

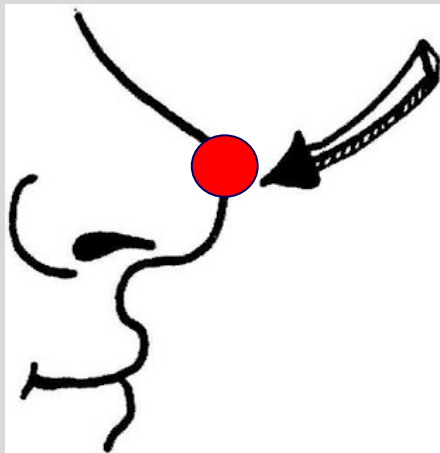
Investing for Successful Retirement

UD Osher – OLLI
Spring 2024

- **Rajeev A. Vaidya**
- **Ron Materniak**
- **Jane Roe-Fox**

Disclaimer in plain language

Disclaimer – in plain language:



Opinions are like noses, everyone has one !

You are going to see mine in this course !!

We are simply sharing our perspective.

This is not investment advice or recommendation.

Ron, Jane and I are not a financial advisors.

This course is for educational purposes only.

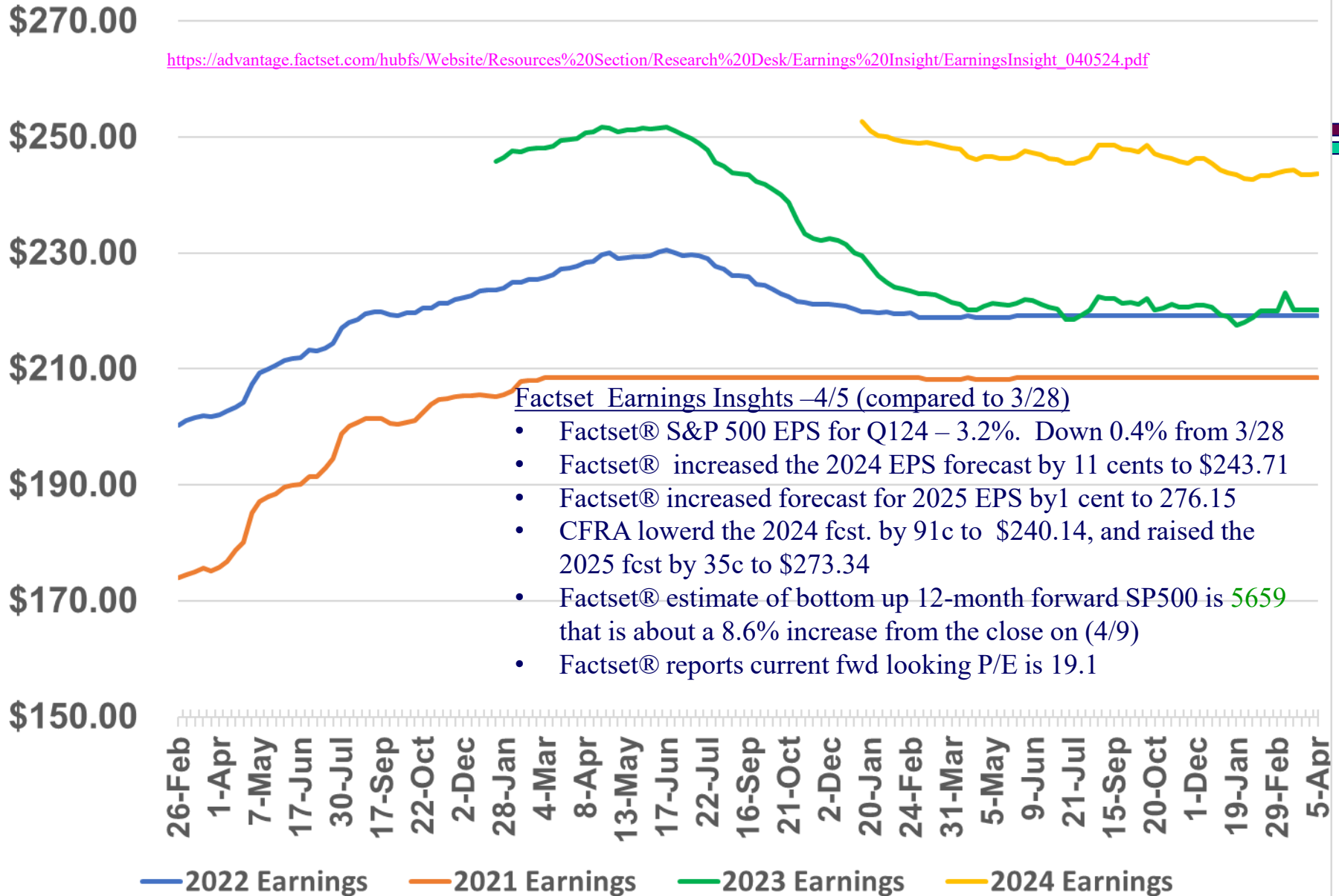
Form your own opinion, make your own investment decisions.

Ninth Class – April 10th

- US Equities Market Review – 20 minutes
- RMDs – Jane Roe Fox

Factset(R) - S&P 500 Calendar year earnings forecast

https://advantage.factset.com/hubfs/Website/Resources%20Section/Research%20Desk/Earnings%20Insight/EarningsInsight_040524.pdf



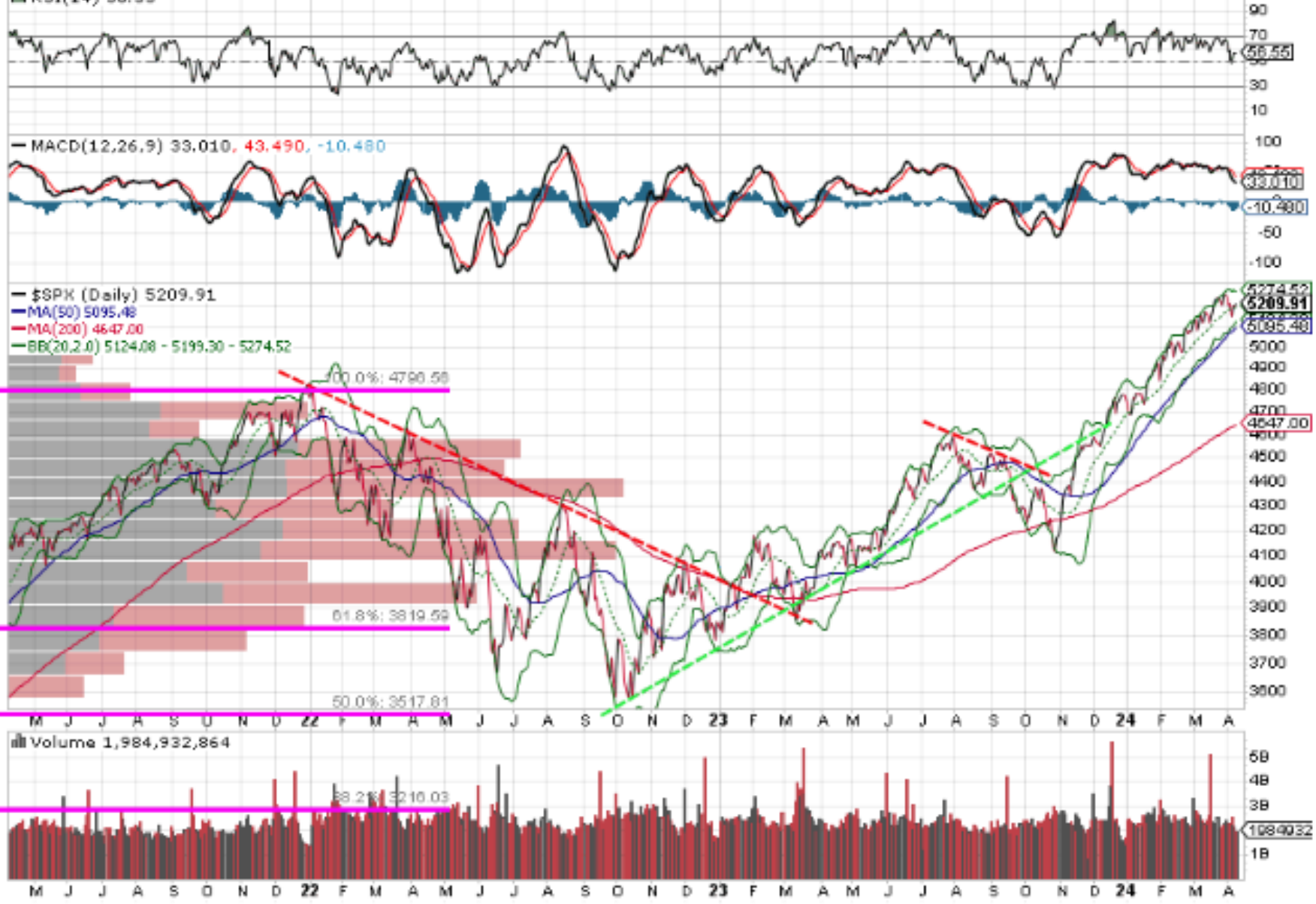
\$SPX S&P 500 Large Cap Index INDX

9-Apr-2024

Open 5217.03 High 5224.81 Low 5180.78 Close 5209.91 Volume 2.0B Chg +7.52 (+0.14%)▲

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▲ RSI(14) 56.55



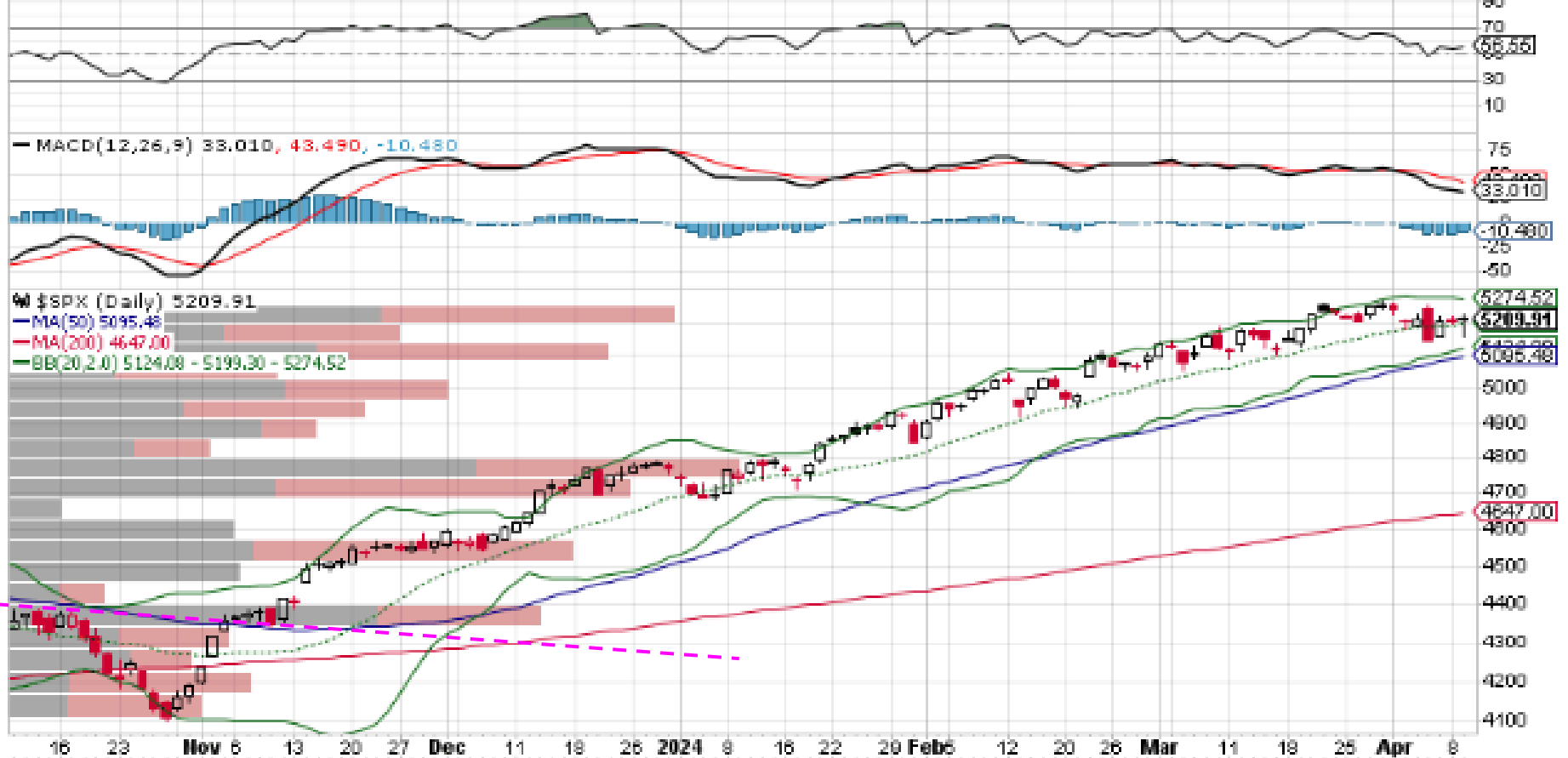
\$SPX S&P 500 Large Cap Index: INDX

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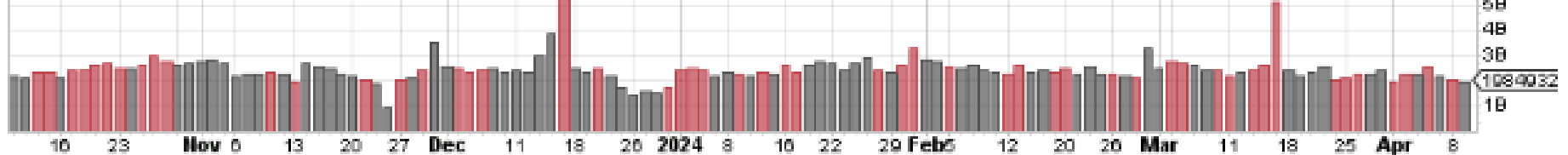
9-Apr-2024

Open 5217.03 High 5224.81 Low 5160.78 Close 5209.91 Volume 2.0B Chg +7.52 (+0.14%) ▲

▲ RSI(14) 56.55



Volume 1.984,932,864



\$NYAD NYSE - Advance-Delay Issues INDX

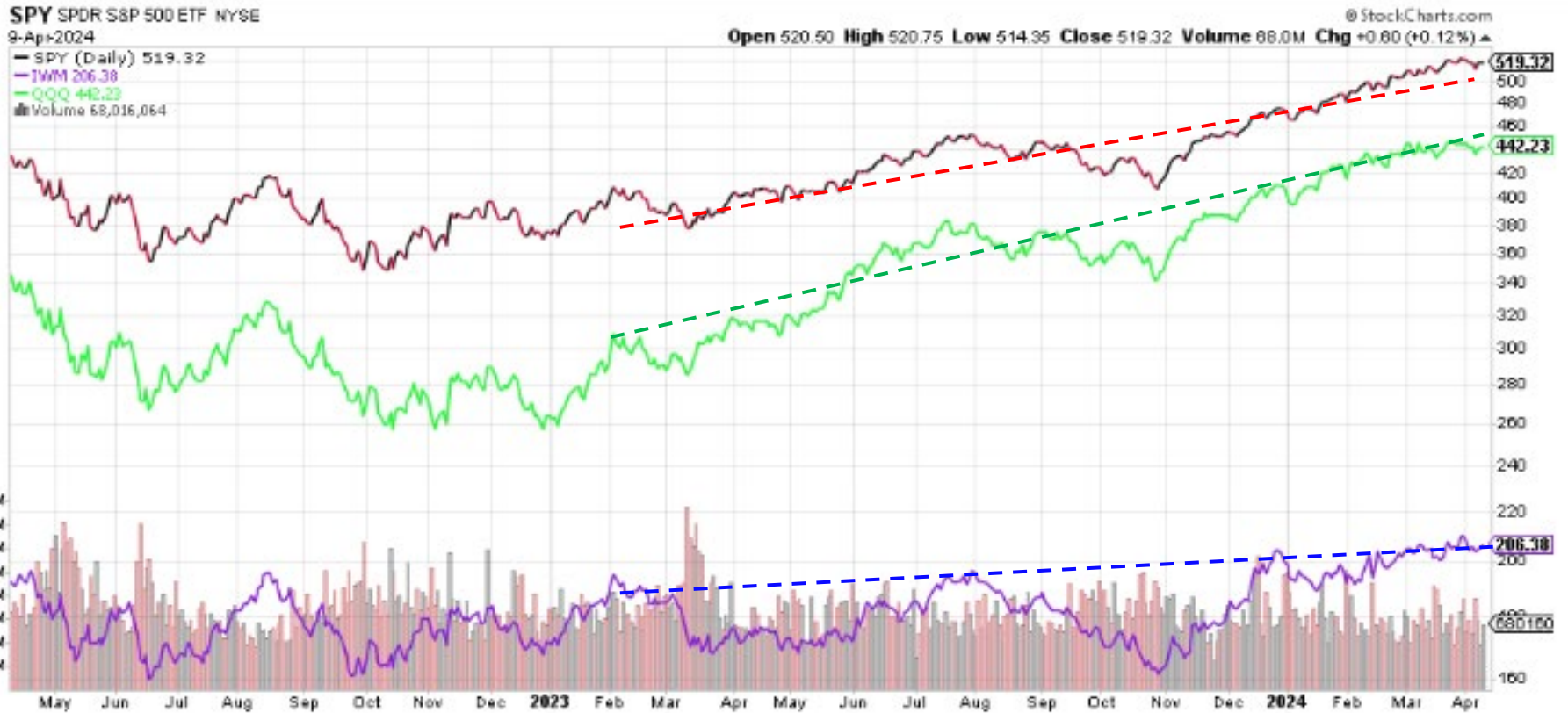
9-Apr-2024

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Open 9247.00 High 9247.00 Low 9247.00 Close 9247.00 Chg +438.00 (+4.97%) ▲



Market Breadth – another way



This is NOT investment advice

Weekly market direction

Prof. Guy Werner

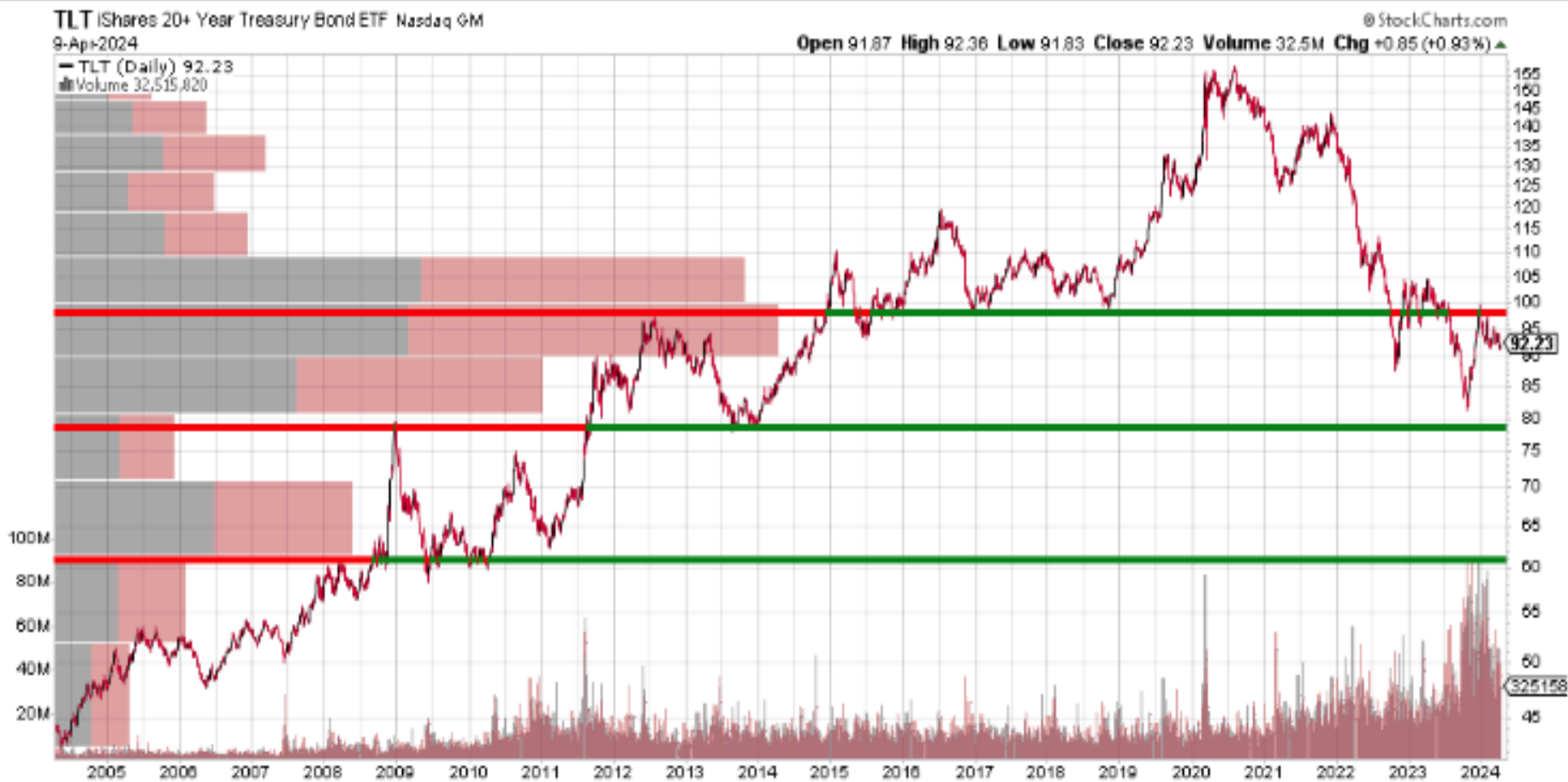
Guy.werner@verizon.net

COLUMNS CD&E ARE FROM IBD AND ARE PROVIDED BY DAVE (IN THE NORTH) SMITH

			APR. MARKET TRIPLE SCREEN (D BY DAILY HIGH SHOWN IN GREEN & LOW SHOWN IN RED)													
			DISTRIBUTION DATE		S&P 500 TRIPLE SCREEN						NASDAQ TRIPLE SCREEN					
	DATE	MARKET PULSE (IBD)	S&P 500	NASDAQ	9:30 FMA	MACD	RSI	CLOSING	Δ	%CHANGE	9:30 FMA	MACD	RSI	CLOSING	Δ	%CHANGE
FRI	03/29/24	GOOD FRIDAY MARKET CLOSED														
SAT	03/30/24	FOR THE WEEK							20	0.30%					-48	-0.30%
SUN	03/31/24	YTD							485	10.17%					1368	9.11%
SUN	03/31/24	FOR THE MONTH							158	3.10%					288	1.79%
MON	04/01/24	CONFIRMED UP (60% - 80%)	6	8	P	0	P	5,243	-11	-0.21%	P	0	P	16,396	17	0.10%
TUE	04/02/24	CONFIRMED UP (60% - 80%)	6	8	P	F	P	5,205	-38	-0.72%	P	F	P	16,240	-156	-0.95%
WED	04/03/24	CONFIRMED UP (60% - 80%)	6	8	P	F	P	5,211	6	0.12%	P	F	P	16,277	37	0.23%
THUR	04/04/24	UPTREND UNDER PRESSURE (40% - 60%)	7	8	P	F	F	5,147	-64	-1.23%	P	F	F	16,048	-228	-1.40%
FRI	04/05/24	UPTREND UNDER PRESSURE (40% - 60%)	7	8	P	F	P	5,204	57	1.11%	P	F	P	16,248	199	1.24%
SAT	04/06/24								-50	-0.95%					-131	-0.80%
SUN	04/07/24								435	9.12%					1237	8.24%
MON	04/08/24	UPTREND UNDER PRESSURE (40% - 60%)	7	8	P	F	P	5,202	-2	-0.04%	P	F	P	16,253	5	0.03%
TUE	04/09/24	UPTREND UNDER PRESSURE (40% - 60%)			P	F	P	5,209	7	0.13%	P	F	P	16,306	53	0.33%

https://drive.google.com/drive/folders/0B6Qc_gipshXMelkQ245d2R1eTQ?resourcekey=0-5pWglNqaJPJ12L2qYurMWg

US Treasuries - long duration



US Dollar - weekly



A rise in the dollar
negative for Big tech
commodities become cheaper

Ninth Class – April 10th

- US Equities Market Review – 20 minutes
- RMDs – Jane Roe Fox

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Tax-Advantaged Retirement Savings

- This talk is for *information only* and only covers a small portion of this topic.
- Please consult your attorney, accountant, private banker, financial advisor, etc., **especially** if you are planning/executing a complex strategy.
- Choose your beneficiaries with consultation from your advisors; how the account and the resulting RMD requirements must be followed may vary.

Tax-Deferred Savings Accounts

- Prior to retirement, accumulation of savings, though not taxed
 - Traditional IRA
 - 401(k), 403(b)
 - But Not ROTH IRAs
- However, the taxman cometh, with the Required Minimum Distribution (RMD).
- However... distributions from these savings accounts can be taken starting at age 59½ with no early withdrawal penalty.
- Taxed at marginal income rates, frequently we end up in a “higher tax bracket” in retirement!
- Remember... the cash distribution from a tax-deferred savings account is income and will be taxed as ordinary income (charitable contributions may mitigate this...).
- The rules for these accounts are different based on the beneficiary: the individual, spouse, inheritor, charity.

What is “Required Minimum Distribution” (RMD)?

- RMDs are the minimum amounts you must withdraw from your tax-advantaged retirement accounts each year.
- RMDs exist because you've been setting aside part of your earnings in a traditional IRA or 401(k) or other tax-advantaged retirement account, you haven't paid income tax on those dollars. The government lets you delay paying taxes, but RMDs are how the government ensures you'll eventually be taxed.
- The starting age is now 73
- the SECURE Act of 2019 and then the SECURE Act 2.0 (passed Dec. 2022) have changed many of the rules
- To reduce the size of future RMDs, consider performing a series of Roth IRA conversions prior to turning 73.

Secure Act 2.0 (Dec. 2022)

- Major overhaul of rules governing retirement plans
- Stated purpose: to further help American citizens in saving for retirement
- Changes discussed here are a small part of the Act
- URLs to IRS websites and other references at the end of this presentation

When Must You Take Your RMD?

- The age that you must begin taking RMDs has increased over the years; recently the SECURE Act of 2019 and then the SECURE Act 2.0 (passed Dec. 2022) have currently increased the starting age to 73.
- If the individual attains age 72 after 12/31/2022, and attains age 73 before 1/1/2033, the individual's Required Beginning Date, (RBD) will be 4/1 of the year following the year the individual attains age 73.
- Starting age will be 75 by 2033.
- Penalty for not taking the RMD is now 25% of untaken amount, which can be reduced to 10% if corrected within 2 years.
- Delay is possible if one is still working past RBD and participating in employer's 401(k)/403(b) plan and has not started RMDs; for that plan only. (This may also apply to part-timers)

How is RMD Calculated

- The RMD amount for each tax-advantaged account is based on your December 31 COB previous-year balance.
- Your account custodian will provide this number.
- If you have multiple tax-advantaged accounts, add together the RMDs.
- This RMD amount may be aggregated and deducted from one or more of your accounts.
- The eligible accounts' year-end balances are divided by the life-expectancy factor found in the IRS Uniform Lifetime Table or the Joint Life Expectancy Table to determine the RMD.
- These tables are provided on our class website, courtesy of Fidelity.
- Your RMD now becomes taxable income for the year, unless other legitimate strategies mitigate or delay.
- Example: for an individual beneficiary, the RMD at age 73 is 3.7%, at age 85 is 6.3% and at age 95 is 11.2%...the IRS' idea is to have the individual "consume" their retirement account in their lifetime.

Asset Location in Retirement Accounts & Effects On The Eventual RMD

- The RMD needs to be taken as cash.
- Equities sold in an IRA to produce this cash will be taxed at the ordinary income tax rate; both accumulated dividends and capital appreciation.
- Equities sold in a taxable brokerage account are subject to capital gains rate.
- Equities inherited receive the “step-up” in a brokerage account.
- However, there is no equities’ “step-up” when a tax-advantaged account is inherited.
- This difference may influence asset location between tax-advantaged and brokerage accounts.

Possible Tax Consequences

There are several...

- IRMAA (Income-Related Monthly Adjustment Amount) a surcharge, is calculated from your AGI + your non-taxable interest (MAGI) from your tax return 2 years prior.
- The yearly IRMAA brackets seem to increase yearly; check out the 2024 IRMAA brackets
- SSA will notify you if you must pay a higher premium for Medicare Part B & D coverage.

The Social Security hit may come as a shock and may affect your monthly cash flow.

- 3.8% surtax on net investment income (lesser of net investment income or the excess modified AGI over \$250K for joint-\$125K for mfsep-\$200K others

RMD's -> Charities, Annuities

- QCD - Qualified Charitable Distribution
- CGA - Charitable Gift Annuity
- QLAC - Qualified Longevity Annuity Contract

Qualified Charitable Distribution (QCD)

- ❑ QCD allows a donor to instruct the account administrator to send up to \$105K for 2024, indexed for inflation (all or part of the annual RMD) to one or more qualifying charities.
- ❑ Donor-advised funds are excluded.
- ❑ Charitable contributions are outside of your standard deduction or Schedule A.
- ❑ Don't wait to do this in the later part of the year.
- ❑ Check that the charity receives and negotiates the check.
- ❑ Make sure the charity sends you a letter recognizing the donation and that no goods or services were provided in return for the donation.

Charitable Gift Annuity (CGA)

- CGA allows a donor to instruct the account administrator to send up to \$53K for 2024, indexed for inflation to one or more qualifying charities. It will count as all or part of your RMD and therefore excluded from taxable income.
- A once-in-a-lifetime distribution from your IRA.
- Usually, the charity begins payouts back to the donor immediately.
- The income tax consequences of the payouts will vary.
- The funds transfer is irrevocable.
- The payout flow is only as safe as the charity is sound.

Qualified Longevity Annuity Contracts (QLACs)

- Another way to defer RMD taxes: Qualified Longevity Annuity Contracts (QLACs), offered by insurance companies, are one possibility for deferring RMD taxes. You can use the money from your 401(k) or IRA to purchase the annuity, omitting that amount from your required minimum distribution calculations.
- A QLAC is a retirement strategy where a portion of required minimum distributions (RMDs) are deferred. QLACs provide protection, guarantee a monthly income for life; and defer taxes from RMDs. For these reasons, the best age to buy a QLAC is around 65 or older. The SECURE 2.0 Act allows moving up to \$200,000 (lifetime) from a retirement plan to a QLAC.
- When your QLAC-generated income starts in retirement, the income payments will be taxed at regular income tax rates. The other benefit is that QLACs are exempt from required minimum distributions until age 85, so you can defer your income payments and taxes for longer with income from a QLAC.
- Disadvantage- the income payments may not keep up with inflation.

Some Common Special Cases- Get Professional Guidance

- Inheriting from a deceased spouse that had not begun taking RMDs
- The 10-year rule
- Beneficiaries of the deceased IRA owner that are the spouse, minor children, chronically ill, disabled, not more than 10 years younger
- Spousal Contribution- to the spouse with less or no income

IRA Custodian Services

- Calculates and notifies the beneficiary on \$RMD owed in a calendar year, available in January of that year
- Monthly distributions, if requested
- Pays Estimated Taxes, if requested
- Financial Planning, if requested
- Others?

Further Information

- IRS-Retirement Plans

<https://www.irs.gov/retirement-plans/plan-participant-employee/retirement-topics-required-minimum-distributions-rmds>

- IRS-Pub 590b

<https://www.irs.gov/forms-pubs/about-publication-590-b>

- <https://www.fidelity.com/building-savings/learn-about-iras/rmd>

- Schwab.com -> "IRA RMD" in search box

Tenth Class – April 17th

- US Equities Market Review – 20 minutes
- Managing Risk

Thanks !!

- Happy Investing !!

- **My EMail**

 - diyinvst@udel.edu

- **Class website**

 - <http://udel.edu/~diyinvst>