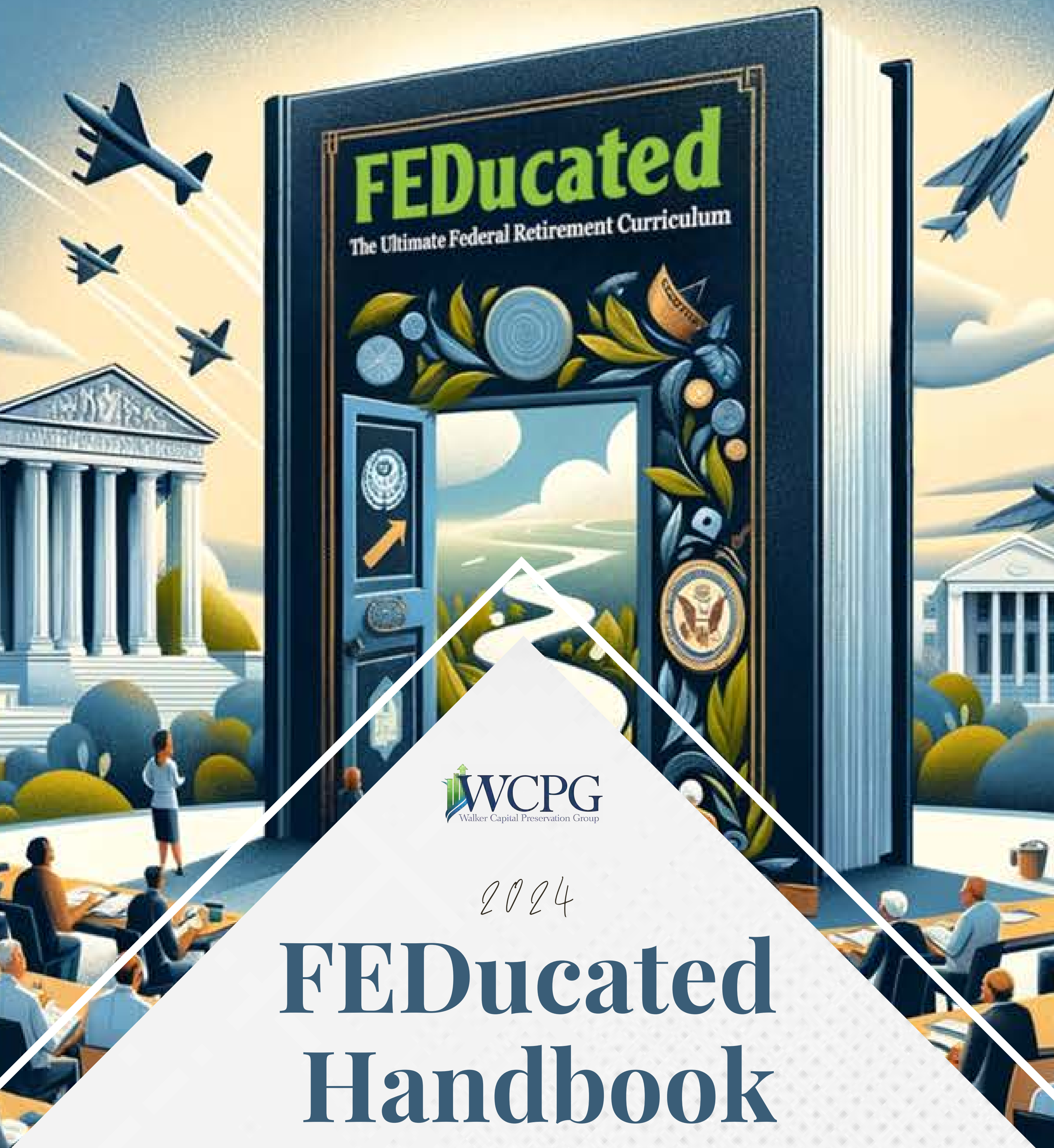


WCPG
Walker Capital Preservation Group

2024

FEDucated Handbook Pt. Six

Taxes & Your TSP: Principles of Proactive Planning

OUR MISSION

Since 2014, Walker Capital's Mission has been to educate & empower today's Federal Employee to maximize their Retirement through proper positioning & seamless coordination of their Federal Benefits & Personal Assets.

MEET THE EXPERTS

TOM WALKER, ChFEBC
Best-Selling Retirement Author

Master Elite IRA Advisor
Ed Slott's Tax Planning Group

Retirement Tax Services
CPA Tax Planning Partners of WCPG

As seen on

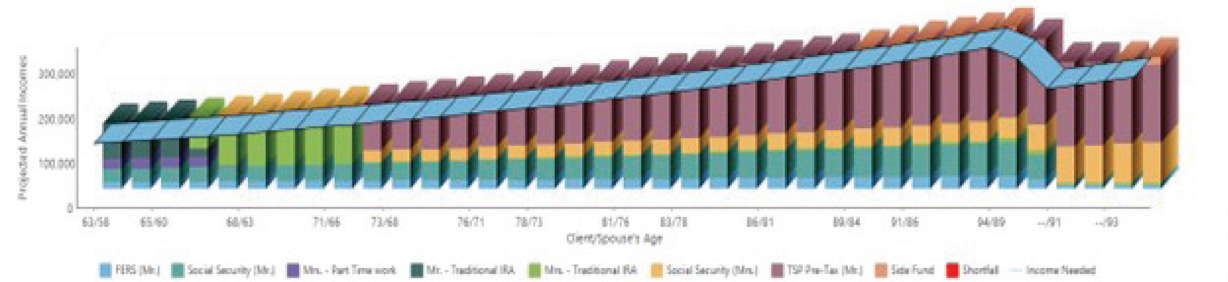
WCPG RETIREMENT BENEFITS FORECASTS

What is a **Retirement Benefits Forecast** and why do I need one?

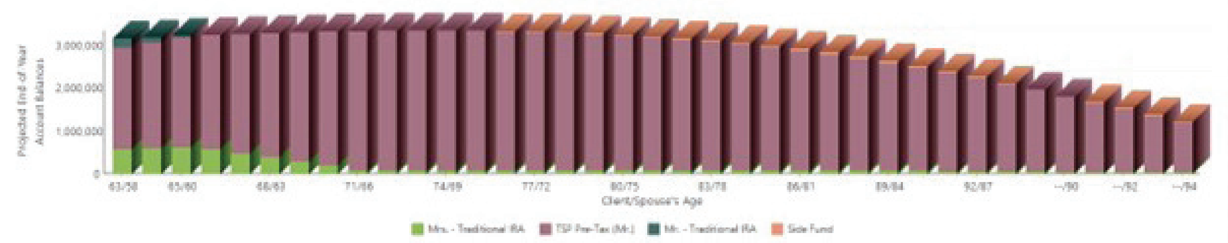
This powerful analysis offers a completely personalized model of your current retirement trajectory that includes:

- Your CSRS/FERS Pension
- FERS Supplement (if applicable)
- Social Security benefits (+ Spousal Benefits)
- TSP & IRA Withdrawals, RMDs, and Tax Treatment
- Personal Retirement Budget (adjusted for inflation)
- Current vs Future Tax Liability

Sample: Desired Income & Income Sources Through Retirement



Retirement Assets & Remaining Account Balances Through Retirement



The best part? Building a personalized projection with the Retirement Strategists at WCPG is just the start!

Our team is committed to helping you identify and address FERS/CSRS retirement pitfalls while building a relationship that enables us to help **you** get both **TO** and **THROUGH** your golden years succesfully!

Ready to Start? Click Here

WORKING WITH WALKER CAPITAL

What to expect

WCPG proudly offers Webcast Attendees & Federal Employees a **Complimentary Consultation** to review your retirement, this consultation is broken down into two parts:

- Part 1 – **Introduction Phone Call (~30 min.)**
  - **Goals:** Meet your Retirement Strategist & review your situation
    - **Discuss:** Retirement Timeline, Goals, Family & Concerns
  - Gather data to build retirement model that will be reviewed with you during a Video Strategy Session in Part 2
    - We provide a “What to Bring Email” to make it easy for you to have the key information available for your Introduction Call
- Part 2 - **Strategy Session Video Conference (~60 min.)**
  - **Goals:** Design & Discuss Retirement Benefits Forecast
    - Work through “What if Scenarios” & “Stress Tests”
      - What if I retired earlier? How about if I worked longer?
      - How may inflation, LTC, or higher tax rates impact my retirement?
  - Identify Strengths & Weaknesses of current retirement trajectory
  - Identify WCPG Services that align with your concerns & can improve your retirement

Ready to Start? Click Here

WALKER CAPITAL'S SERVICES OFFERED

Retirement planning

- Retirement planning is the process of determining retirement income goals and the actions and decisions necessary to achieve those goals. Retirement planning includes identifying sources of income, estimating expenses, implementing a savings program and managing assets. Future cash flows are estimated to determine if the retirement income goal will be achieved.

Federal Benefits Optimizations

- The Federal Retirement systems available today still offer some of the best large-scale benefits available... if you can successfully navigate the maze of program acronyms, rules, caveats, & pitfalls. During your career, it is important to understand the benefits you currently carry & how they may change over time. As you enter retirement, it is critical that you maximize your benefits in order to leverage your years of public service into your retirement. There are a number of critical coordinates to mapping out a successful retirement. For example, it is critical that you coordinate your FEGLI & SSB with your spousal FEHB & income continuation needs. Retirement is a journey, let Walker Capital help guide you through!

Tax Planning

- Truly Holistic Retirement Planning requires a braintrust of like minded experts with complimentary areas of expertise which is why Walker Capital has partnered with a Tax Professor & CPA to help you understand your current tax equation and how it may change in coming years.The key is to be proactive in addressing these concerns today because taxes are only going to be 'on-sale' for a few more years and the IRS has already put major restrictions on how much you can contribute in each of those years!

Estate Planning

- What happens to your hard-earned assets after you are gone? Having a plan for your estate can help ensure that your legacy is distributed efficiently and that you can clearly outline your wishes/goals for how that legacy could be used even after you are no longer around to provide those instructions. Have a goal of leaving money to the grandkids for education? Looking to avoid probate costs and delays? Do you have a child with special needs? An estate plan – like a Living Trust + Pour-Over Will + Powers of Attorney – is here to help!

Insurance Planning

- When properly utilized, insurance can help protect the quality of both you & your family's lifestyle throughout your career, in retirement, & even after (legacy). Whether looking to sleep easier knowing Living Benefits will help protect your lifestyle, looking to utilize Cash Value Life Insurance as a tool to help navigate future tax risk, or looking to ensure your loved ones have access to a highly leveraged tax-free death benefit – todays innovative policy design offerings allow Walker Capital to help your insurance plans evolve with your needs as they change over time!

Ready to Start? Click Here

#6 | Taxes & Your TSP

Fortifying Your Financial Future

DISCLAIMER

- This presentation is intended as an educational overview and is not intended to provide specific advice, financial or otherwise, to any individuals without further consultation.
- WalkerCPG does not provide legal, tax or accounting advice. Please consult with a qualified attorney or CPA for proper legal, tax or accounting counsel.
- This educational presentation is not intended to sell any specific product, company, or strategy but to educate and empower attendees while emphasizing the importance of planning ahead
- Walker Capital Preservation Group, Inc. (WCPG) is not affiliated with, endorsed, or sponsored by the Federal Government or any U.S. Government agency. No Federal Government agency has reviewed or endorsed any of the information contained in this presentation.
- Due to the amount of material that will be covered today, please write down questions to be reviewed at the end of the presentation

Today’s Presenter

Tom Walker, ChFEBC

Retirement Strategist

Tom is a best-selling author & Chartered Federal Employee Benefit Consultant with **10+ years experience** as a Federal Retirement Strategist working closely with those retiring from the Public Sector.

CPAs on Retainer

CPA Partners & Tax Consultants

WCPG proudly partners with the CPA’s at **Retirement Tax Services** to help ensure our clients have access to a team of highly trained experts to help with both tax planning & tax preparation

Tax Education & Resources

Ongoing Tax & Distribution Education

Tom’s continued dedication to learning has earned him prestigious admittance into the Master Elite IRA Advisor Group offered by Ed Slott & Company

WALKER CAPITAL

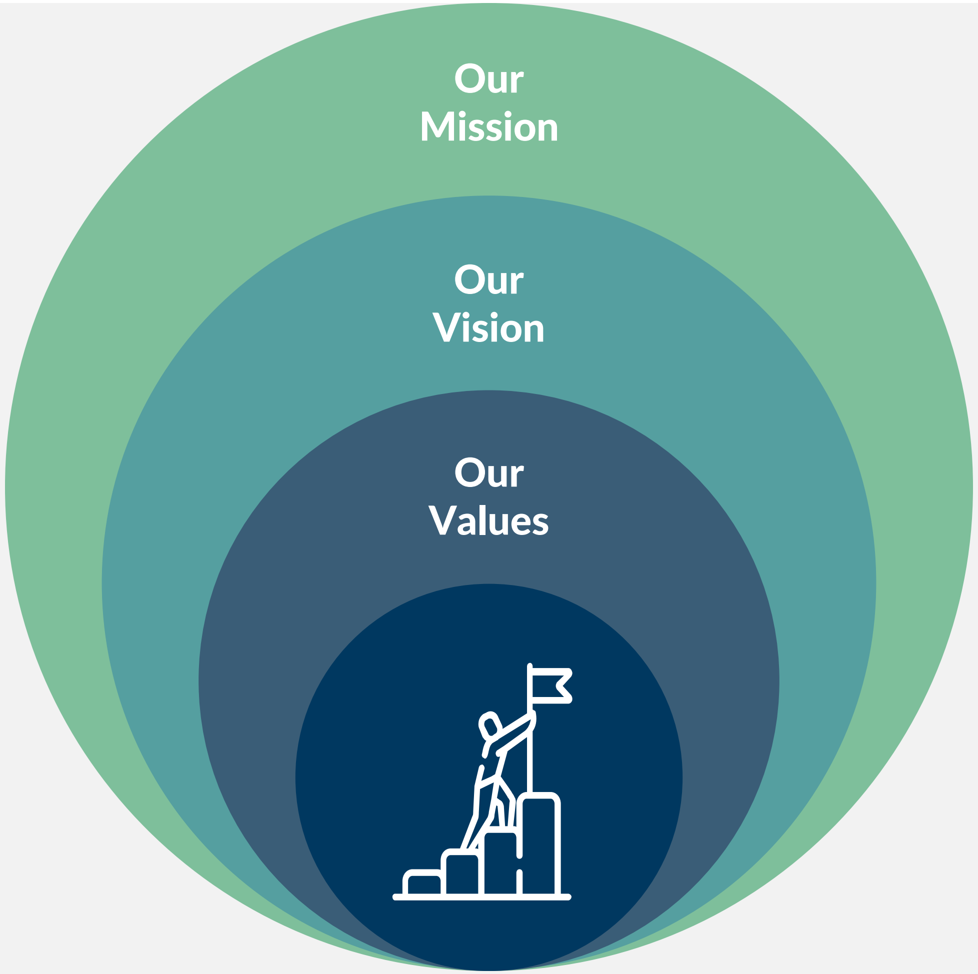
Empowering Those Who Power The Public Sector

OUR MISSION

Provide industry-leading Retirement & Tax Planning Insights, Education, & Services to Federal Employees nationwide through our services and strategic partnerships

OUR VISION

Coaching Federal Employees to maximize their retirement through proper positioning & seamless coordination of their Federal Benefits & Personal Assets



Values

Financial Empowerment & Education is not something that should be exclusively reserved for the wealthy

Values

Your geography should not limit your access to the RIGHT Information & Team of Experts

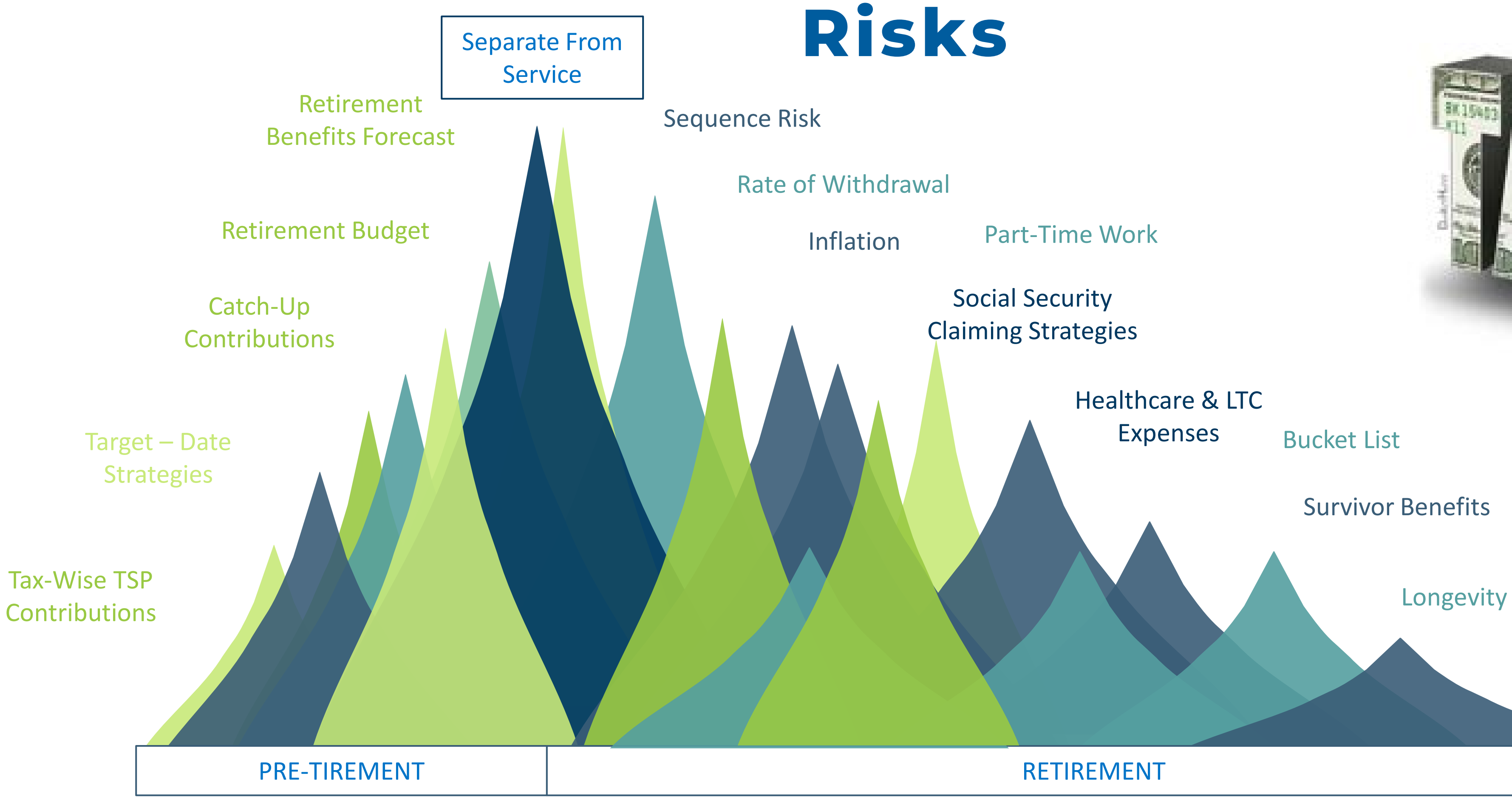
Values

In order to help see you TO & THROUGH retirement, your Retirement Planner should not be RETIRING before you

AGENDA

1. Fundamentals of Taxation
2. Fiscal State of the Union
3. Tax Planning Fundamentals
4. Tax Planning Toolkit
5. Proactive Tax Planning
6. Taxation Case Study
7. Legacy Taxation Case Study

Pre-tirement Vs Retirement Risks



In retirement planning, as in mountain climbing…

Most of the risk is on the decent

FUNDAMENTALS OF TAXATION

01

When are we taxed?

On Earnings

Income Taxes [Earned Income + Pensions]

Payroll Taxes [FICA for SS, Medicare, Medicaid]

On Purchases

Sales Taxes [Purchases]

Property Taxes [Home & Auto]

On Investments

Capital Gains Taxes [Long-Term Investments]

Income Taxes [CDs & Short-Term Investments]

COMPARING INVESTMENT TAXATION

INCOME TAX

Income: Applied on all forms of income, including wages, salaries, interest, dividends, and other types of earnings

Definition: Progressive tax rates - meaning the more reported income one has, the higher the percentage one owes to IRS or state (unless state has no Income Tax).

Rates: The tax rates assessed on Income or Short-Term Capital Gains (investments held for less than a year) is typically higher (sometime much higher) than Capital Gains Rates

CAPITAL GAINS TAX

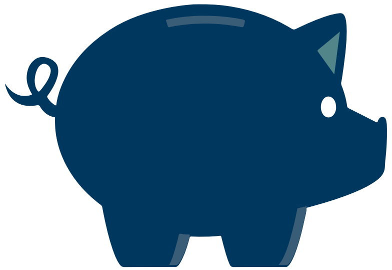
Capital Gains: Arises from selling assets like stocks or real estate

Definition: Levied on the profit made from selling an asset. The profit is the difference between the selling price and the purchase price (basis) of the asset.

Rates: The rates for long-term capital gains are often lower than those for ordinary income, incentivizing investors to hold investments longer. The specific rates can vary depending on income levels and tax laws.

THE THREE INVESTMENT TAX BUCKETS

THE IRS ENSURES EVERY **INVESTMENT** TYPE FITS INTO ONE OF:



TAX DEFERRED BUCKET
TAXED UPON EXIT (ONLY)

- Tax Deductible Contributions
- 100% Taxable Distributions
  - (Principal & Gains)
- Allows compounding growth on portion that would have gone to IRS

Perspective: Your tax rate at withdrawal will determine the tax impact.

TAXABLE BUCKET
GAINS TAXED ANNUALLY OR UPON EACH SALE

- After-tax principal + taxable gains
- **Short Term Capital Gains** (Max 37%)
- **Long-Term Capital Gains** (Max 20%)

Perspective: Non-preferential tax treatment requires better performance to overcome 'tax drag.'

TAX-FREE BUCKET
TAXED UPON ENTRY (ONLY)

- Funded with after-tax contributions
- Gains are never taxed if guidelines are followed
- Distributions are tax-free if IRS rules are met

Perspective: Limited funding opportunities; tax-free status is a significant advantage.

•Pay short-term (income tax rates) or long-term capital gains taxes on sales.

TRIGGERS FOR TAXATION ON INVESTMENTS

TAX DEFERRED	TAXABLE BUCKET	TAX FREE

TAXES ON WITHDRAWALS
TRAD. TSP/IRA

Defer taxes on the SEEDS to pay taxes on the HARVEST

Defer taxes @ historically favorable rates

Pay taxes @ unkown (poss. Higher) future rates

Claim deduction in year contributing but pay income taxes on 100% of each distribution

TAXES ON SALE
STOCKS & MFs

Invest after-tax dollars

Pay short-term (income tax rates) or long-term capital gains taxes on sales.

Long-term gains are often taxed at lower rates than short-term.

TAXES ON GAINS
CDs & $ Markets

Receive a 1099 for gains, taxed at income tax rates annually.

Gains taxed as income each year.

After tax dollars with taxable gains that are taxed as income each year

TAXES ON CONTRIBUTIONS
ROTHs & LIRPs

Pay taxes on the SEEDS, not the harvest, by investing after-tax dollars

Avoid unknown future rates

No tax on future gains, transfers, or distributions if guidelines are followed.

INCOME TAXATION

TCJA Marginal Rates (2018-2025)

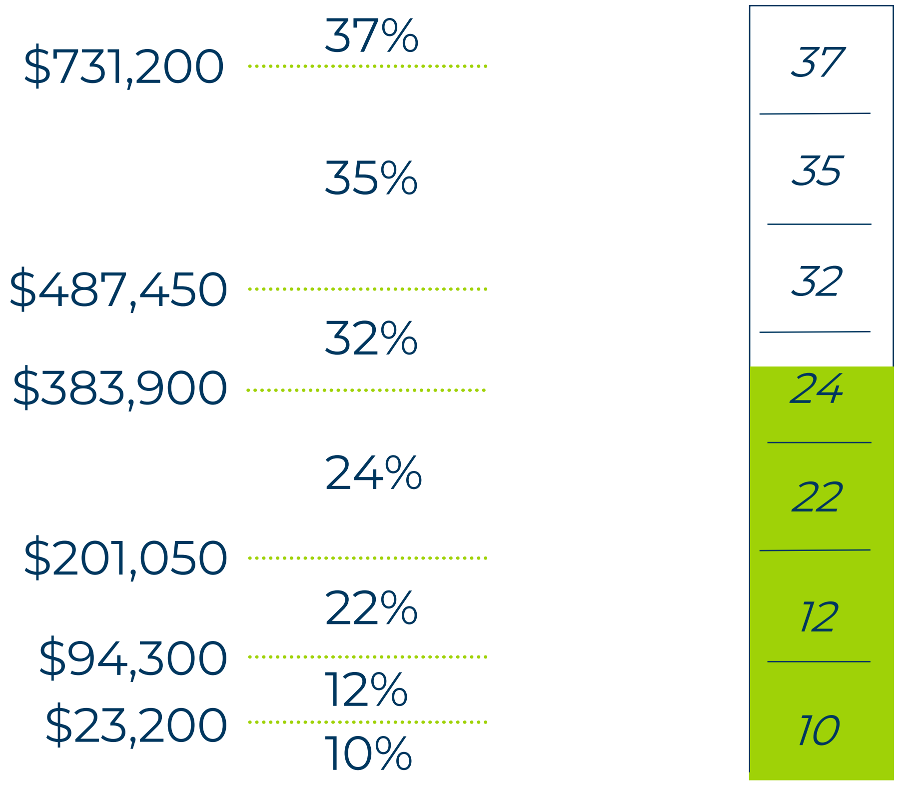


Chart based on 2024 income tax brackets for married couples filing a joint return established by the Tax Cuts and Jobs Act (TCJA).

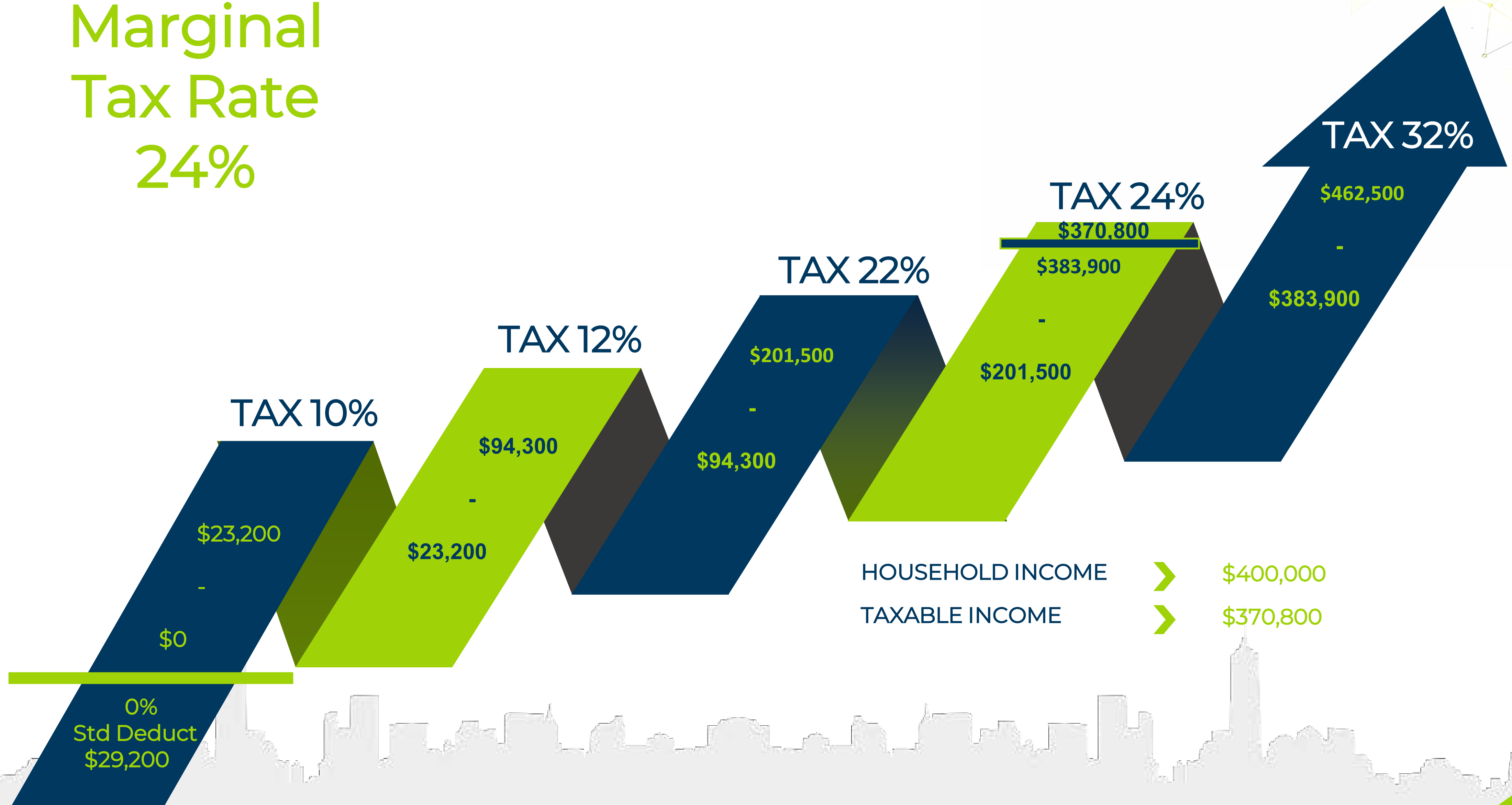
<u>Example:</u>
$300,000 of Income

<u>Marginal Tax Rate:</u>
24%

<u>Effective Tax Rate:</u>
~18.8%

PROGRESSIVE TAX BRACKETS

Marginal Tax Rate 24%



HOUSEHOLD INCOME ❯ $400,000

TAXABLE INCOME ❯ $370,800

02

FISCAL STATE OF THE UNION

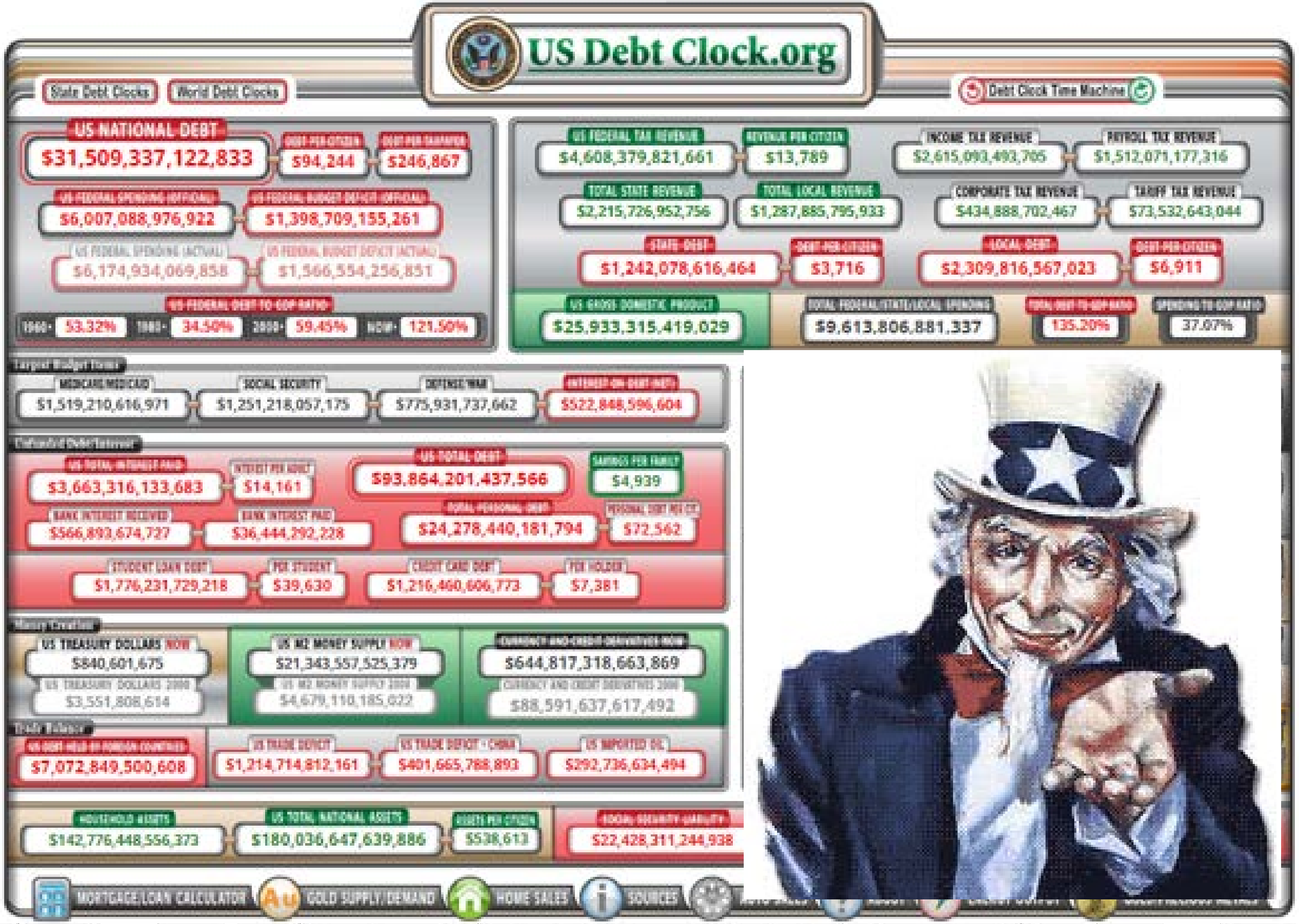
HOUSEHOLD FISCAL TRAJECTORY

me

Sp

INCOM

Couple Ea
$200,00



INTEREST

largest budget
ense in 2022 =

st Only Payments
existing Debt
$22,500

POLL QUESTION

What is the National Debt today & by what % has that increased since 2023 (when it was $31.5T)?

Pace of US National Debt Accumulation

Time Required to Reach Total U.S. Debt Levels	
Of:	
$10 Trillion	232 Years
$20 Trillion	9 Years
$30 Trillion	5 Years
Last Trillion $	100 Days
Latest Level	$35.1+ TRILLION

In 2024, Uncle Sam's interest-only payments on National Debt cost $2.5B EVERY SINGLE DAY

STATE OF THE UNION: Non-Discretionary Spending

2024 Tax Revenue

$4.9T

Top 4 Expenses

$5T

Scan QR code to visit USDebtClock.org

$1,799,000,000,000

Medicare & Medicaid

$1,463,000,000,000

Social Security

Defense Spending

$916,000,000,000

Interest on Debt

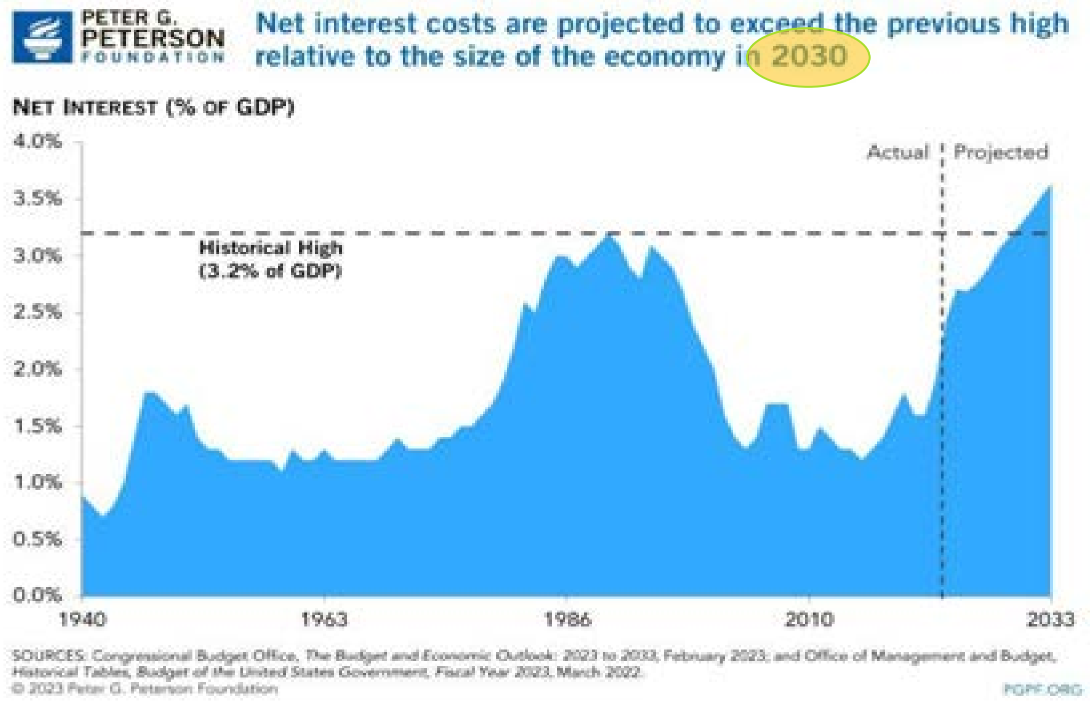
~~2020~~	~~$329,000,000,000~~
~~2023~~	~~$536,000,000,000~~
~~2024~~	~~$832,000,000,000~~

$918,000,000,000

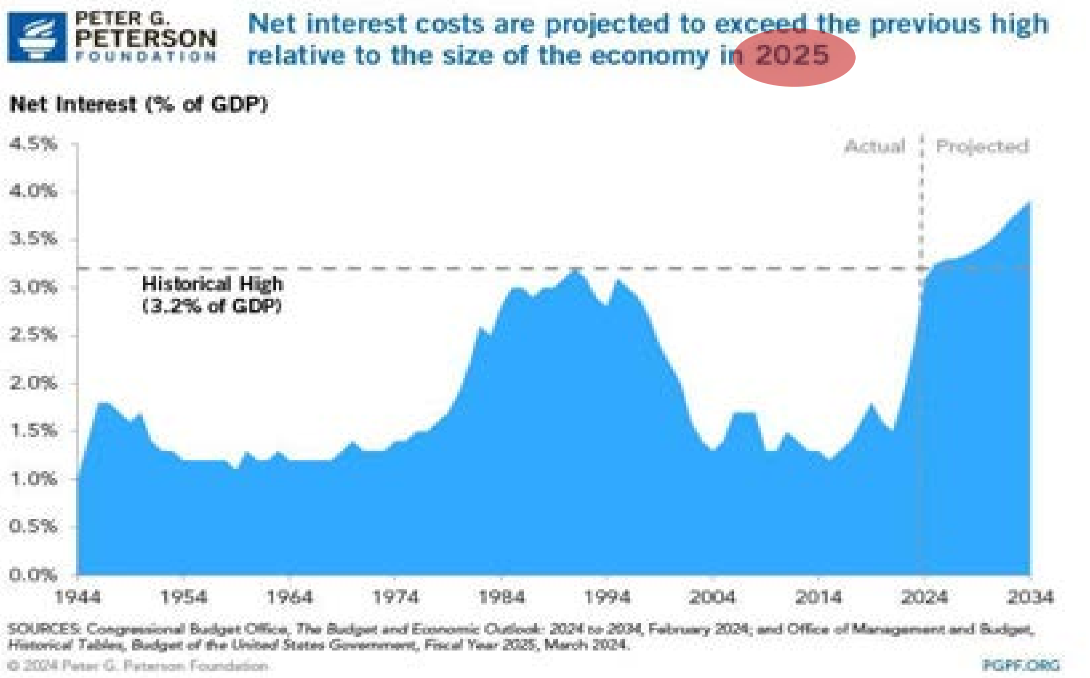
6TH Largest Expense = Federal Pensions $392,000,000,000

Net Interest Cost... Updates

2023



2024



WALKER Capital Preservation Group

FUTURE SPENDING ON RETIREES

If scheduled benefits were paid beyond 2035 with current SS revenues

PETER G. PETERSON FOUNDATION

Medicare and Social Security represent a growing share of the federal budget

Medicare and Social Security:
19% of all federal spending

1970

Medicare and Social Security:
27% of all federal spending

2021

Medicare and Social Security:
40% of all federal spending

2052
(Current Law)

Medicare Social Security **All Other**

SOURCES: Congressional Budget Office, The Budget and Economic Outlook: 2022 to 2032, May 2022; and Office of Management and Budget, Historical Tables, Budget of the United States Government, Fiscal Year 2023, March 2022. **NOTE:** Pies represent total spending.

The information in this presentation about Social Security is for educational purposes only. For more information, please visit the Social Security Administration website at https://www.ssa.gov/

DEFICITS REQUIRED IN ORDER TO COVER

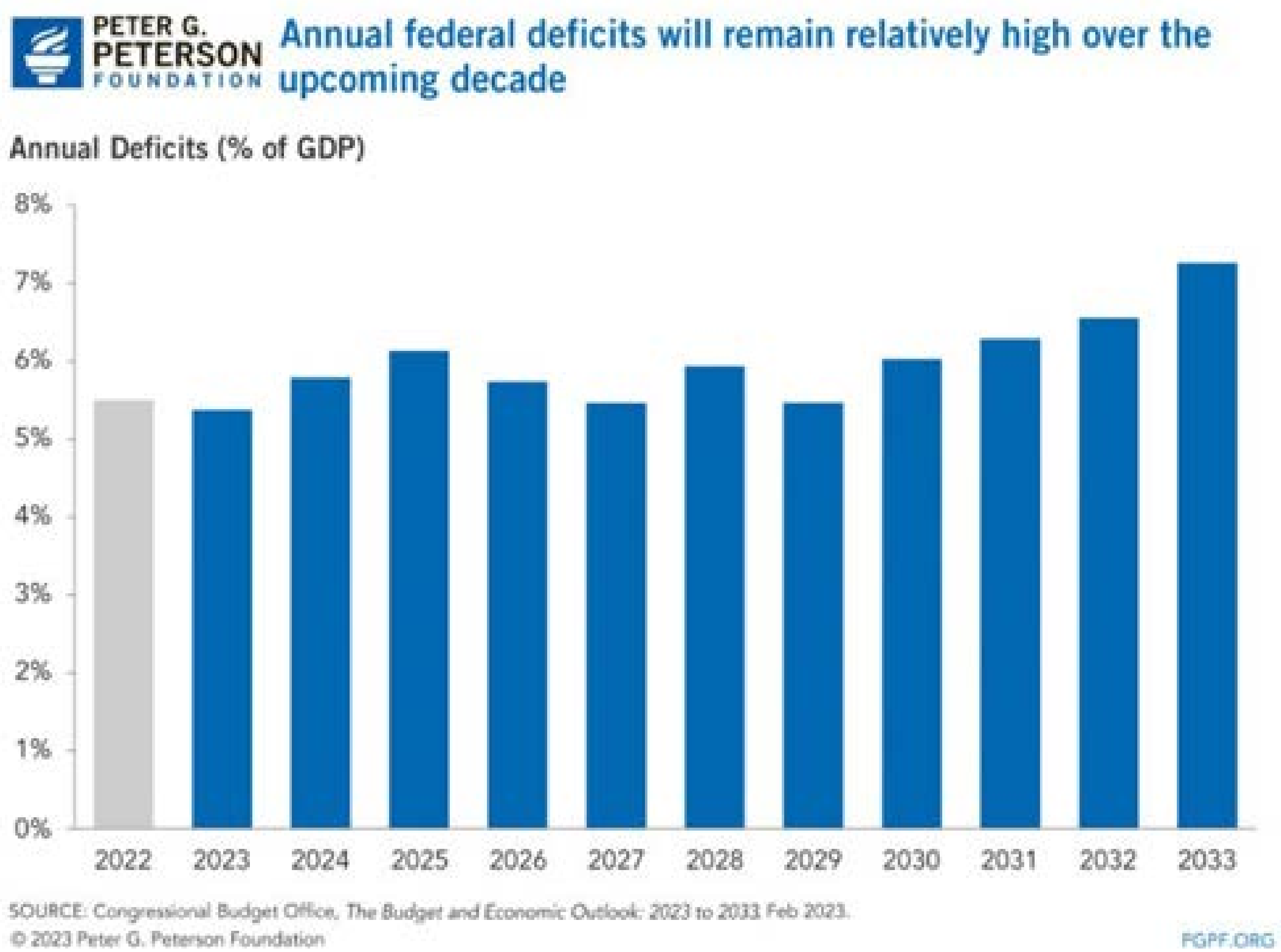
Children's Nutrition	Border Security	Food Safety & Inspection Service	Disaster Relief	U.S. Forest Service
Drug Enforcement Administration	Public Housing Program	IRS	Animal & Plant Health Inspection	Federal Courts
...u of Indian Affairs	NASA	Army	National Endorsement of the Arts	Air Force
...ral Student Loans	Rural Development	Coast Guard	Food Stamps	National Parks Service
Income Assistance	Department of Family Services	Research & Development	U.S. Geological Survey	Environment Protection Agency

<u>2024 Tax Revenue</u>
$4.9T
<u>Top 4 Expenses</u>
$5T

DEFICITS REQUIRED IN ORDER TO COVER

Center for Disease Control & Prevention	FEMA	Immigration & Customs Enforcement	Secret Service	FAA
Supportive Housing for The Elderly Program	Federal Railroad Administration	Navy	Bureau of Land Management	Federal Pension System
Peace Corps	FCC	State Department	National Science Foundation	Congress
Fish & Wildlife Service	White House	SEC	Smithsonian Institute	Small Business Administration
	FBI	Federal Highway Administration		

GROWING DEFICITS FORECASTED



05

TAX RATE RISK

Historical Marginal Tax Rates 1944-2014

Year	Taxable Income $50,000	Taxable Income $200,000
1944	75%	94%
1950	72%	90%
1960	72%	90%
1970	60%	70%
1980	55%	70%
1990	33%	33%
2000	28%	36%
2014	25%	33%
2024	12%	24% 2024=22%

Source: Federal Individual Income Tax Rates History, Tax Foundation, 2024

The Chart traces the highest federal personal income tax rates from 1915 to today. The amount of income subject to these varying rates has also changed. In 1965-67, a rate of 70% applied to taxable income over $200,000 equal to approximately $1,043,000 in current dollars.

Debt to GDP as a Leading Indicator of Taxes

Debt-funded recoveries from historic events have led to increased taxes

***August 2024**

$35.15T

($35,150,000,000,000)

National Debt

Debt to GDP Ratio

Top Income Tax Bracket

TAXATION RISK: Expert Forecasts

- **Resume:**
  Comptroller General of Federal Government
- **(1998-2008)**
  Head of the GAO (Government Accountability Office)
- **(1998-2008)**
  Board – Committee for a Responsible Budget
- **(2011 – Present)**
  Board – Peter G Peterson Foundation
- **(2011 – Present)**
  Accounting Hall of Fame Inductee

"…by 2030, absent significant reforms to current government programs and policies, federal taxes could DOUBLE from current levels…"

-Hon. David M Walker

(2018 Interview - calculated prior to Covid stimulus & subsequent economic ripple effects)

HAVE TAXES ON MAIN STREET EVER BEEN "DOUBLE" TODAYS RATES?

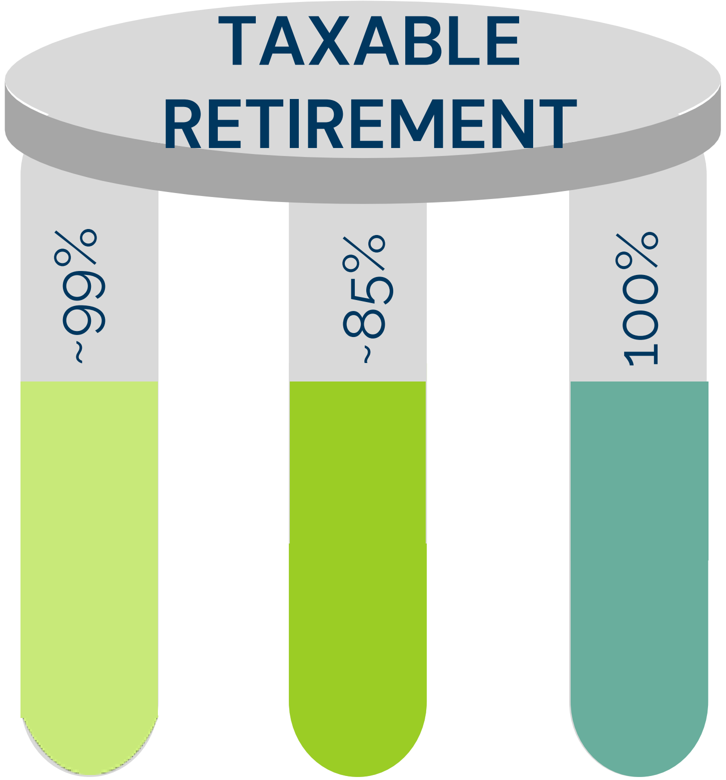
Median Income Households	1980	2023
Marginal Tax Rate	?	?
Likely Ret. Tax Bracket	?	?
Capital Gains Tax Rate	?	?

* Median Income Households, higher earners may pay 15% or 20% Capital Gains

Sources: https://www.bloomberg.com/opinion/articles/2020-07-21/401-k-plans-no-longer-make-much-sense-for-savers

Future Tax Rates IMPACT FERS Retirees

If tax rates increase in the future, the “3-Legged Stool” may leave you overly exposed to the IRS’s outstretched hands



01 FERS Pension

02 Social Security

03 TSP Distributions

FERS Pension

~99% Reported as TAXABLE INCOME

Social Security

~85% Reported as TAXABLE INCOME*

**due to Prov Income Level*

Trad. TSP Distributions

100% Reported as TAXABLE INCOME

Taxes Are "on Sale"
Current Rates Vs Scheduled Rates

Standard Deduction
2024
$29,200

Potential Roth IRA conversion opportunity?

TCJA (2024+2025)

$731,200	37%
$487,450	35%
$383,900	32%
$201,050	24%
$94,300	22%
$23,200	12%
	10%

Reverted Rates (2026)*

39.6%	$553,600
35%	$490,000
33%	$274,400
28%	$180,000
25%	$89,450
15%	$22,000
10%	

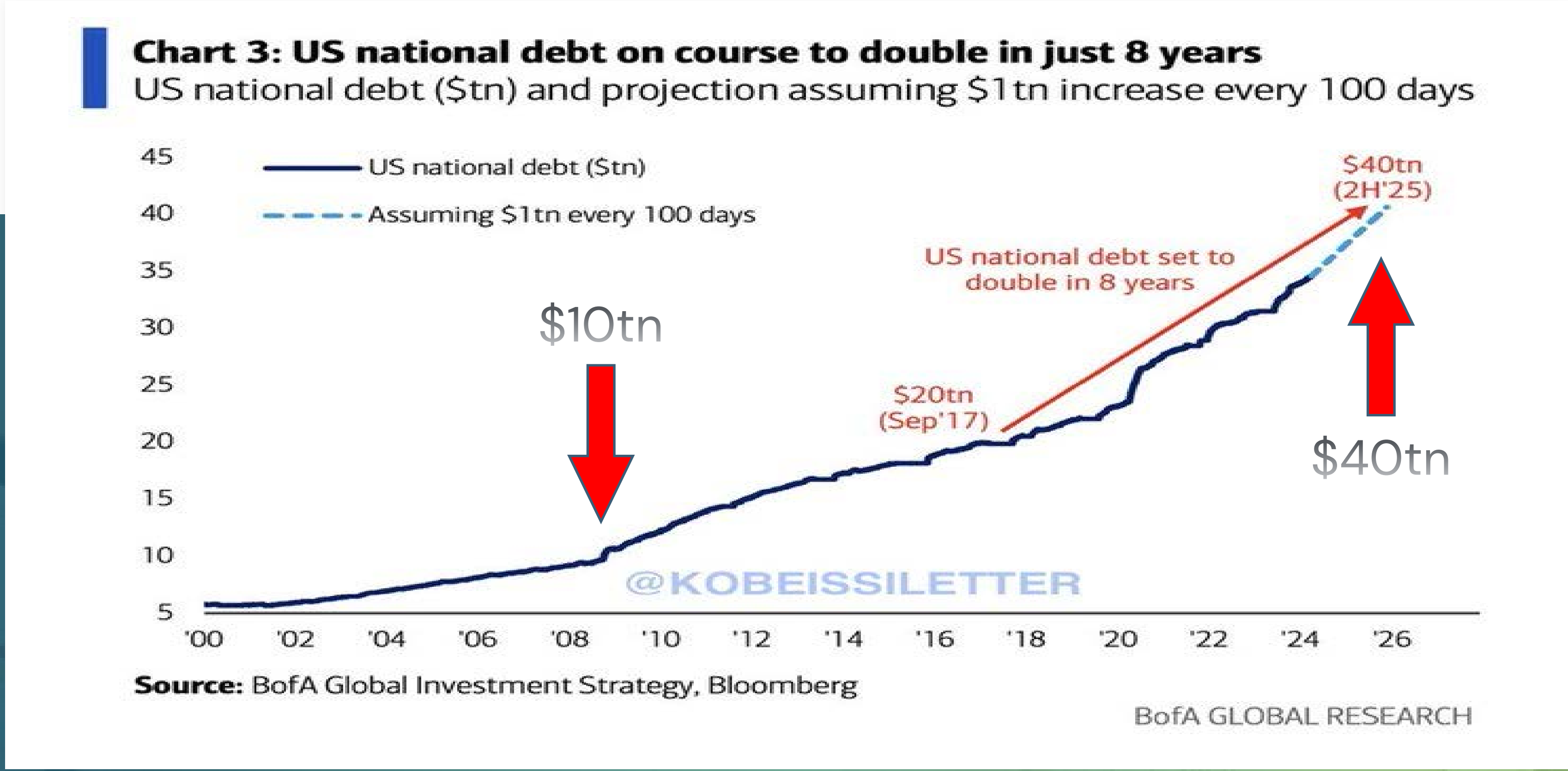
*Brackets will be adjusted for inflation

Standard Deduction
2017
$12,700

Based on 2024 tax brackets for married couples filing a joint tax return. Projected example is based on tax brackets in place prior to the Tax Cuts and Jobs Act (TCJA) adjusted for inflation through 2024. Current tax brackets are scheduled to expire at the end of 2025 with pre-TCJA tax brackets applying, adjusted for inflation. Note that other tax items are scheduled to change after sunset provision in 2025 including (for example) personal exemptions returning, lower standard deduction, less restrictions on itemized deductions, and lower exemptions applying for Alternative Minimum (AMT) tax purposes.

What Broke during the Financial Crisis?

Many things. Political restraint & fiscal responsibility amongst them



04

TAX PLANNING FUNDAMENTALS

HOW TO LOWER ONE'S INCOME TAX BRACKET

ONLY TWO (LEGAL) OPTIONS

Create Tax-free Income From Specific Investments

Maintain the same lifestyle while receiving less money that is reported to the IRS as income

02 Invest For Tax-free Income In Retirement

RETIREMENT

RETIREMENT

01 Receive Less Money During Retirement

Receive Less Money During Retirement

Lowering one's standard of living is not generally the ideal retirement plan but it is one way to enter a lower tax bracket

WAYS TO LEVERAGE THE TAX SALE

AFTER-TAX SEEDS | CONTRIBUTIONS

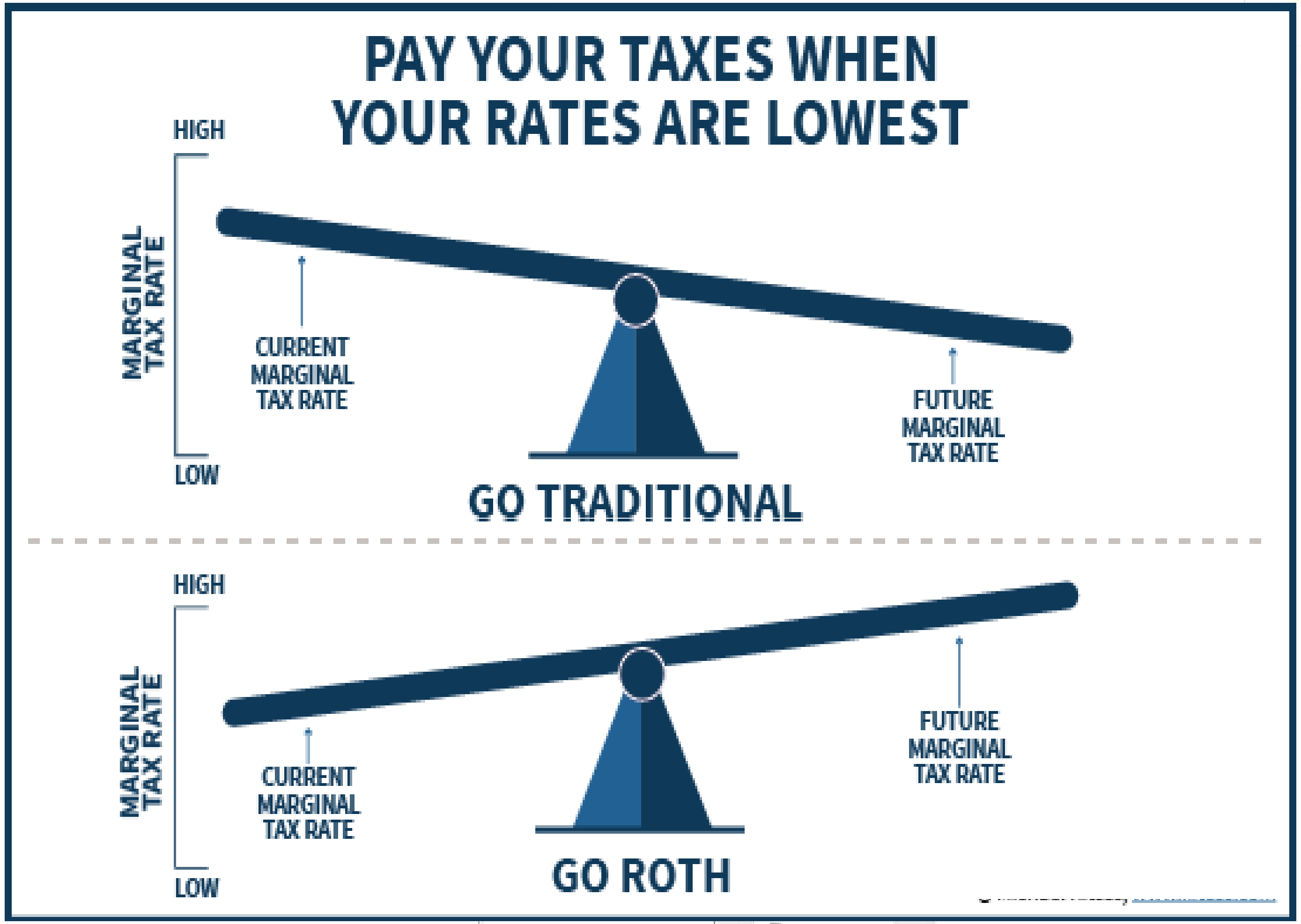
- Plant after tax seeds in Roth TSP/IRA OR CVLI
- Subject to Contribution Limits (TSP & IRAs) & Income Limits (IRA Only)
- Contributions in years with earned wages only
- **Ideal for those with a longer time horizon**

PRE-PAY TAXES | CONVERSIONS

- Convert Traditional IRA/TSP to Roth IRA & other Tax-Free Tools
- No conversion limits (other than income tax bill)
    - Bracket Harvesting
- No wage earning requirement or income limitations
- **Ideal for those in/nearing retirement who have amassed a tax-deferred timebomb**

The Retirement Taxation Gamble

Pay tax on the Seeds VS Pay tax on the Harvest



Tax-wise Savings Hierarchy

1st Level

Free Money

- TSP/401(K) Matching Contributions
- Gifts/Inheritance

2nd Level

Tax-Free Money

- Roth TSP/Roth IRA
- Permanent Life Insurance

3rd Level

Tax-Deferred Money

- Traditional TSP/IRA Contrib.

4th Level

Taxable Money

- Income/Short-Term Cap Gains (CD's & MF)
- Long-Term Cap Gains (NonQual'd Accts)

The Bucket System

A means of diversifying one's portfolio to assign investment goals & timelines while also emphasizing Tax Diversity

Emergency Funds

After-Tax Savings

Goal is to be easily available in an emergency (regardless of market condition)

Cash or cash-equivalent reserves (Money Mkt, CDs) that are both safe and reasonably liquid

Lifestyle Funds

Tax-Deferred Money

INCOME is the OUTCOME that matters most for this segment of the retirement plan

Lower risk & income-generating assets like bonds or annuities that offer regular distributions or guaranteed income

Long-Term Funds

Tax-Deferred Money

Growth focus to outpace inflation in order to preserve purchasing power through ret.

Moderate risk assets like stocks and index funds that offer greater appreciation opportunity

Later/Legacy Funds

Tax-Free Money

Tax-Advantaged or Tax-Free funds to supplement retirement income or leave as legacy

Roth IRA + Roth TSP
Permanent Life Insurance
Muni Bonds
Real Estate

Strategic Bucket Objectives

Social Security & Pension Reduce Lifestyle Bucket's Workload

The longer the time horizon, the greater the impact of inflation

The longer the time horizon, the greater the risk of higher tax rates

01 Emergency

Time Horizon:
Immediate
Liquidity Needs:
High
Growth Expectation:
Minimal
Risk Tolerance:
Principal Protected

02 Lifestyle

Time Horizon:
Start of Distribution Phase
Liquidity Needs:
Medium
Growth Expectation:
Keep up with Inflation
Risk Tolerance:
Minimal Principal Exposure

03 Long-Term

Time Horizon:
Distrib Phase + 10 or so years
Liquidity Needs:
High
Growth Expectation:
Outpace Inflation
Risk Tolerance:
Medium - High

04 Later/Legacy

Time Horizon:
Latter Years (15+ If needed)
Liquidity Needs:
Low
(Roth Conv. 5yr Rules)
Growth Expectation:
Outpace Inflation
Risk Tolerance:
Balanced

TAX PLANNING TOOL KIT

05

Tax Planning Opportunities

Identifying which tax tools & tax benefits that work together to create the foundation of a healthy tax-diverse retirement

"Cherries on Top"

Standard Deduction = Tax Credit

SS Benefit = 15% - 50% can be Tax-Free

HSA (Health Savings Acct = Tax-Free (for Medical expenses)

Gifts = Tax-Free (up to $18,000/yr each)

Sale of Primary Residence

Downsizing in retirement can be tax-efficient too!

- Individual Max Tax-Free Gain = $250,000
- Couples Max Tax-Free Gain = $500,000

Gains from the sale of Rental properties treated differently

Municipal Bonds

Federal tax-free,

often state/local tax-free (when purchased in-state).

Note: Gains count as provisional income for Social Security tax calculations.

Cash Value Life Insurance

CVLI can offer tax-advantages in mult. Ways

1. Tax-Free DB
2. Tax-Free Living Benefits
3. Tax-Free Access to Cash Value
    - Tax-free access via policy loans

Roth 401k & Roth IRA

Core of tax planning,

Funded via after-tax contributions or conversions.

Provides tax-free growth & withdrawals in retirement.

TAX-FREE "CHERRIES"

Standard Deduction

The Standard Deduction establishes how much income you get to keep before computing your tax bill. Current deductions are very high.

Scheduled to decrease 50% Jan 1, 2026

15%-50% of SS BENEFITS

Due to the size of most FERS pensions & other sources of Provisional Income, most Fed's only get 15% of their SocSec Monthly Benefit back tax-free.

85% of SS Benefit likely taxed as income @ unknown future tax rates (%)

Estate Planning

Estate Plans (ie. Revocable Living Trust) make transfer more cost effective by reducing Probate costs

Current Estate Tax exemption is DOUBLE what it was prior to the Tax Cuts & Jobs Act

Health Savings Accounts

HSA's offer tax-deductions on deposits, tax deferral on gains, and tax-free withdrawals IF used for medical expenses.

Highest degree of tax-efficiency, narrowest scope of tax-free benefits.

Sale Of Primary Residence

Downsizing in retirement can be tax-efficient too!

Individual Max Tax-Free Gain = $250,000

Couples Max Tax-Free Gain = $500,000

Gains from the sale of Rental properties treated differently

Inheritance/Gifts

Real estate & Non-Qualified Accounts get a step up in basis (the starting value for tax calculation) upon death.

Annual Tax-Free Gift Limit = $18,000 (per individual) meaning a couple could gift an individual up to $36,000/yr without triggering a tax bill for the recipient – often used as a "headstart on Legacy"

PROACTIVE TAX PLANNING

06

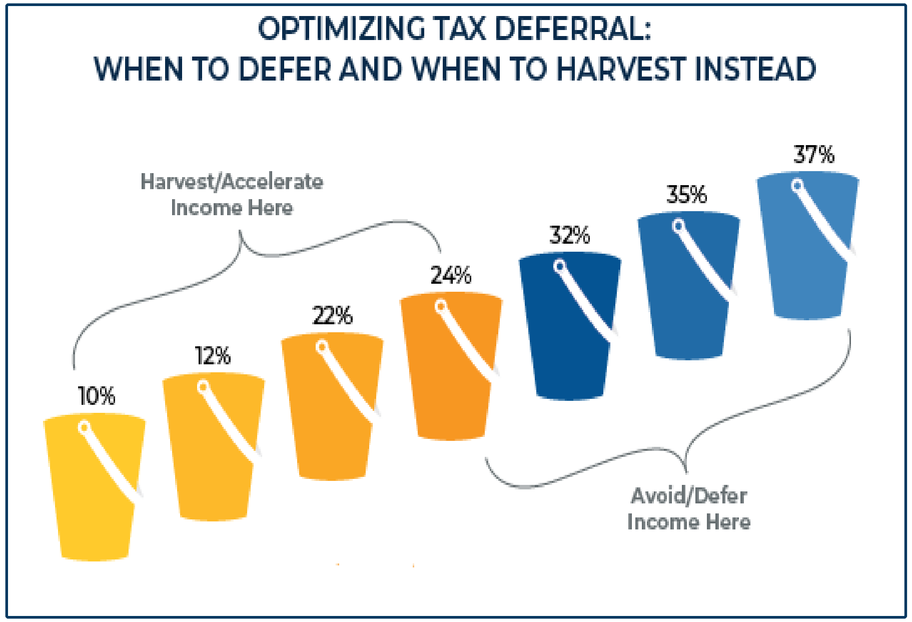
Clearing Tax Liability... Proactively

Emphasis on TACTICALLY transferring funds to the Tax-Advantaged Bucket

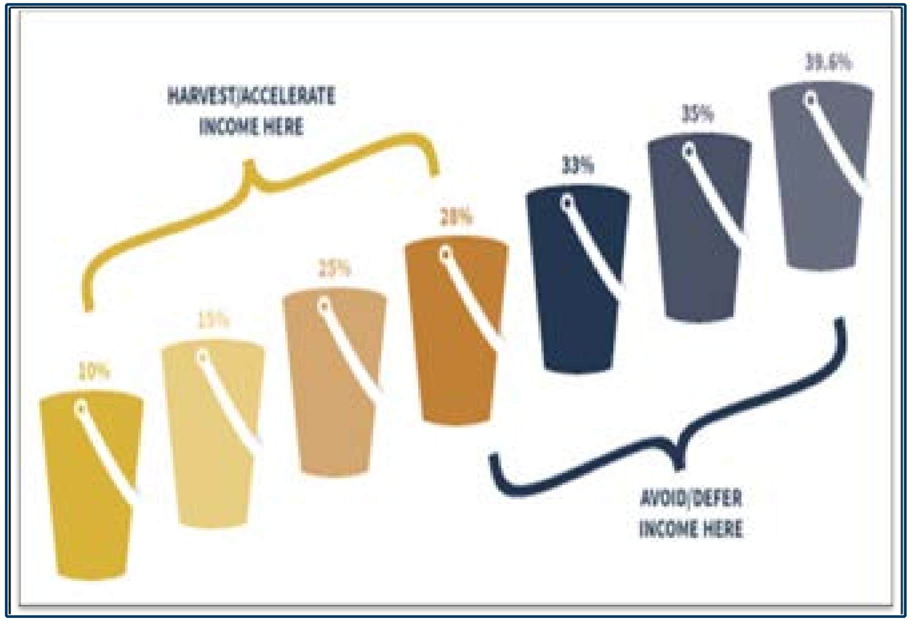
Later/Legacy Funds (Tax Advantaged)

Roth IRA via Contributions
Roth IRA via Conversion
Roth TSP via Contributions (only)
Cash Value Life Insurance
Municipal Bonds

2024 + 2025



2026+



Bracket Harvesting

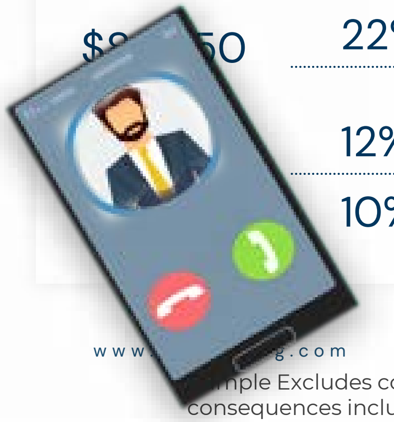
Converting $600,000 from Traditional TSP

TCJA Marginal Rates (2018–2025)

$693,750	37%
$462,500	35%
$364,200	32%
$190,750	24%
$[illegible]50	22%
	12%
	10%

Conv. Tax Bill
$186,958

Tax Bill $21,415



Single Roth Conversion

$600,000

Taxable Income:
$140,000

Bracket Harvesting Conversions (2024–2026)

Total Cost of Conversions:
$153,691
Savings Compared to Single Conversion:
$33,267

Conv. Tax Bill $48,044	Conv. Tax Bill $48,044	Conv. Tax Bill $57,603
$200,000	$200,000	$200,000
Taxable Income: $140,000	Taxable Income: $140,000	Tax Bill $27,311*

mple Excludes consideration of State level taxation. Converting an employer plan account or traditional IRA is a taxable event. Increased taxable income from the Roth IRA conversion may have several consequences including (but not limited to) a need for additional tax withholding or estimated tax payments, the loss of certain tax deduction and credits, and higher taxes on Social Security benefits and higher Medicare premiums.

ROTH OPPORTUNITY COST MYTH

"But if I convert, I won't get to see any compound growth on the $ that I pre-emptively pay the IRS!"

ASSUMED TAX RATE: 30%	NO CONVERSION	ROTH CONVERSION
Starting IRA Balance: $100,000	?	?
Growth on the Account: 200%	?	?
After-Tax Account Balance:	?	?

**Does not include state taxation – but same principal applies, if rates are static there is no opportunity cost loss*

TSP TAX PLANNING PROCESS

Traditional Tax-Deferred TSP

Internal Roth conversions not allowed—requires moving funds out of TSP.

Transfer to Traditional IRA

Move funds to a Traditional IRA for flexibility in Roth conversions over multiple years.

Allows piecemeal Roth conversions to manage tax brackets.

Roth Conversions (Bracket Harvest)

Convert based on household income to avoid pushing into higher tax brackets.

Control the pace of conversions to manage tax liability.

Satisfy Conversion Wait Period

Conversion seasoning period is the longer of 5 years or until age 59.5.

Avoids penalties and provides tax-free access to gains after the wait period.

Tax-Free Distributions!

After-tax contributions come out first (FIFO method).

Gains are tax-free after the wait period, regardless of future tax rates.

Converting an employer plan account or traditional IRA is a taxable event. Increased taxable income from the Roth IRA conversion may have several consequences including (but not limited to) a need for additional tax withholding or estimated tax payments, the loss of certain tax deduction and credits, and higher taxes on Social Security benefits and higher Medicare premiums.

DISTRIBUTION PLANNING

How to use your tax-diverse portfolio to hedge against higher future tax rates

3rd Level

Tax-Free Money

- Roth TSP/Roth IRA
- Permanent Life Insurance
- Municipal Bonds

2nd Level

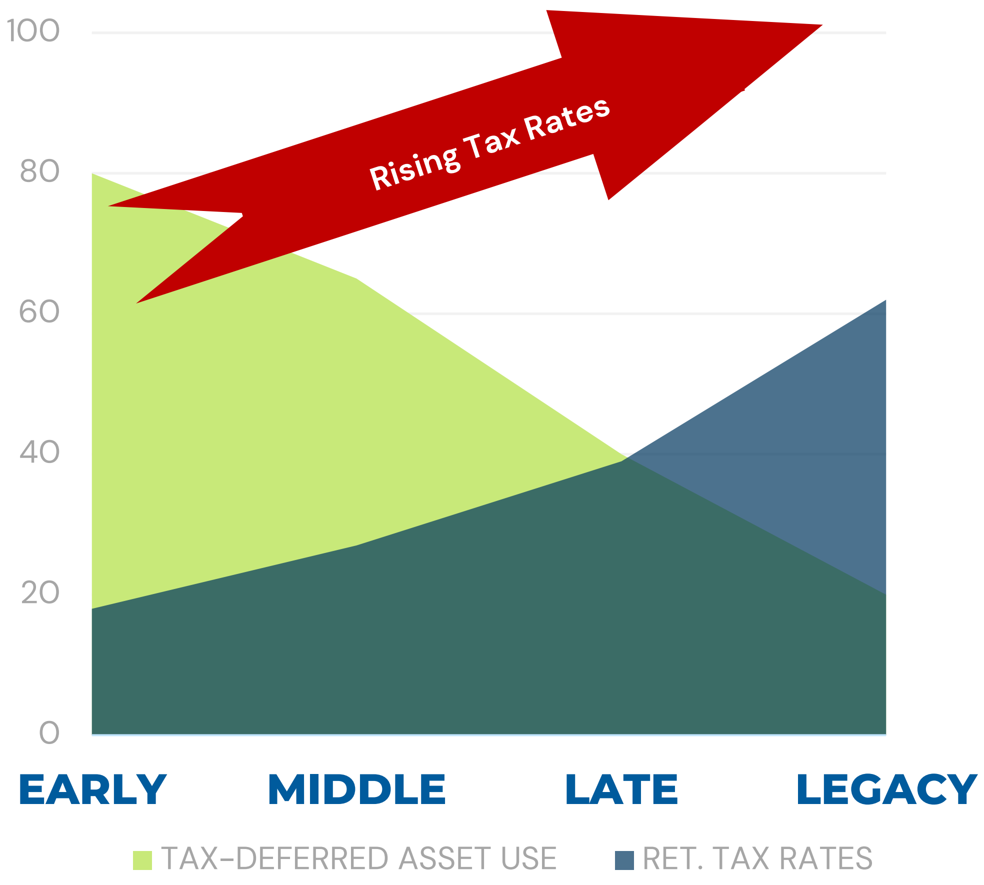
Non-Qualified Money

- CD's & Savings Bonds
- Brokerage Accounts

1st Level

Tax-Deferred Money

- Traditional TSP (RMDs)
- Traditional IRA (RMDs)



TAX PLANNING CASE STUDY

Case Study: FERS Retirement + Rising Taxes

Fred

Wanda

Taxes Increase in Yr 5 of Retirement

SCENARIO #1

After-Tax Retirement Budget: $10,000

Fed Tax Rates from 2024
State Tax Rate = 4.75%

Standard Deduction: $29,200

SCENARIO #2

After-Tax Retirement Budget: $10,000

Fed Tax Rates from 1980
State Tax Rate = 4.75%

Standard Deduction: $14,600

Bracket Harvest Roth Conversions

Tax-Wise Distribution Order

Move to a 0% Tax Rate State

SCENARIO #3

After-Tax Retirement Budget: $10,000

Fed Tax Rates from 1980
State Tax Rate = 0.0%

Standard Deduction: $14,600

Fred & Wanda Serbus

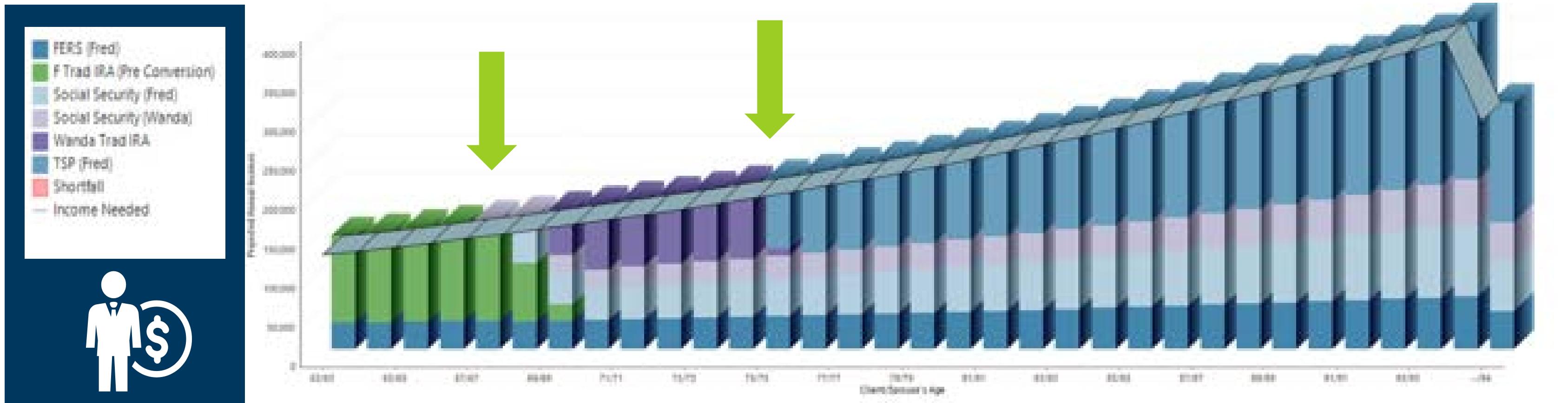
Scenario #1

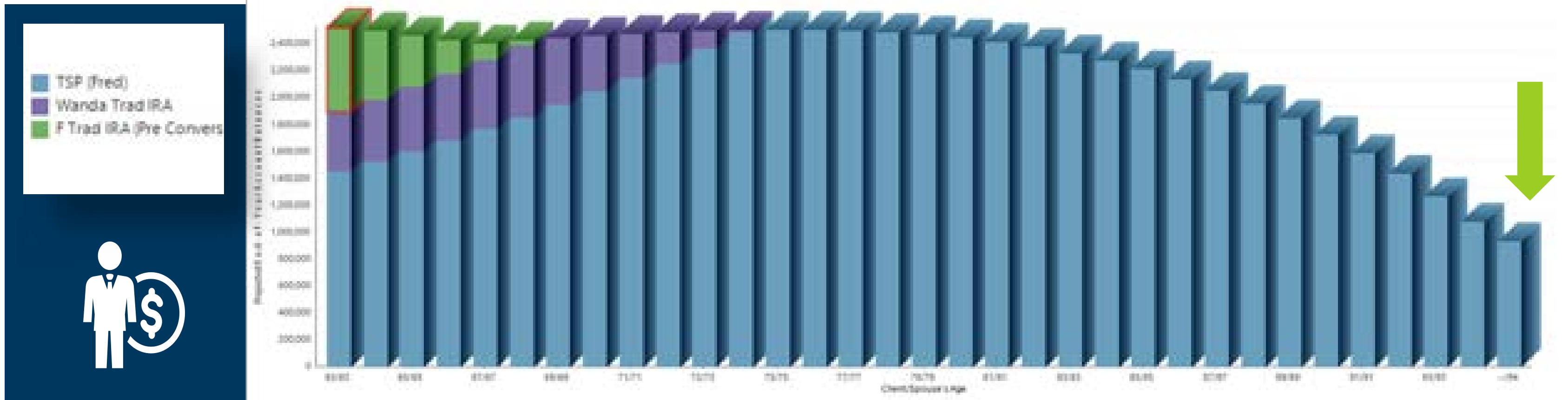
Top Tax Bracket = 22% + State 4.75%

After-Tax Retirement Budget:	$10,000
Assumed State Tax Rate:	4.75%
Income Taxes Based on Year	2024
Standard Deduction	$25,900


Fred


Wanda





Legacy ~ $800,000 (taxable)

Fred & Wanda Serbus

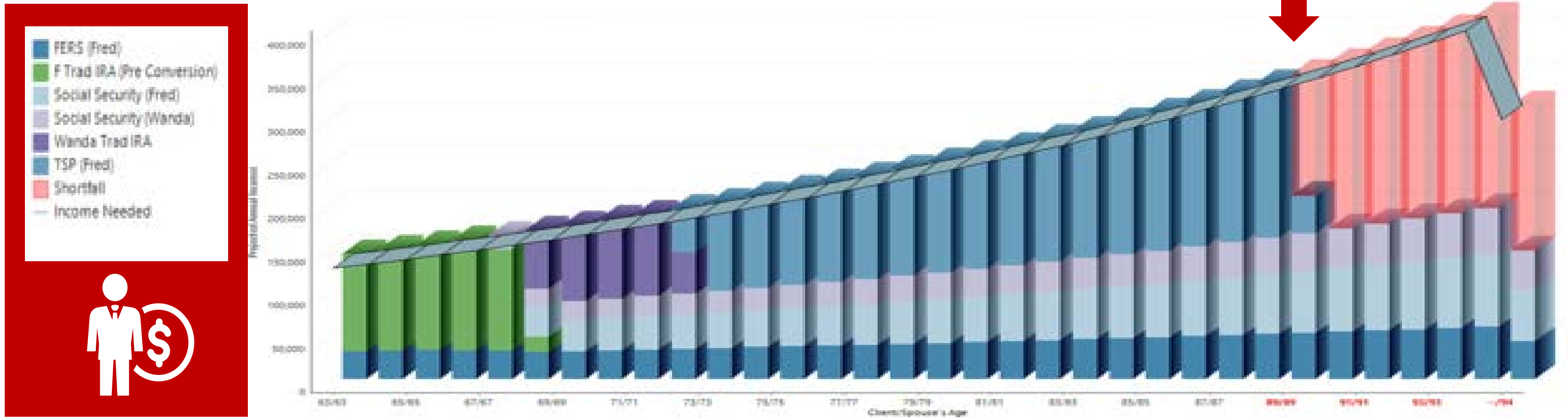
Scenario #2

Top Tax Bracket = 42% + State 4.75%

After-Tax Retirement Budget:	$10,000
Assumed State Tax Rate:	4.75%
Income Taxes Based on Year	1980
Standard Deduction	$25,900

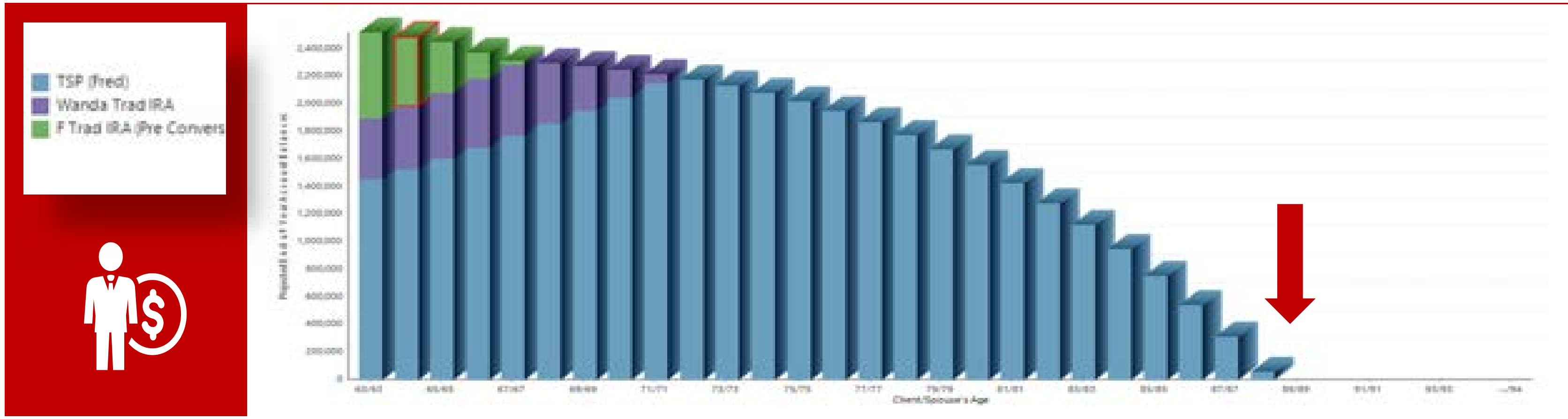
Fred

Wanda



Median Income Households Assumes Median Income couple with 2 children	1980
Marginal Tax Rate	43%
Likely Ret. Tax Bracket	15%
Capital Gains Tax Rate	28%

1980 Median Household Income = $16,400 (inflation adjusted 2020= $57,738.53), 2020 Median Income $68,400



Shortfall @ Age 89/89

Fred & Wanda Serbus

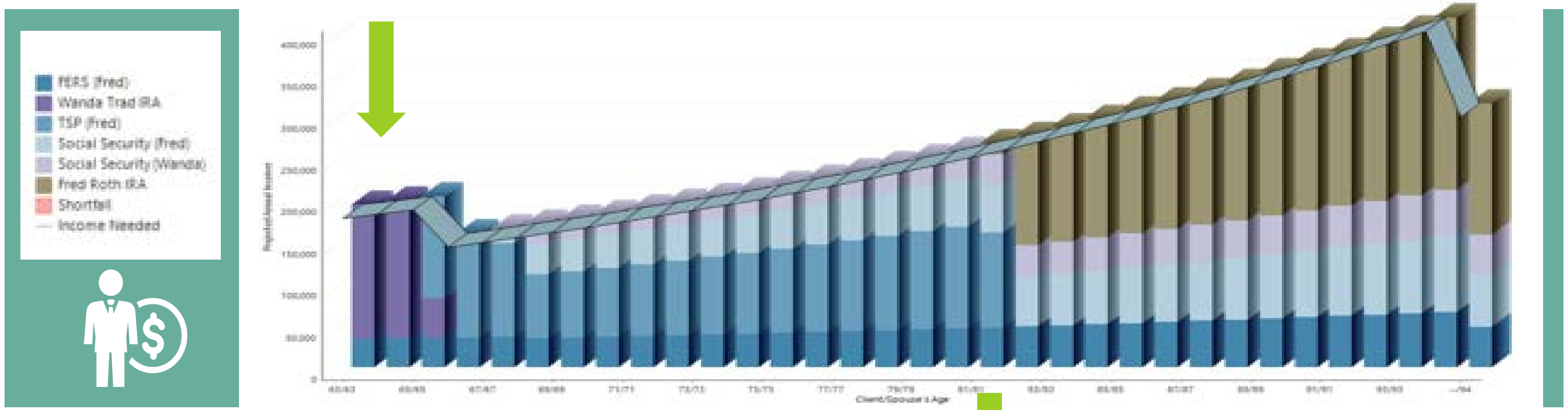
Scenario #3

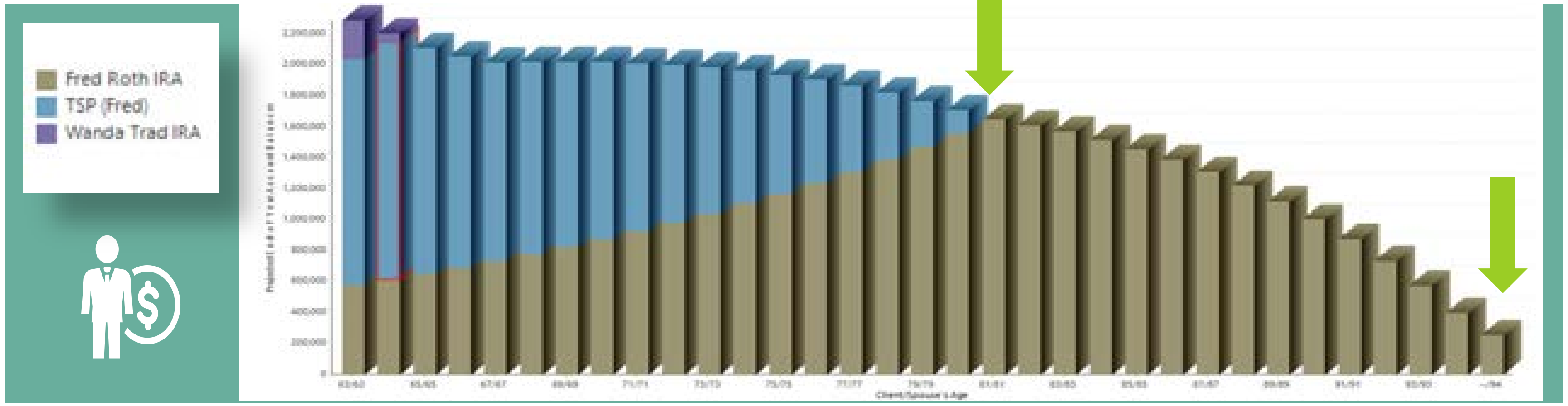
Top Tax Bracket = 42% + State 0.0%

After-Tax Retirement Budget:	$10,000
Assumed State Tax Rate:	0.0%
Income Taxes Based on Year	1980
Standard Deduction	$25,900

Fred

Wanda





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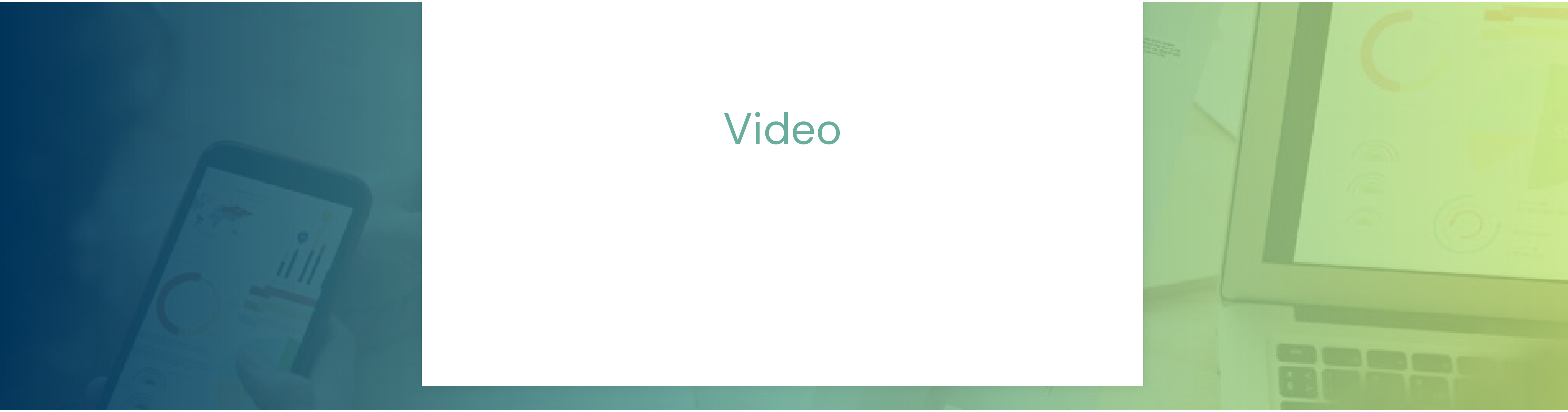
Capital Gains Tax Rate	28%

1980 Median Household Income = $16,400 (inflation adjusted 2020= $57,738.53), 2020 Median Income $68,400

Legacy ~ $200,000 (tax free)

Why is a Tax-Free Legacy Important?

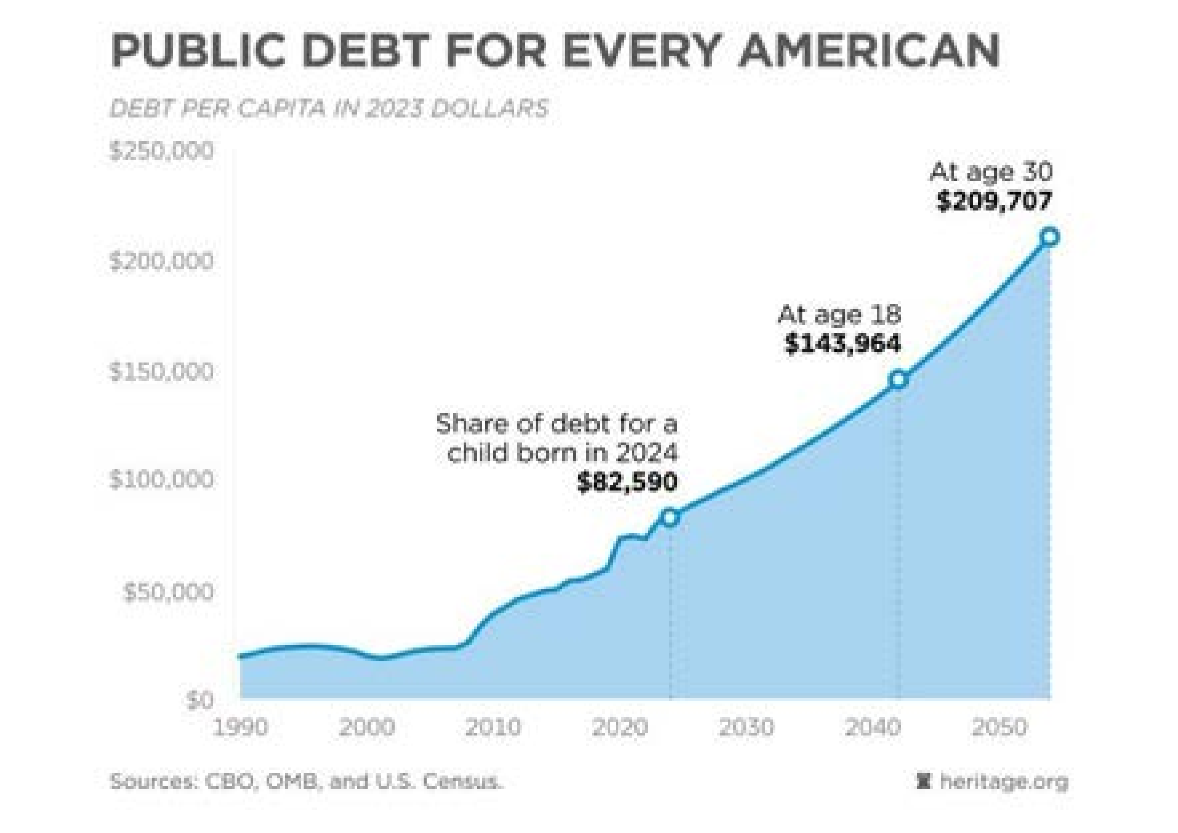
Let’s refer to President Eisenhower’s 1961 Farewell Address for the answer

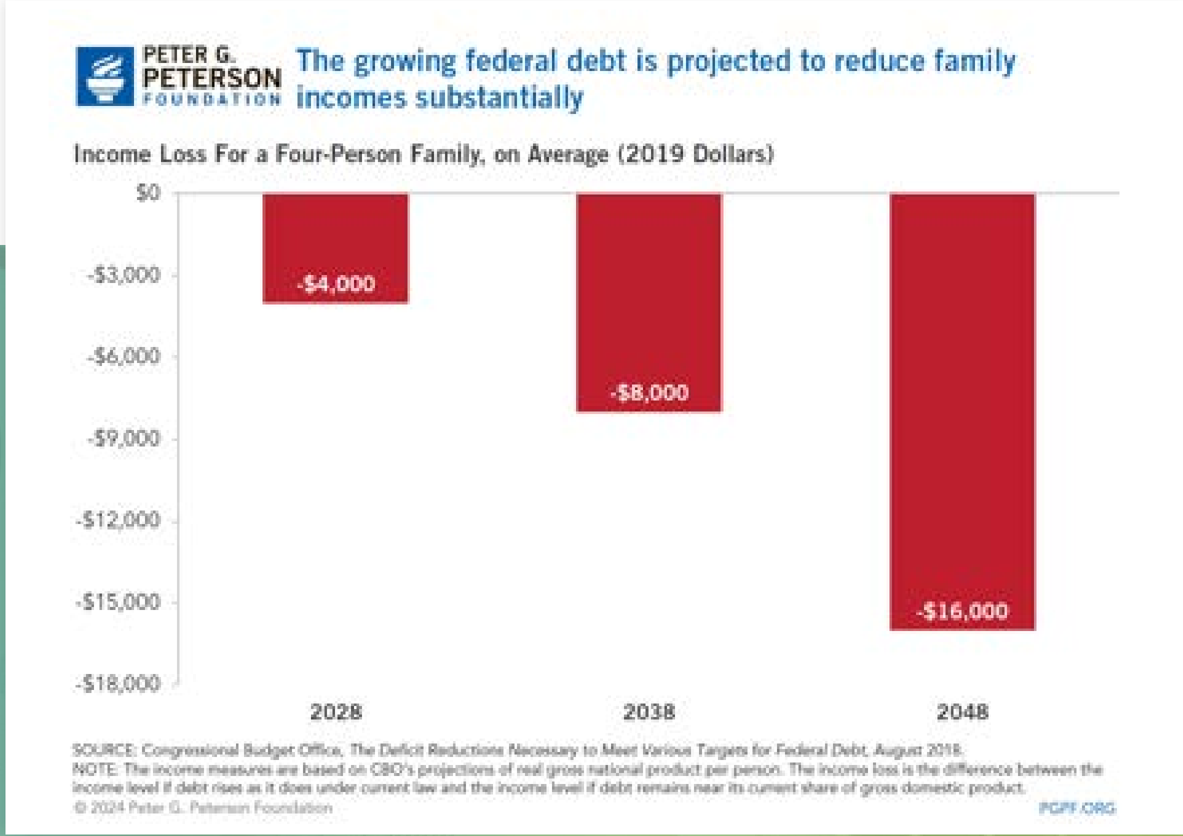


Video

Why is a Tax-Free Legacy Important?

Because future generations are liable for today's debt





INTENDED BENEFICIARY CASE STUDY

WHO IS YOUR INTENDED BENEFICIARY?

Fred

TRAD TSP $1,000,000

$500,000

$500,000

40% Combined Tax Rate

$200,000

Chuck, Single
32% Tax Bracket + 8% State

$300,000

Uncle Sam

$400,000

40% Combined Tax Rate

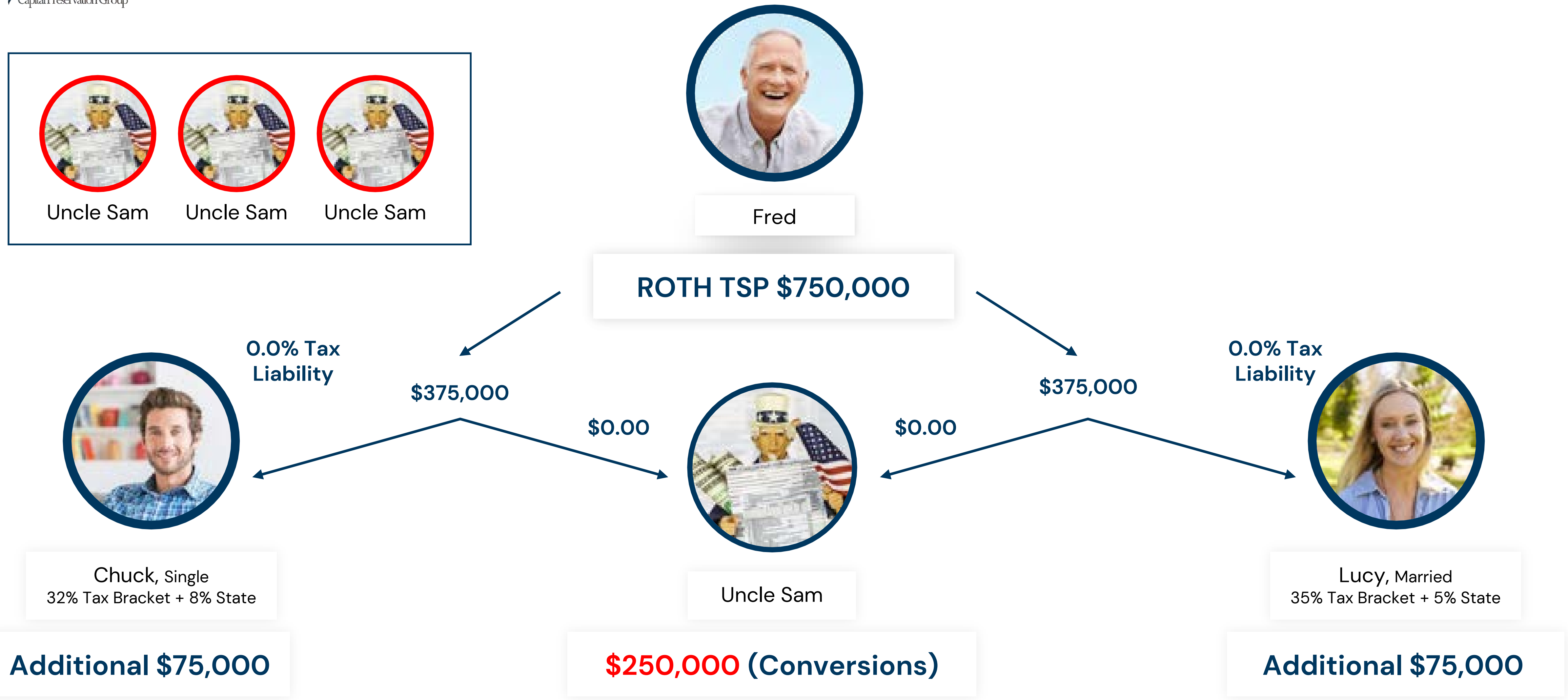
$200,000

Lucy, Married
35% Tax Bracket + 5% State

$300,000

There is a very short window of opportunity to reposition those funds in order to stretch the tax liability over a 10-yr period so be sure to help your family work with a professional to optimize the legacy you are able to leave

WHO IS YOUR INTENDED BENEFICIARY?



In this hypothetical example, Jim uses the Tax Cuts & Jobs Act “Tax Sale” to proactively do piecemeal Roth Conversions, allowing him to clear the liability to the IRS without going above his current tax bracket (22% Fed. + 3% State). If properly established, an Inherited IRA can allow non-spousal beneficiaries to spread the tax burden out over as many as 10 years.

WHO IS YOUR INTENDED BENEFICIARY?

Fred

REACTIVE PLANNING

Inheritance
$300,000

Inheritance
$300,000

Uncle Sam

$400,000

Reactive Planning leaves
"TIP" to IRS of
$150,000

PROACTIVE PLANNING

Uncle Sam

Uncle Sam

Uncle Sam

$250,000

Chuck, Single
32% Tax Bracket + 8% State

Additional $75,000

Lucy, Married
35% Tax Bracket + 5% State

Additional $75,000

FEDucated Food for Thought

Benefit Projection & Budget

Gauging how well positioned your assets are to see you through retirement depends on how quickly said assets are distributed

Sufficient Tax Diversity to Hedge Future Rates

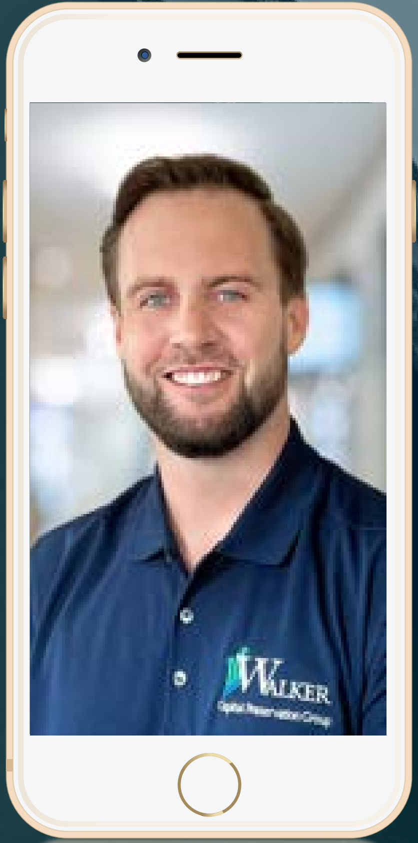
When entering retirement or in the Decisive Decade, be sure to have sufficient safety in your portfolio for the funds intended to pay the bills in near term so as to minimize the potential impact of Sequence of Returns risk

Growth to Keep Up With Inflation

Once enough of the portfolio is positioned safely to fund your lifestyle and to avoid Sequence Risk through the early part of retirement, remaining funds need to put more emphasis on long-term growth in order to keep up with Inflation

Integrate with a Fed Focused Planner

Should you DEFUSE the Tax-Deferred TSP timebomb? Should you have more or less risk? Are you spending your funds down too quickly?



Schedule Here!

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FEDucated Attendees Only

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Step 2: Get a FREE COPY of WELL-FED the best-selling retirement ‘cookbook’

Your Questions

Your Retirement

WCPG’s Services

Retirement Forecasting

Contact Our Team

LEARN MORE @ WALKERCPG.com

Learn more using the WCPG Toolbox on our website – articles, videos, calculators, event replays, and easy scheduling!

SCHEDULE AN INTRODUCITON

Brief phone call with a **WCPG Strategist** to chat & gather data for a personalized Retirement Benefits Forecast - reviewed with you during **Strategy Session**

RETIREMENT BENEFITS FORECAST

Review a powerful analysis that offers a 100% personalized model of your current retirement trajectory including Pensions, SS, & Nest Egg with ability to Stress Test in real time

WCPG STRATEGY RECOMMENDATIONS

Identify Strengths & Weaknesses of current retirement trajectory. Identify WCPG Services that align with your concerns & can help fuel your retirement

THE END!

SCHEDULE HERE

TAX TOOL KIT BONUS MATERIALS

FOUR TAX ADVANTAGES OF HSA's

100% deductible contributions up to a legally mandated maximum amount

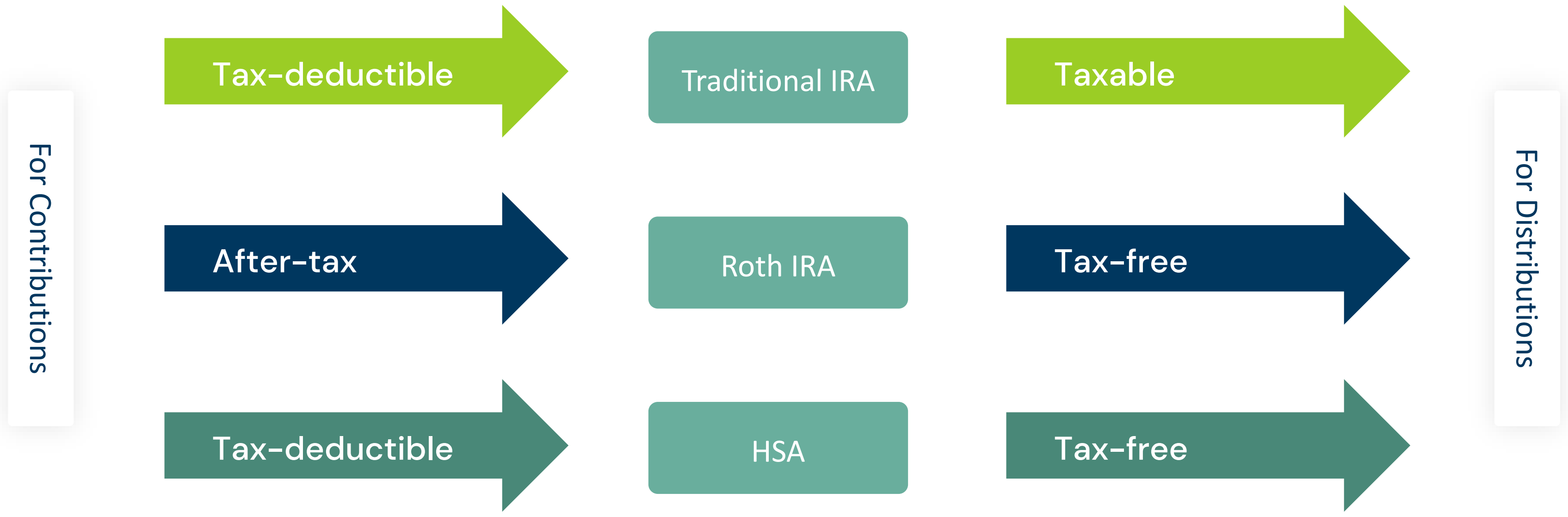
Money withdrawn for medical spending never falls under taxable income

Tax deferred interest earnings

Tax free interest earnings, if money is spent on health care costs

HSA LIMITATION: CONTRIBUTIONS

Tax Treatment of Contributions & Distributions to HSA and Ira Accounts



2023 HSA Contribution Limits:

Individual = $3,850

Family = $7,750

CHARITABLE DONATIONS w QCD's

QCD Versus Traditional IRA Withdrawal

Traditional IRA Withdrawal

Withdraw money from your Traditional IRA

Sent that amount to the charity

Enter that amount as income on your tax form

Enter the amount as an itemized deduction on your tax form

Amount is not taxed as income but is included in Adjusted Gross Income, affecting a host of tax-related items, such as Medicare premiums and surtaxes and your state taxes.

Using a QCD

Traditional IRA custodian to send the distribution directly to the charity

Amount is not taxed as income and not included in Adjusted Gross Income.

CASH VALUE LIFE INSURANCE

A 7702 plan is a tax-advantaged life insurance policy named after the section of RevCode defining it

A 7702 plan can refer to any type of permanent life insurance

CVLI: 4 Distinct Tax-Advantages

Cash Value Grows Tax-Deferred while policy is in-force

Cash Value Withdrawals Can Be Tax-Free on Basis *

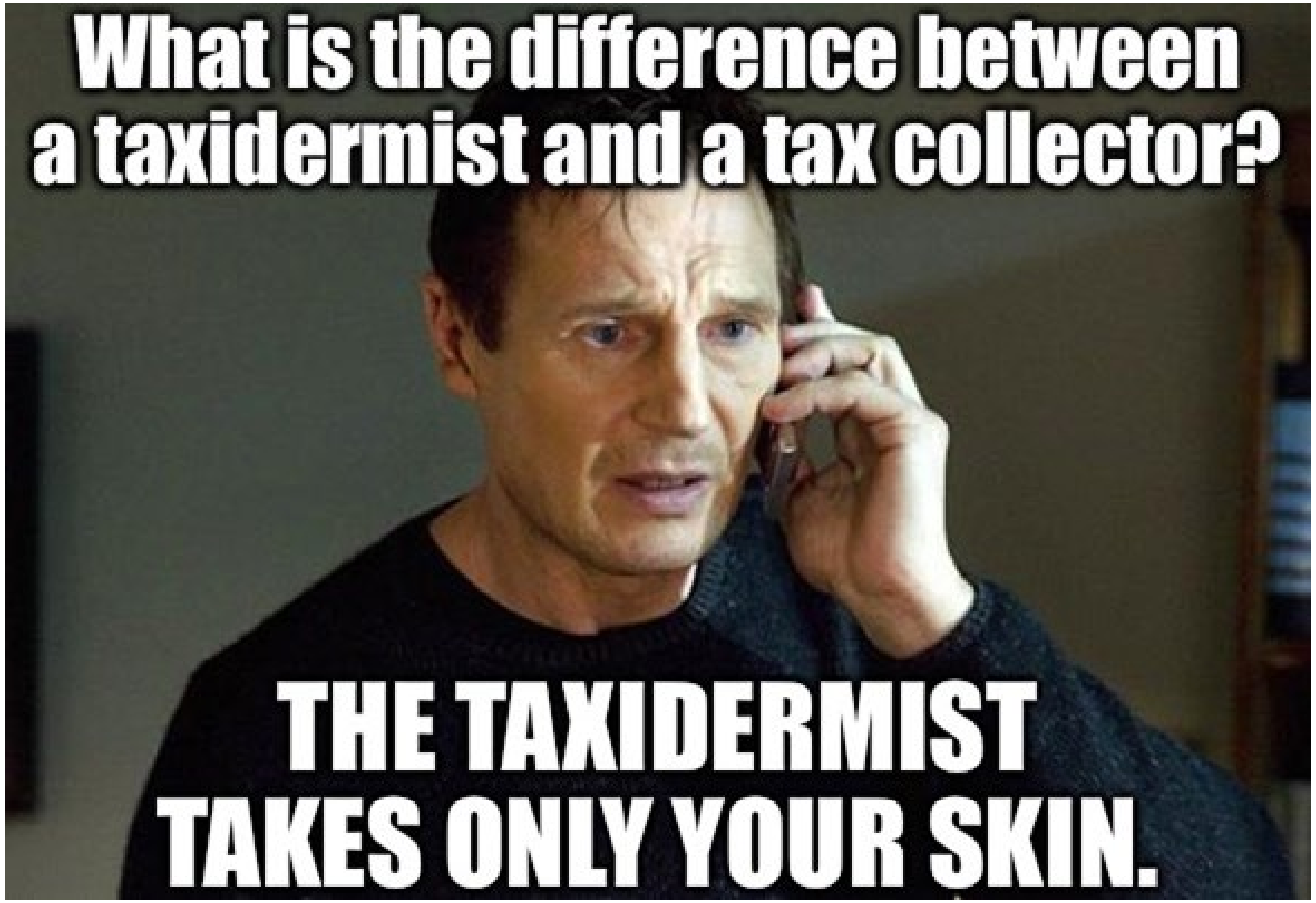
Policy Loans Can Offer Tax-Free Access to Cash Values above Basis (if in-force)

Death Benefit = tax-free legacy to loved ones

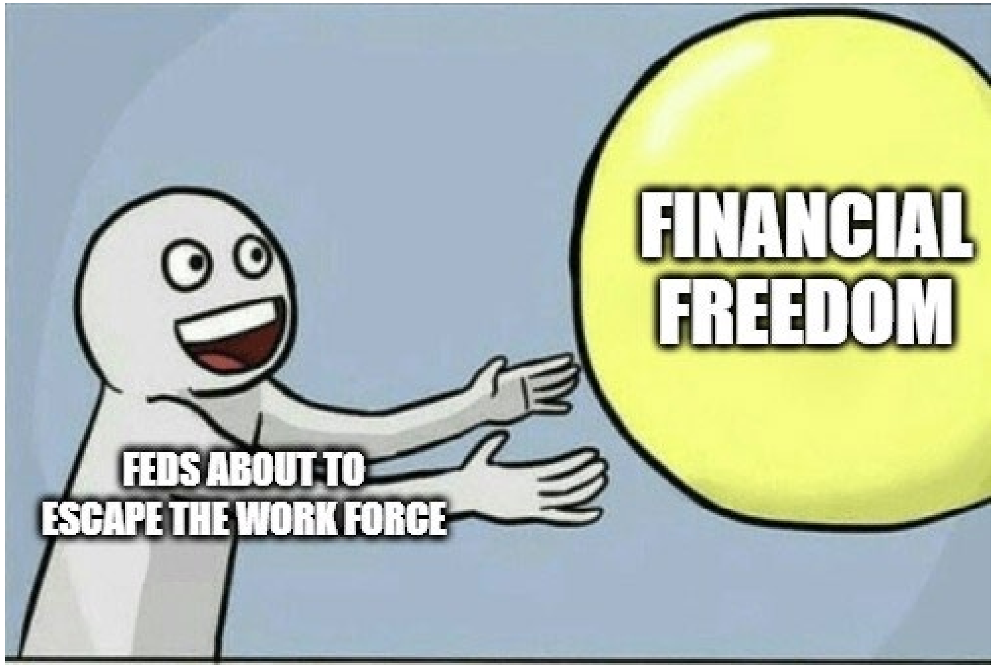
Living Benefit Riders = leveraged, tax-advantaged protection for insured

Policy loans and withdrawals will reduce the available cash value and death benefit and may cause the policy to lapse, or affect guarantees against lapse. Withdrawals in excess of premiums paid will be subject to ordinary income tax. Additional premium payments may be required to keep the policy in force. In the event of a lapse, outstanding policy loans in excess of unrecovered cost basis will be subject to ordinary income tax. If a policy is a modified endowment contract (MEC), policy loans and withdrawals will be taxable as ordinary income to the extent there are earnings in the policy. If any of these features are exercised prior to age 59½ on a MEC, a 10% federal additional tax may be imposed. Tax laws are subject to change and you should consult a tax professional.

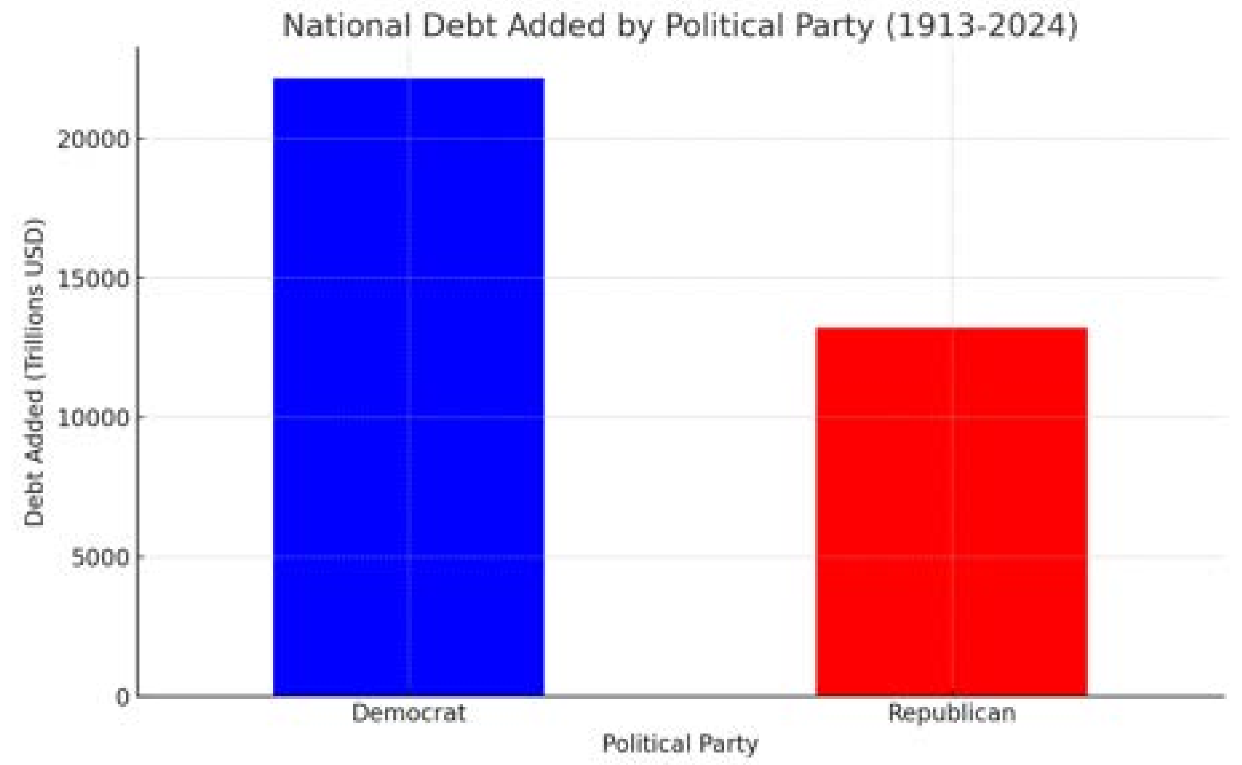
IRS Motto “We have what it takes to take what you have”



CASE STUDY: CARTOON SUMMARY



Borrowing from the Future is Bipartisan



From 1913 to 2024:

•**Democrats** have added approximately **$22.15 trillion** to the national debt.
•**Republicans** have added approximately **$13.22 trillion** to the national debt.

THE END!

SCHEDULE HERE

CONTACT INFORMATION

Ready to get started? Great!

- Schedule your very own Introduction Call below!
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  - 227 W 4th St. #233, Charlotte, NC 28202
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  - Info@walkercpg.com
- **Well-Fed: Cooking Up a Retirement of Abundance by Tom Walker**

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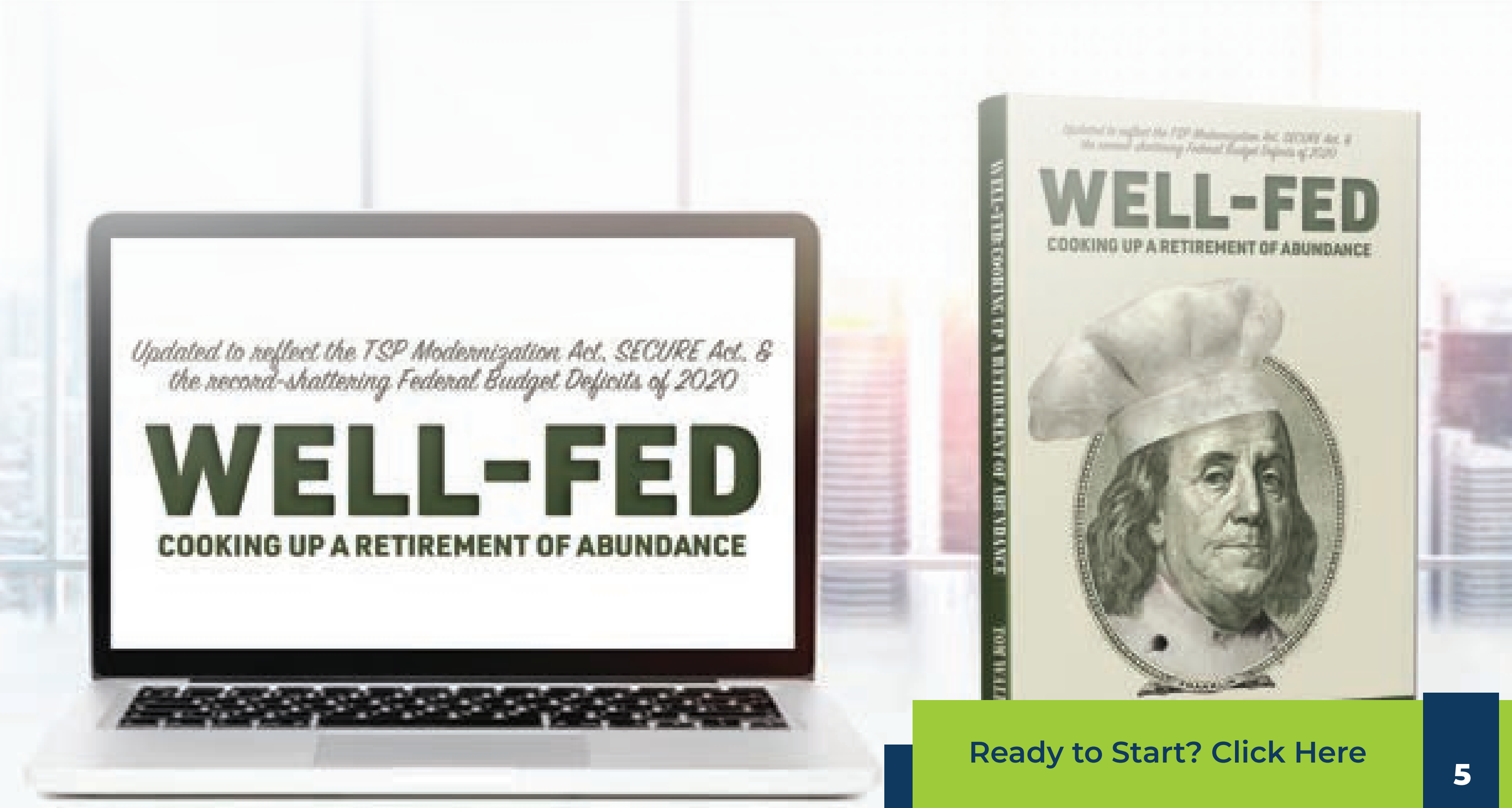

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