Know Before You Go!

Presented By Kim Dyer and Pam Prine
Keystone Capital Management Group

KEYSTONE
CAPITAL MANAGEMENT GROUP, LLC

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A Bit About Me:

- CEPA Certified (Certified Exit Planning Advisor)
- EA (Enrolled Agent)
- MBA University of Nebraska
- BS in Accounting, University of Wyoming
- 20+ Years in Accounting and Administration
- Moved into Financial Planning in 2006
- FINRA Series 7 and 66
- Licensed in AZ, CO, MT, WY

** Passionate about helping my clients succeed in their retirement income, estate planning and financial goals.*

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-20 years experience as a Financial Advisor

- FINRA Series 6, 7, 63 and 65 Fiduciary
- Licensed in AZ, ID, NJ, NY, NV, UT and OR
- National Social Security Advisor Certificate Holder
- Dementia Friendly America® Action Committee Member, Glendale AZ Chapter
- Dave Ramsey SmartVestor Pro
- Specializes in Working with Women
- Board of Dir, Senior Independent Living Community
- AZ Resident since 1985
- Married 43 yrs., 3 children and 9 grandchildren

** Through personal and professional experience, I understand the unique challenges and communication barriers that exist for clients, particularly women, in relating to finance and investments. I'm dedicated to their success.*

Pamela B. Prine
Financial Advisor

Kimberle M Dyer
Financial Advisor

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Know Before You Go!
Agenda

IRA vs Roth Issues
Power of Attorney Issues
Trust Issues
Deferring Taxes
Non-Qualified Stretch
Pass In Kind Transfer

Planning Tools

Tax Tables	Provided 2023 and 2024 Note: Changes coming 2026 Trust Tax Tables
Secure Act 2.0 Documents	New Required Minimum Dist. (RMD) Rules Currently age 73 Elimination of Stretch IRA Qualified Charitable Deduction (QCD)
Roth Conversion Documents	Comparison of IRA to Roth Impact of Roth Conversions Medicare Costs Social Security Being Taxable
Trust Issues	Funding Your Trust POA Documents Trust vs Beneficiary

ROTH Conversions

Some people believe there is a lost opportunity cost by doing a Roth conversion—that the funds used to pay the conversion tax could have been otherwise invested, and that investment return opportunity is lost.

False: It's all about the tax rates

There is **NO** opportunity cost in terms of lost investment gains ***if the tax rates are the same*** both at conversion and later at distribution. Let's look at the math:

NO ROTH CONVERSION	WITH ROTH CONVERSION
$100,000 Traditional IRA Balance X 2 (Doubles in value over lifetime)	$100,000 Traditional IRA Balance - $30,000 (30% tax)
$200,000 - $60,000 (30% tax)	$70,000 x 2 (Doubles in value over lifetime)
$140,000 net	**$140,000 net**

The net return is the same *if tax rates stay the same...*

However, the Roth IRA advantage compounds over time if tax rates increase.

"When tax rates increase, anything tax-free becomes immediately more valuable!" – Ed Slott, CPA

Source: Ed Slott and Company www.irahelp.com

Why the Opportunity Cost Argument is Invalid

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Would you rather pay tax on the seed or harvest?

$155,000

$1,211,557

Source: https://iadvisor.advisorsexcel.com/front

Accounts with Beneficiary: Using a POA

Can’t My POA Take Care of this Upon My Death?

- Once a person dies, they no longer have legal ownership over the property.
- Therefore, a POA can’t manage any property the principal no longer owns.

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Contract Beneficiaries vs Wills/Trusts

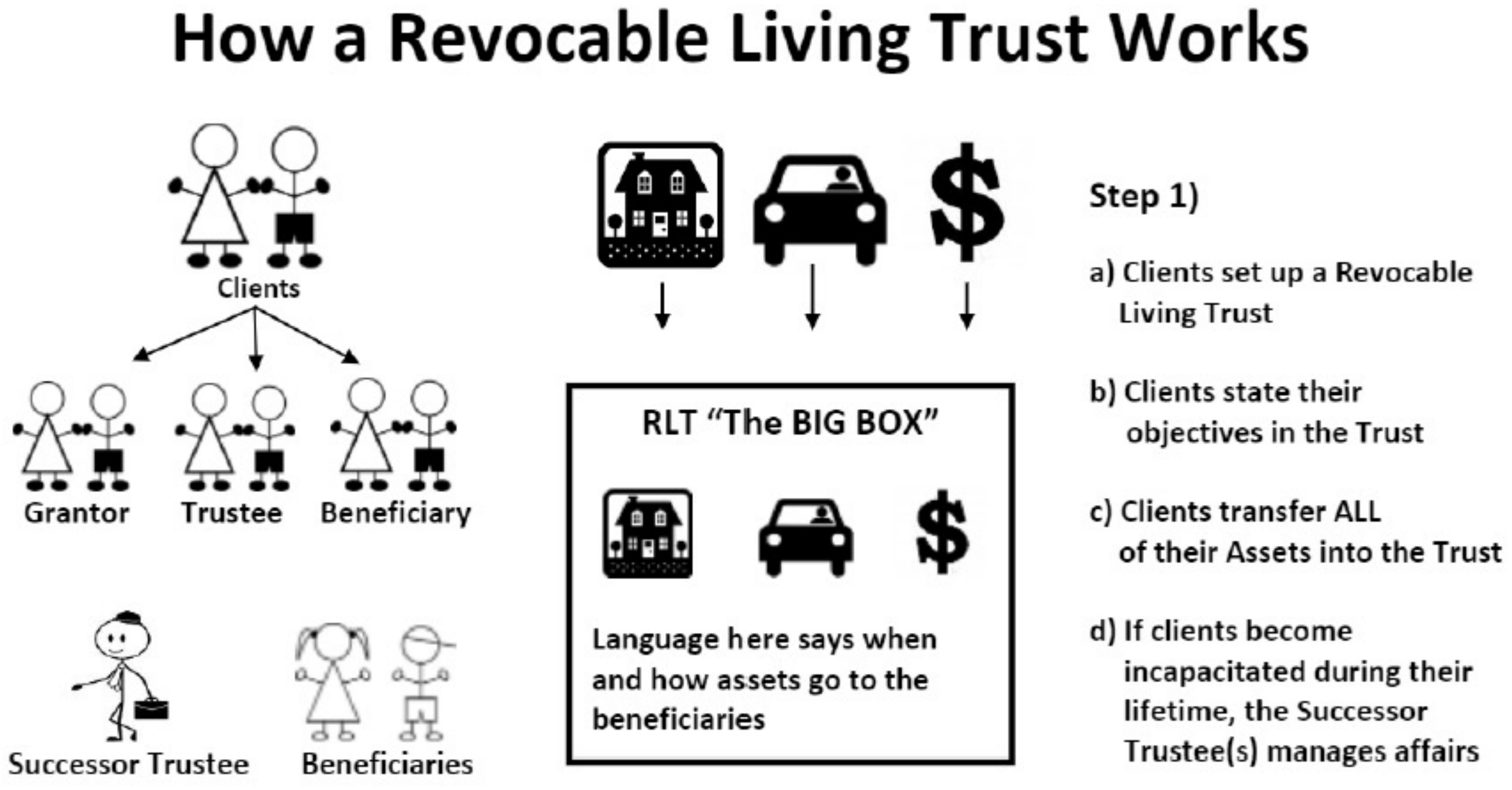
Contracts:

- IRA/Roth IRA
- 401k Accounts
- Life Insurance Policies
- Annuity Policies
- Beneficiary Deeds
- Transfer on Death (TOD)

Note:
Contract
Beneficiaries
Override
Wills/Trusts!

What Goes into the Trust?

Why Does a Trust need to be Funded?



Does a "Pour Over Will" AVOID Probate?

Arizona Probate Cost

*Court Filing Fee	Range: $266 - $320
*Copies of Court Documents	~$30. per Document
*Time	Minimum 5 months
*Public Record	Must be listed 3 times in Newspaper Range $40 - $60 per Listing
*Legal Fee's	Whatever is Deemed Reasonable in AZ Typically: $1000 - $1500
**Simple Probate Estate	$3,500 to $5,000

Personal Property

<$75,000

Person Filing: ____________________
Address (if not protected): ____________________
City, State, Zip Code: ____________________
Telephone: ____________________
Email Address: ____________________
Lawyer's Bar Number: ____________________
Licensed Fiduciary Number: ____________________

Representing ☐ Self, without a Lawyer or ☐ Attorney for ☐ Petitioner OR ☐ Respondent

AFFIDAVIT FOR COLLECTION OF ALL PERSONAL PROPERTY

STATE OF ARIZONA)
MARICOPA COUNTY)

By signing this affidavit, I swear or affirm under penalty of perjury that its contents are true and correct.

1. **INFORMATION ABOUT THE DECEASED (THE PERSON WHO DIED):**

   Name of person who died: ____________________

   Date of death: ____________________

   Place of death: ____________________

2. **30-DAY REQUIREMENT:** More than thirty (30) days have gone by since the person died.

3. **RELATIONSHIP:** My relationship to the person who died is: (explain) ____________________

   ____

4. **VALUE OF PERSONAL PROPERTY.** The value of all the personal property in the deceased person's estate, wherever located, minus the amount of liens and encumbrances on the property, is not greater than $75,000.00.

5. **PERSONAL REPRESENTATIVE.** To the best of my knowledge, no one has filed an Application or Petition for Appointment of a Personal Representative and no Application or Petition has been granted in any state OR if an application has been granted the personal representative has been discharged or more than one year has elapsed since a closing statement has been filed and the amount does not exceed $75,000.00.

Welcome to RUFADAA

- The Revised Uniform Fiduciary Access to Digital Assets Act (RUFADAA) is a law developed primarily by the Uniform Law Commission (ULC) to provide fiduciaries (like executors and attorneys-in-fact) with a legal path to managing the digital assets of deceased or incapacitated people. Most states have either enacted the law or are in process of doing so.

RUFADAA

Revised Uniform Fiduciary Access to Digital Assets Act

ULC

RUFADAA gives internet users the power to plan for the management and disposition of their digital assets —email, social media accounts, etc.—in the same way they can make plans for their tangible property.

Gives Internet Users Control

RUFADAA lets users decide whether their digital assets will be preserved, distributed to heirs, or destroyed.

Respects Privacy Interests

RUFADAA prevents companies from disclosing the contents of a user's email and social media without the user's consent.

Provides Efficient Uniformity

RUFADAA standardizes the rules in each state for access to digital assets when the user dies or becomes disabled.

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Naming Your Trust as the IRA Beneficiary

Charities as Potential Beneficiaries

- Charity will get 100% of the funds
- IRS will not take any money going to the charity
- Talk to charities about setting up properly
- Think about impact on Non-spouse beneficiaries

https://en.wikipedia.org/wiki/Beneficiary_(trust)

Deferring Tax
vs
Step Up in Basis

Using a Variable Annuities
Lower Fees, No Surrender and Liquid

Example of Managing the Tax Burden:

- Initial Investment: $100,000
- Accumulation of Dividends and Capital Gains for 30 Years
- Assume a 6% Gross Rate of Return
- Assume Taxable Rate During Accumulation of 20%
- Assume Taxable Rate During Distribution of 15%
- Distribution Phase is Age 66-95

FEDERAL, STATE, AND NET INVESTMENT INCOME TAXES

In addition to understanding your federal and state taxation, you may want to determine whether you have investments that can incur capital gains taxes. Growth in many investments is taxed when the investments are sold. The tax rates can be either long-term capital gains (sold after 12 months of ownership) or ordinary income (sold before 12 months of ownership). Capital gains distributions and dividends, such as those received from mutual funds, are also taxable and may be taxed as either long-term capital gains or ordinary income even if you don't sell any shares of the fund.

CAPITAL GAINS TAX 2023[1, 2]

Single		
Taxable income	1 year or less	Greater than 1 year
$0 to $44,625	Ordinary Income	0%
$44,626 to $492,300	Ordinary Income	15%
$492,301+	Ordinary Income	20%

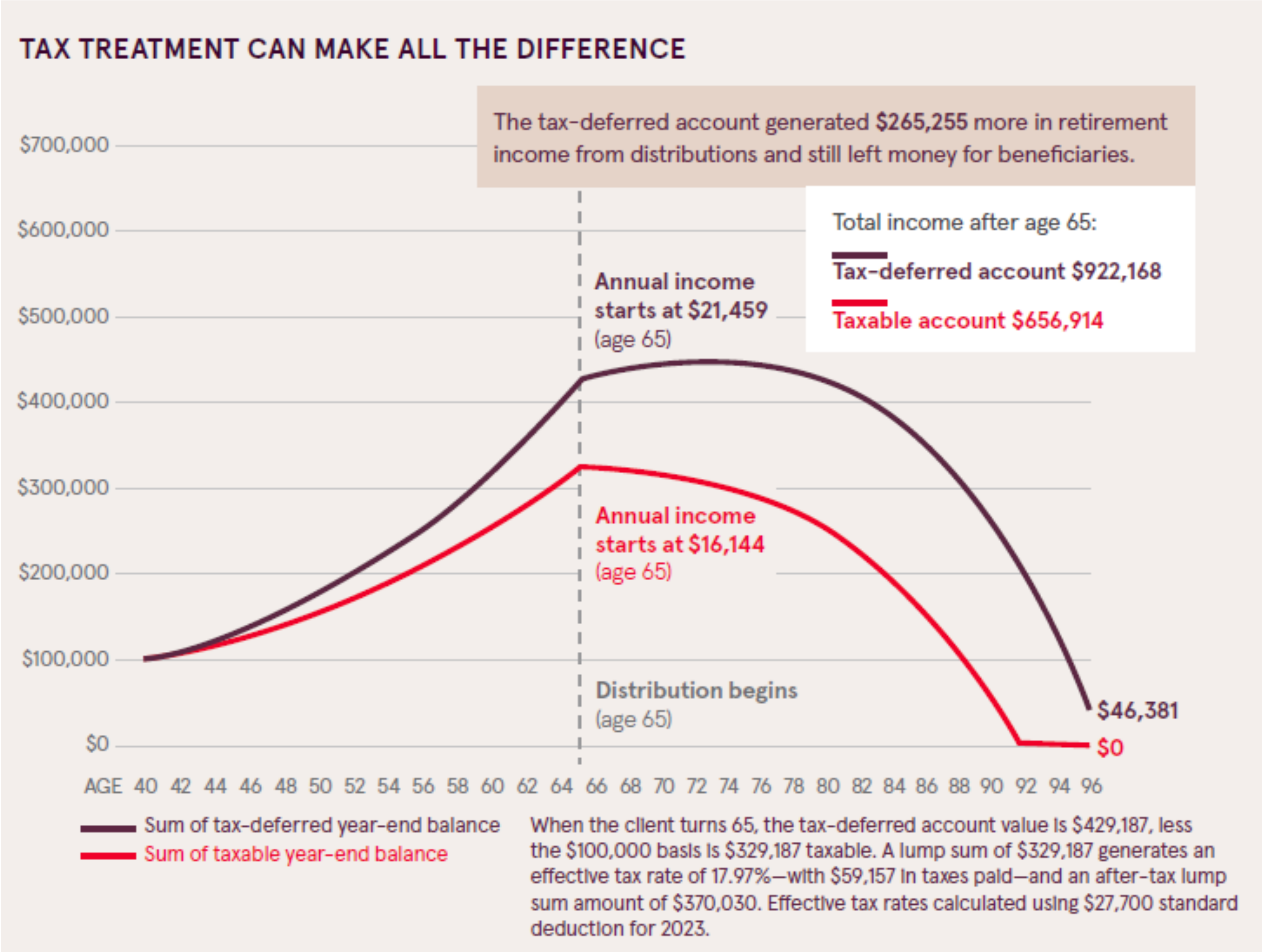
Married Filing Jointly		
Taxable income	1 year or less	Greater than 1 year
$0 to $89,250	Ordinary Income	0%
$89,251 to $553,850	Ordinary Income	15%
$553,851+	Ordinary Income	20%

You may also want to determine if you have net investment income, which is income received from your investments. If you have any investment income and modified adjusted gross income (MAGI) over $200k (single) or $250k (married), then you may be responsible for an additional 3.8% tax.

NET INVESTMENT TAX[3]

	Threshold	Tax rate
Married:	$250,000	3.8%
Single:	$200,000	3.8%

[1] IRS, Rev. Proc. 2022-38, 2022.
[2] IRS, Topic No. 409, "Capital Gains and Losses," October 4, 2022.
[3] IRS, "Questions and Answers on Net Investment Income Tax," September 29, 2022.



Source: https://Jackson National/Tax Digital Playbook

WHAT IS NONQUALIFIED STRETCH?

Income tax control	Beneficiaries pay taxes only as distributions are taken while the balance of the account remains invested.
Added growth potential	Allows beneficiaries to keep the account invested on a tax-deferred basis for a longer amount of time to potentially grow the contract value.
Accelerated distributions	Unless restricted, beneficiaries can accelerate distributions and withdraw additional amounts in any year and even cash out at any time without incurring federal tax penalties.* Ordinary income taxes will apply.
Preselected death benefit	Annuity owners may choose to restrict distributions to the minimum stretch amount until beneficiaries reach a specified age. This can be beneficial in situations where beneficiaries may lack the education or discipline to manage their assets.

* An excess interest adjustment (interest rate adjustment in New York) may apply.

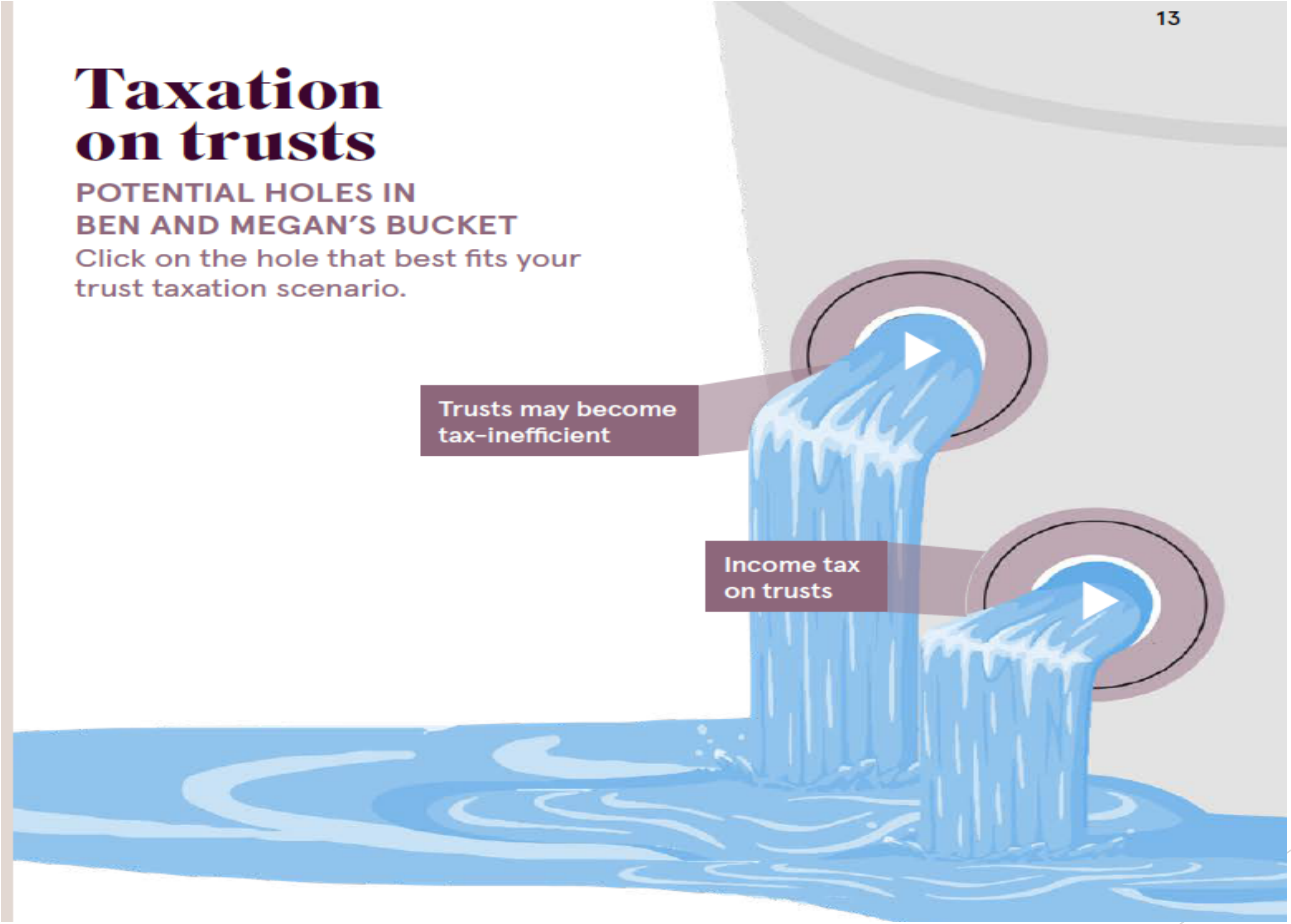
Source: https://Jackson National/Tax Digital Playbook

IRA Stretch vs Non-Qualified Stretch

There are tax advantages available through both traditional individual retirement arrangements (IRAs) and annuities, and annuities offer additional benefits not available through a traditional IRA.

	IRA	NONQUALIFIED ANNUITY
Tax-deferred growth potential‡	✓	✓
Pre-59½ distribution penalty	✓	✓
Contribution limit§	Limited	Unlimited
Required minimum distributions (RMD)	✓	✗
Stretch capabilities**	✗	✓

Source: https://Jackson National/Tax Digital Playbook



Source: https://Jackson National/Tax Digital Playbook

Trust Tax Inefficiency Impact

2023 trust tax rates[1]	
\$0 - \$2,900	10%
\$2,901 - \$10,550	24%
\$10,551 - \$14,450	35%
\$14,451+	37%

2023 single filer ordinary income tax rates[2]	
\$0 - \$11,000	10%
\$11,001 - \$44,725	12%
\$44,726 - \$95,375	22%
\$95,376 - \$182,100	24%
\$182,101 - \$231,250	32%
\$231,251 - \$578,125	35%
\$578,126+	37%

2023 married filing jointly ordinary income tax rates[3]	
\$0 - \$22,000	10%
\$22,001 - \$89,450	12%
\$89,451 - \$190,750	22%
\$190,751 - \$364,200	24%
\$364,201 - \$462,500	32%
\$462,501 - \$693,750	35%
\$693,751+	37%

Source: https://Jackson National/Tax Digital Playbook

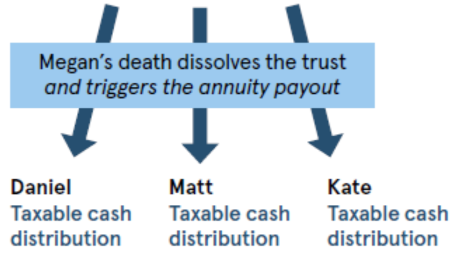
PASSING DOWN ANNUITY BENEFITS, INCLUDING TAX DEFERRAL

WHY A TAX-DEFERRED ANNUITY CAN HELP:

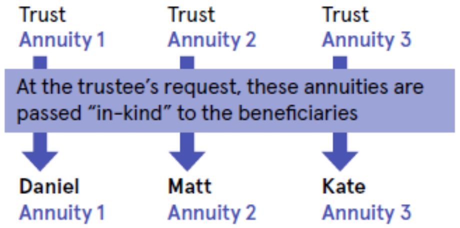
- Many trusts are eligible for tax deferral under IRC Section 72(u)*
- The 2023 top trust tax rate of 40.8% (37% + 3.8% additional net investment income tax) is only $14,451[1, 2] plus state taxes
- Trust income distributions can reduce the size of the trust and can impose an added tax burden on the income beneficiary
- Trustee can request a distribution when income is needed, but otherwise, avoid recognizing income from the annuity if it is not needed†

Ben and Megan ultimately decided on a tax-deferred annuity within their irrevocable trusts. An annuity within a trust can benefit two types of individuals: those who receive income from the trust (income beneficiary, Ben or Megan) and those who receive the remaining trust assets (remainder beneficiaries, Ben and Megan's children). In addition to the accumulation benefits, annuities also provide two key wealth-transfer options. Understanding these two options—standard titling and pass-"in-kind" titling—may help you decide how to title your annuity.

STANDARD TITLING



PASS-IN-KIND TITLING



OPTION 1: Standard titling is optimal for providing liquidity
OWNER: Irrevocable trust
ANNUITANT: Income beneficiary (Megan)
BENEFICIARY: Irrevocable trust
CONTINGENT BENEFICIARY: Trust remainder beneficiaries

In this scenario, Ben and Megan's children need liquidity at their mother's death and choose to use cash for reducing debt, home renovations, and vacations. At Megan's death, the annuity death benefit is triggered and the trust dispenses the death benefit (cash) according to the trust terms. This will be a taxable event to the beneficiaries (or the trust, if retained) in the amount of their proportionate share of the gain.

OPTION 2: Pass-in-kind titling is designed to extend the tax-deferral benefit
OWNER: Irrevocable trust
ANNUITANT: Child (remainder beneficiary)
BENEFICIARY: Irrevocable trust

In this scenario, the goal is to maximize the period of tax deferral. In this example, Megan's death triggers the distribution of trust assets. At the trustee's request, the annuity can be retitled from the trust as owner, to the annuitant (child) as owner. This doesn't trigger a taxable event.‡

* Under IRC Section 72(u), trusts with non-natural beneficiaries may not qualify for tax-deferred treatment.
† Tax-deferred annuity growth does not contribute to Distributable Net Income.
‡ IRS Private Letter Ruling (PLR) #199905015, says (1) an annuity owned by the credit shelter trust ("B trust") is deemed to be owned by a natural person for purposes of Section 72(u) and, (2) upon dissolution of the trust, the retitling of the annuity contract from the trust as owner to the annuitant as owner does not trigger a taxable event.
[1] IRS, "Questions and Answers on Net Investment Income Tax," September 29, 2022.
[2] IRS, Rev. Proc. 2022-38, 2022.

Source: https://Jackson National/Tax Digital Playbook

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