professional for updates.



It's Not What We Do... It's Why We Do It.

Retirement Plan Contribution Limits	
Annual compensation used to determine contribution for most plans	\$290,000
Defined-contribution plans, basic limit	\$58,000
Defined-benefit plans, basic limit	\$230,000
401(k), 403(b), 457(b), Roth 401(k) plans elective deferrals	\$19,500
Catch-up provision for individuals 50 and over, 401(k), 403(b), 457(b), Roth 401(k) plans	\$6,500
SIMPLE plans, elective deferral limit	\$13,500
SIMPLE plans, catch-up contribution for individuals 50 and over	\$3,000

Individual Retirement Accounts			
IRA type	Contribution limit	Catch-up at 50+	Income limits
Traditional nondeductible	\$6,000	\$1,000	None
Traditional deductible	\$6,000	\$1,000	If covered by a plan: \$105,000 - \$125,000 joint \$66,000 - \$76,000 single, HOH 0 - \$10,000 married filing separately If one spouse is covered by a plan: \$198,000 - \$208,000 joint
Roth	\$6,000	\$1,000	\$198,000 - \$208,000 joint \$125,000 - \$140,000 single & HOH 0 - \$10,000 married filing separately
Roth conversion			No income limit

Health Savings Accounts			
Annual limit	Maximum deductible contribution	Expense limits (deductibles and co-pays)	Minimum annual deductible
Individuals	\$3,600	\$7,000	\$1,400
Families	\$7,200	\$14,000	\$2,800
Catch-up for 55 and older	\$1,000		

Deductibility of Long-Term Care Premiums on Qualified Policies	
Attained age before close of tax year	Amount of LTC premiums that qualify as medical expenses in 2021
40 or less	\$450
41 to 50	\$850
51 to 60	\$1,690
61 to 70	\$4,520
Over 70	\$5,640

Medicare Deductibles	
Part B deductible	\$203.00
Part A (inpatient services) deductible for first 60 days of hospitalization	\$1,484.00
Part A deductible for days 61-90 of hospitalization	\$371.00/day
Part A deductible for more than 90 days of hospitalization	\$742.00/day

Social Security		
Benefits		
Estimated maximum monthly benefit if turning full retirement age (66) in 2021	\$3,148	
Retirement earnings exempt amounts	\$18,960 under FRA \$50,520 during year reach FRA No limit after FRA	
Tax on Social Security benefits: Income brackets		
Filing status	Provisional income*	Amount of Social Security subject to tax
Married filing jointly	Under \$32,000	0
	\$32,000-\$44,000 Over \$44,000	up to 50% up to 85%
Single, head of household, qualifying widow(er), married filing separately and living apart from spouse	Under \$25,000	0
	\$25,000-\$34,000 Over \$34,000	up to 50% up to 85%
Married filing separately and living with spouse	Over 0	up to 85%
Tax (FICA)		
SS tax paid on income up to \$142,800	% withheld	Maximum tax payable
Employer pays	6.2%	\$8,853.60
Employee pays	6.2%	\$8,853.60
Self-employed pays	12.4%	\$17,707.20
Medicare tax		
Employer pays	1.45%	varies per income
Employee pays	1.45% plus 0.9% on income over \$200,000 (single) or \$250,000 (joint)	varies per income
Self-employed pays	2.90% plus 0.9% on income over \$200,000 (single) or \$250,000 (joint)	varies per income

*Provisional Income = adjusted gross income (not incl. Social Security) + tax exempt interest + 50% of Social Security benefit

Securities and advisory services are offered through LPL Financial (LPL), a registered investment advisor and broker-dealer (member FINRA/SIPC). Insurance products are offered through LPL or its licensed affiliates. TEG Federal Credit Union and TEG Retirement & Advisory Services are not registered as a broker-dealer or investment advisor. Registered representatives of LPL offer products and services using TEG Retirement & Advisory Services, and may also be employees of TEG Federal Credit Union. These products and services are being offered through LPL or its affiliates, which are separate entities from, and not affiliates of, TEG Federal Credit Union or TEG Retirement & Advisory Services. Securities and insurance offered through LPL or its affiliates are:

NOT INSURED BY NCUA OR ANY OTHER GOVERNMENT AGENCY • NOT CREDIT UNION GUARANTEED
• NOT CREDIT UNION DEPOSITS OR OBLIGATIONS • MAY LOSE VALUE

Medicare Premiums			
2019 MAGI single	2019 MAGI joint	Part B Premium	Part D income adjustment
\$88,000 or less	\$176,000 or less	\$148.50	\$0
88,001-111,000	176,001-222,000	\$207.90	\$12.30
111,001-138,000	222,001-276,000	\$297.00	\$31.80
138,001-165,000	276,001-330,000	\$386.10	\$51.20
165,001-500,000	330,001-750,000	\$475.20	\$70.70
Above 500,000	Above 750,000	\$504.90	\$77.10

Uniform Lifetime Table (partial)			
Age of IRA owner or plan participant	Life expectancy (in years)	Age of IRA owner or plan participant	Life expectancy (in years)
70	27.4	86	14.1
71	26.5	87	13.4
72	25.6	88	12.7
73	24.7	89	12.0
74	23.8	90	11.4
75	22.9	91	10.8
76	22.0	92	10.2
77	21.2	93	9.6
78	20.3	94	9.1
79	19.5	95	8.6
80	18.7	96	8.1
81	17.9	97	7.6
82	17.1	98	7.1
83	16.3	99	6.7
84	15.5	100	6.3
85	14.8	101	5.9

Information contained herein is current as of 12/29/20. It is subject to legislative changes and is not intended to be legal or tax advice. Consult a qualified tax advisor regarding specific circumstances. This material is furnished "as is" without warranty of any kind. Its accuracy and completeness is not guaranteed and all warranties expressed or implied are hereby excluded.