



Patrick H. Yanke, CFP®
Branch Manager

5540 Centerview Drive, Suite 200 | Raleigh, NC 27606
919-306-5811 | 800-513-2812 | Fax: 919-375-2303
patrick.yanke@yankefinancial.com
www.yankefinancial.com

Retirement Planning Presentation

Summary

Retirement is an end of life phase. It's important to consider sustainable income for both spouses for the remainder of both lives. Effective retirement planning is coupled with estate planning.

We are not to love wealth. We should use it for the glory of God. God speaks to us of stewardship. Just as Joseph saved the excess grain to prepare for famine in Genesis, so do we save our excess income today for our future retirement. Failing in this makes us a burden to others who shoulder our needs in addition to their own. We want to not be worldly. However, when we eat and drink or rest our heads, a price has been paid—by us or on our behalf. We should be good stewards and store up grain to sustain us in leaner days.

Section 1: Retirement Landscape

There are few things directly in our control when it comes to retirement. We can choose how we save and spend and where we invest our wealth. How much we make and how long we live are only somewhat controllable to the extent we can add sources of income and practice healthy living. Market returns and government policy affecting the economy and retirement programs are completely beyond our control. We simply do what we can and make decisions within existing paradigms.

Retirement is inevitable. At some point, all of us will slow down due to aging or illness. When that happens, we must have a plan for our savings to sustain us for all that comes later. Given greater life-expectancies, we must be prepared for our assets to grow beyond the rate of inflation or daily financial demands will eat away at our savings over time. Few of us can rely on defined benefit plans (like pensions) as our parents did to provide stable and lasting income for the remainder of our lives. We must be proactive and knowledgeable. We must be ready to step aside for the next generation.

One of the areas of significant consideration is the question of when to take Social Security benefits. Taking benefits early subjects the income to earnings tests that will see much of the income withheld, if we are not careful. Although we will receive the withheld funds back at full retirement age (FRA), we will continue with the reduced income due to starting early. Once we reach FRA, there is no longer an earnings test. Waiting to take Social Security income until age 70 is a question of longevity. The crossover point for taking lower income for a longer period vs waiting for higher income is generally about age 81. If family history suggests longevity beyond age 81, waiting until age 70 will give the greatest retirement benefit. However, most people are unable to wait. We will usually start Social Security with a common trigger event... we need the money to maintain our standard of living.

Section 2: Saving

Once we have a clear picture of the retirement landscape, we can make a savings plan to reach our goals. The greater the income need in retirement, the less we can rely on Social Security to meet those needs. The benefits are capped so greater needs will require greater savings. Similarly, waiting to start a savings plan will require savers to be much more aggressive in their strategy with fewer years to prepare. The best plan is to start as soon as able and be consistent. Allowing compounded returns of equity investments to grow long-term assets should help meet long-term needs.

Make use of tax-advantaged accounts. In Traditional IRAs and 401Ks, we receive a tax deduction now and pay tax when funds are withdrawn. In Roth accounts, we do not get a tax deduction now so retirement withdrawals are tax-free (as long as we meet holding requirements). Both are tax-deferred so taxes aren't owed on dividends and capital gains while we wait. Participating in Traditional or Roth accounts is a question of where we get our best benefit. A high-earner in a high tax bracket gets his best benefit from a current year tax-deduction. Lower earners would save less with a current tax deduction and may get their best benefit from tax-free withdrawals in retirement. Between them is a judgement call and an issue of

preference. Don't neglect health savings accounts (HSA). These are the only triple tax-advantaged accounts. If we qualify, we get a tax deduction for current year deposits, assets in the account grow tax-deferred, and there is no tax on withdrawals if used for qualifying health expenses.

Section 3: Spending

Prepare for a long retirement. It's not just about the active years when we envision travel and visiting with friends and family. We will also experience a time when we aren't as active which will be followed by convalescence—when health care and long-term care (LTC) costs tend to soar. We have to plan for all of the stages—for both spouses.

We should have an asset mix appropriate for our risk-tolerance and also positioned to sustain income for the remainder of life. Volatility in the markets tends to favor savers—it helps build wealth. In retirement, volatility can make sustaining income difficult. The emergency fund we needed when earning our wealth is still important in retirement—using it during market downturns can help preserve investment assets.

Healthcare costs will be a big part of retirement. If we retire before age 65, we will get healthcare coverage from the Marketplace... and it is expensive. When eligible, Medicare isn't free, either. Premiums for Medicare tend to rise during retirement as our physical needs become greater. Also, our retirement income (if high enough) may subject us to surcharges on our monthly Medicare premiums. We have to save for the cost of healthcare in retirement. HSAs are a fantastic tool for this universal need.

Long-Term Care (LTC) is another fairly universal need at some point in retirement. Statistics show that a 65 year-old has about a 70% chance of a LTC need sometime before death (ref: LongTermCare.gov). Spouses tend to take care of each other as much as possible but surviving spouses will have to rely on children, friends, or insurance. When all other avenues and resources have been exhausted, there is Medicaid for the indigent. This whole process is much easier when we plan ahead and do everything we can to take care of ourselves and each other before relying on the State.

Section 4: Investing

The timeframe for needing our funds can drive our investment decisions. Our short-term needs are generally met with cash on hand. Because we don't know when an emergency will occur, we also keep our emergency funds in cash. Our medium term goal is to grow our money but preserve our capital. There tends to be a mix between equities and debt to manage stability. These funds will usually be needed in the next 5-10 years. Our long-term assets (15+ years in the future) should largely be invested in equities to take advantage of market growth potential. This is true during both the saving and retirement years.

While we are working and earning, we tend to focus on wealth-accumulation. We save and invest to keep some of what we earn today for when it will be needed in the future. When we reach retirement, our perspective changes to income. The wealth we saved must then provide an income to meet our ongoing obligations for housing, food, utilities, healthcare, et al. It's about cash-flow—making sure income is greater than outflow. To that end, we tend to structure our investments to make sure we can sustain our income for the lifetime of both spouses. Using protected lifetime streams of income will become the foundation of our financial well-being.

We tend to use money differently in retirement, as well. Where we used to give to charity directly from our cash savings, we may shift to using IRA assets (after age 70 ½) as qualified charitable distributions (QCD) so we get a tax benefit for these contributions.

Section 5: Defined Contribution

Take advantage of tax-advantaged accounts on the way to retirement. If your employer will match contributions, an investor is wise to take advantage of this “free money” that can only help build retirement savings. Beware of pitfalls like taking loans from retirement accounts that hurt the long-term advantages of these savings vehicles.

DISCLOSURES

The foregoing information has been obtained from sources considered to be reliable, but we do not guarantee that it is accurate or complete, it is not a statement of all available data necessary for making an investment decision, and it does not constitute a recommendation. Any opinions are those of Patrick Yanke and not necessarily those of Raymond James.

Every investor's situation is unique and you should consider your investment goals, risk tolerance and time horizon before making any investment. Prior to making an investment decision, please consult with your financial advisor about your individual situation.

Investing involves risk and you may incur a profit or loss regardless of strategy selected.

Contributions to a traditional IRA may be tax-deductible depending on the taxpayer's income, tax-filing status, and other factors. Withdrawal of pre-tax contributions and/or earnings will be subject to ordinary income tax and, if taken prior to age 59 1/2, may be subject to a 10% federal tax penalty.

Unless certain criteria are met, Roth IRA owners must be 59½ or older and have held the IRA for five years before tax-free withdrawals are permitted. Additionally, each converted amount may be subject to its own five-year holding period. Converting a traditional IRA into a Roth IRA has tax implications. Investors should consult a tax advisor before deciding to do a conversion.

401(k) plans are long-term retirement savings vehicles. Withdrawal of pre-tax contributions and/or earnings will be subject to ordinary income tax and, if taken prior to age 59 1/2, may be subject to a 10% federal tax penalty.

Matching contributions from your employer may be subject to a vesting schedule. Please consult with your financial advisor for more information.

Raymond James and its advisors do not offer tax or legal advice. You should discuss any tax or legal matters with the appropriate professional.

A fixed annuity is a long-term, tax-deferred insurance contract designed for retirement. It allows you to create a fixed stream of income through a process called annuitization and also provides a fixed rate of return based on the terms of the contract. Fixed annuities have limitations. If you decide to take your money out early, you may face fees called surrender charges. Plus, if you're not yet 59½, you may also have to pay an additional 10% tax penalty on top of ordinary income taxes. You should also know that a fixed annuity contains guarantees and protections that are subject to the issuing insurance company's ability to pay for them.

With variable annuities, any withdrawals may be subject to income taxes and, prior to age 59 1/2, a 10% federal penalty tax may apply. Withdrawals from annuities will affect both the account value and the death benefit. The investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost.

Reference Slides Follow



Traditional IRAs vs. Roth IRAs: 2022/2023

	Traditional IRA	Roth IRA
Maximum contribution 2023	<ul style="list-style-type: none"> • \$6,500 (earned income) • \$7,500 (age 50 and over)¹ • Reduced by Roth IRA contributions 	<ul style="list-style-type: none"> • \$6,500 (earned income) • \$7,500 (age 50 and over)¹ • Reduced by Traditional IRA contributions
Tax-deductibility income limits (Traditional IRA) and contribution income limits (Roth IRA)	<p>If you or your spouse is covered by a retirement plan at work, tax deductibility of contributions phases out at these income levels:</p> <p>2022 Single: \$68,000-\$78,000² Married: \$109,000-\$129,000²</p> <p>2023 Single: \$73,000-\$83,000² Married: \$116,000-\$136,000²</p>	<p>Contributions are non-deductible; employer plan coverage does not change the contribution phase-out limits:</p> <p>2022 Single: \$129,000-\$144,000 Married: \$204,000-\$214,000</p> <p>2023 Single: \$138,000-\$153,000 Married: \$218,000-\$228,000</p>
Federal tax treatment	<ul style="list-style-type: none"> • Investment growth is tax deferred and contributions may be tax deductible. Deductible contributions and investment gains are taxed as ordinary income upon withdrawal. • If non-deductible contributions have been made, each withdrawal is taxed proportionately on a pro-rata basis, taking into consideration all contributions made to all Traditional IRAs owned. 	<ul style="list-style-type: none"> • Taxes are due upon conversion of account balances not yet taxed. • Qualified withdrawals of contributions at any time are tax free and IRS penalty free; converted amounts may be withdrawn tax free.³ • Qualified withdrawals of earnings are tax free and IRS penalty free if taken after five years have passed since the account was initially funded and the account owner is age 59½ or older (other exceptions may be applicable). • Multiple Roth IRAs are considered one Roth IRA for withdrawal purposes and distributions MUST be withdrawn in a specific order deemed by the IRS that applies regardless of which Roth IRA is used to take that distribution.
Early withdrawals	Early withdrawals before age 59½ are generally subject to a 10% IRS penalty unless certain exceptions apply.	
Mandatory withdrawals	By April 1 of the year after one's RMD age: 70½ for those born prior to July 1, 1949; 72-75 for those born after July 1, 1949 (see slide 11).	None for account owner
Deadline to contribute	<p>2022: April 15, 2023</p> <p>2023: April 18, 2024</p>	<p>2022: April 15, 2023</p> <p>2023: April 18, 2024</p>

Reference

¹Must be age 50 or older by December 31 of the contribution year. IRS Publication 590.

²Assumes participation in an employer's retirement plan. No income limits apply when investors and spouses are not covered by a retirement plan at work. Income limits based on Modified AGI (Adjusted Gross Income less certain deductions). Use Worksheet 1-1 in IRS Publication 590-A or consult your tax professional.

³Distributions from a conversion amount must satisfy a five-year investment period to avoid the 10% penalty. This pertains only to the conversion amount that was treated as income for tax purposes. The presenter of this slide is not a tax or legal professional. Clients should consult a personal tax or legal professional prior to making any tax- or legal-related investment decisions. IRS Publication 590.

Source: IRS.gov; IRS Notice 2022-55.



Retirement plan contribution and deferral limits: 2022/2023

Type of Retirement Account	Specifics	2022	2023
401(k), 403(b), 457(b)	401(k) elective deferral limit/with catch-up contribution (age 50 and over)	\$20,500/\$27,000	\$22,500/\$30,000
	Annual defined contribution limit	\$61,000	\$66,000
	Annual compensation limit	\$305,000	\$330,000
	Highly compensated employee threshold	\$135,000	\$150,000
	403(b)/457 elective deferrals/with catch-up contribution (age 50 and over)	\$20,500/\$27,000	\$22,500/\$30,000
SIMPLE IRA	SIMPLE employee deferrals/with catch-up deferral (age 50 and over) ¹	\$14,000/\$17,000	\$15,500/\$19,000
SEP IRA	Maximum contribution ²	\$61,000	\$66,000
	SEP minimum compensation	\$650	\$750
	SEP annual compensation limit	\$305,000	\$330,000
Health Savings Account (HSA)	Maximum contribution amount/with catch-up contribution (age 55 and over)	Single: \$3,650/\$4,650 Family: \$7,300/\$8,300	Single: \$3,850/\$4,850 Family: \$7,750/\$8,750
	Minimum deductible	Single: \$1,400 Family: \$2,800	Single: \$1,500 Family: \$3,000
	Maximum out-of-pocket expenses	Single: \$7,050 Family: \$14,100	Single: \$7,500 Family: \$15,000
Social Security	Wage base	\$147,000	\$160,200
	Maximum earnings test exempt amounts ³	\$19,560/year (before FRA*) \$51,960/year (in year of FRA*)	\$21,240/year (before FRA*) \$56,520/year (in year of FRA*)
	Maximum Social Security benefit at FRA*	\$3,568/month	\$3,808/month
Defined benefit – Maximum annual benefit at retirement		\$245,000	\$265,000

Reference

*FRA is Full Retirement Age for Social Security. Assumes FRA at age 67. Maximum benefit if FRA is age 66: \$3,240/month in 2022 and \$3,506/month in 2023.

¹Employer may either match employee's salary reduction contributions dollar for dollar up to 3% of employee's compensation or make non-elective contributions equal to 2% of compensation up to the annual compensation limit. IRS Publication 560.

²Employer contributions may not exceed the annual defined contribution limit or 25% of compensation. Other rules apply for self-employed individuals. IRS Publication 560.

³In calendar years before FRA, benefit reduced \$1 for every \$2 of earned income above the limit; during year of FRA, benefit reduced \$1 for every \$3 of earned income in months prior to FRA.

Source: IRS.gov; IRS Notice 2022-55; IRS Notice 2022-24; SSA.gov; Social Security Administration Fact Sheet: 2023 Social Security changes.



A closer look at tax rates: 2023

Federal income tax rates applicable to taxable income

Tax rate	Single filers	Married filing jointly	Capital gains & dividends	Medicare tax on earned income	Medicare tax on investment income	Limits to itemized deductions
10%	Up to \$11,000	Up to \$22,000	0% up to \$44,625 (single) / \$89,250 (married)	1.45% (employee portion, employers also pay 1.45%)	0%	<ul style="list-style-type: none"> -Medical expenses greater than 7.5% of AGI deductible -SALT (state and local taxes) deduction capped at \$10,000 -Mortgage interest deduction limited to primary/secondary homes with up to \$750,000 new debt. Deduction is allowed on new home equity debt that is used to repair, build or improve upon home -Cash charitable gifts deductible up to 60% of AGI
12%	\$11,000-\$44,725	\$22,000-\$89,450				
22%	\$44,725-\$95,375	\$89,450-\$190,750				
24%	\$95,375-\$182,100	\$190,750-\$364,200				
32%	\$182,100-\$231,250	\$364,200-\$462,500				
35%	\$231,250-\$578,125	\$462,500-\$693,750	15% up to \$492,300 (single) / \$553,850 (married)	2.35% (includes 1.45% employee tax referenced above plus additional 0.90% tax for earned income above MAGI* \$200,000/\$250,000 threshold)	3.80% (additional tax will be levied on lesser of i) net investment income or ii) excess MAGI above \$200,000/\$250,000 threshold)	
37%	\$578,125 or more	\$693,750 or more	20%			

The personal exemption has been repealed and individual tax rates and personal deductions sunset after 2025 as per the TCJA 2017.

Standard deduction: Single \$13,850; Married filing jointly \$27,700.

*Modified Adjusted Gross Income (MAGI) is AGI plus amount excluded from income as foreign earned income, tax-exempt interest and Social Security benefit.

Top/tax rates for ordinary income, capital gains and dividend income

Type of gain	Maximum rate	Alternative Minimum Tax (AMT) exemption**		
		Filing status	Exemption	Exemption phase-out range
Top rate for ordinary income & non-qualified dividends	37%/40.8%*			
Short-term capital gains (assets held 12 months or less)	37%/40.8%*	Single/Head of Household	\$81,300	\$578,150-\$903,350
Long-term capital gains (assets held more than 12 months) & qualified dividends	20%/23.8%*	Married filing jointly	\$126,500	\$1,156,300-1,662,300

*Includes top tax rate plus 3.8% Medicare tax on the lesser of net investment income or excess of MAGI over threshold (single threshold \$200,000; married filing jointly \$250,000).

**The exemption amount is reduced .25 for every \$1 of AMTI (income) above the threshold amount for the taxpayer's filing status. For AMTI above the top range the exemption will be \$0.

Federal estate, generation-skipping transfer (GST) tax & gift tax exemption

Top federal estate tax rate	40%
Federal estate, GST & gift tax exemption	\$12.92 million per individual/\$25.84 million per couple*
Annual gift tax exclusion	\$17,000 per donor, per donee (\$34,000 per couple)

*Increased levels expire after 2025.

Source: IRS.gov. The presenter of this slide is not a tax or legal professional. This slide is for informational purposes only and should not be relied on as tax or legal advice. Clients should consult their tax or legal professional before making any tax- or legal-related investment decisions.



Options to consider when retiring or changing jobs

There are typically four options to consider when leaving your current employer’s retirement plan, each with benefits and considerations.

Options	Potential benefits	Considerations
<p>1. Roll the retirement account into an IRA account (IRA rollover)</p> <p>(May also roll the Roth 401(k) portion of a retirement account into a Roth IRA)</p>	<ul style="list-style-type: none"> No income taxes or penalties for a direct rollover¹ Assets maintain tax-deferred status Ability to make additional contributions subject to income limitations² Potential for a broader range of investment choices Opportunity to consolidate multiple retirement accounts If balance includes employer stock, may be eligible for preferable tax treatment (Net Unrealized Appreciation) if the stock is not rolled over³ 	<ul style="list-style-type: none"> Loans are not allowed Fees may vary, and may be higher than what is charged in an employer plan
<p>2. Leave the money in former employer plan</p>	<ul style="list-style-type: none"> Not a taxable event Assets maintain tax-deferred status If you are at least age 55 and are separated from service, you may be able to take withdrawals without penalties from your most recent employer’s plan 	<ul style="list-style-type: none"> Investment options vary according to the plan and may be more limited Ability to leave assets in the plan as well as ongoing plan options are subject to policies and contractual terms of the plan Some plans may not provide periodic payments to retirees Fees may differ depending on plan size
<p>3. Move the assets into a new employer plan</p>	<ul style="list-style-type: none"> No income taxes or penalties for a direct rollover¹ Assets maintain tax-deferred status New employer plan may allow loans Ability to make additional contributions potentially with a company match 	<ul style="list-style-type: none"> Investment options vary according to the plan and may be more limited Assets are subject to policies and contractual terms of new employer plan Fees may differ depending on plan size
<p>4. Withdraw balance of assets or “cash out” of plan</p>	<ul style="list-style-type: none"> Individual may use the remaining funds (after taxes and potential penalties) for other purposes 	<ul style="list-style-type: none"> Upon withdrawal, account balance is subject to ordinary income tax on pre-tax contributions and investment earnings 20% automatically withheld for taxes upon distribution Additional 10% withdrawal penalty tax may apply for owners younger than age 59½ Additional federal, state or local income taxes may apply Loss of tax-deferred growth of assets

¹In a direct rollover, qualified retirement assets are transferred directly from the former employer plan to the institution holding the new IRA or plan account, and no taxes or penalties will apply. If an owner chooses to receive the plan assets first, the distribution is subject to 20% mandatory withholding and the entire amount of the distribution must be deposited into a new plan or IRA account within 60 days of receipt to avoid taxes and penalties.

²Subject to IRA contribution limits: \$6,500 in 2022 (\$7,500 if age 50 or older). Tax deductibility of traditional IRA contributions varies by income if covered by a retirement plan at work. Single filers may make Roth contributions if MAGI is \$138,000 or below; married filing jointly if MAGI is \$218,000 or below; phase-outs on contributions thereafter.

³With the Net Unrealized Appreciation (NUA) strategy, an employee may transfer the employer stock portion of a retirement account to a brokerage account. The employee pays ordinary income tax on the cost basis of the stock at the time of transfer but will owe capital gains tax when he/she later sells the stock.



Is an annuity right for you?

RISK TOLERANCE	CONTRACT GROWTH AND PAYOUT	TYPE OF ANNUITY	CHARACTERISTICS
Low	Fixed rate of growth Fixed income payout	Fixed Rate Annuity	Purchase payments grow at a fixed or market rate for a specified period
		Deferred Income Annuity (DIA)	Often purchased to provide income in late retirement years ¹
		Qualified Longevity Annuity Contract (QLAC)	May transfer 100% of account value up to \$200,000 from retirement accounts to fund annuity; this amount is exempt from RMDs Must begin distributions by age 85 or as specified by contract
		Single Premium Immediate Annuity (SPIA)	Single premium purchase payment in exchange for an income stream
Low/ Moderate	Variable rate of growth tied to an index, variable income payout ³	Fixed Indexed Annuity (FIA)	Account growth is capped in exchange for downside protection ² Most contracts provide guaranteed minimum fixed growth
		Registered Index-Linked Annuity (RILA)	Account growth is capped (typically higher than a FIA) but can lose value up to a maximum percentage of loss (or “floor”) during a down market ²
Moderate	Variable rate of growth, variable income payout ³	Variable Annuity (VA)	Purchase payments are invested in subaccounts like mutual funds Guaranteed living benefits (“GLBs”) ³ may be available for additional cost to provide minimum guaranteed account growth and/or minimum guaranteed retirement income
Moderate/ High	Variable rate of growth, variable income payout ³	Investment Only Variable Annuity (IOVA)	Purchase payments invested in a variety of subaccounts, including alternatives and hedge funds Used for tax deferral, estate planning and asset location Available with cost-of-living increase in exchange for reduced payments

Reference

¹DIA's are also known as longevity annuities and purchased during healthy years to provide income in later years when illness, dementia or other disability may set in and hinder sound income planning decisions. ²Some contracts contain caps on growth and limit gains attributable to the account based on participation rate or other factors. ³Guaranteed living benefits and death benefits may be available with certain fixed and variable annuity products at additional cost.

While non-qualified annuities are not generally subject to RMDs, state laws requiring contract annuitization may apply. All guarantees are based on the claims-paying ability of the issuing insurance company. When evaluating the purchase of a variable annuity, clients should be aware that variable annuities are long-term investment vehicles designed for retirement purposes and will fluctuate in value; annuities have limitations; and investing involves market risk, including the possible loss of principal. Source: J.P. Morgan Asset Management analysis.