TAX STRATEGIES

PRESENTED BY YOUR EMPLOYEE ASSISTANCE AND WORKLIFE PROGRAMS

March 11, 2026

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OBJECTIVES

- Understand retirement taxes (not just filing taxes)
- Compare qualified vs. non-qualified money
- Review current tax law
- Discuss timing, sequencing, and withdrawal order
- Explore tax strategies that can change outcomes
- Explain why tax planning is an ongoing process

THE BIG PICTURE

Taxes don’t end at retirement. They shift.

While working → Earning and deferring

Early retirement → Planning and positioning

Later retirement → Required income

After death → Inherited tax penalties

FEDERAL EMPLOYEES ARE UNIQUE

Federal retirement income is layered, and each layer makes the next one more expensive

Pension	Mostly taxable as ordinary income
Social Security	Up to 85% taxable, depending on total income
Thrift Savings Plan (TSP)	A traditional TSP is fully taxable, in retirement, and when inherited
Required Minimum Distributions (RMDs)	Mandatory taxable income later in retirement

CURRENT TAX LAW CONTEXT

Where we are today

- **Income tax rates remain historically low**
  - Lower marginal brackets extended
  - No automatic return to pre-2018 rates
- **Standard deduction remains high, and seniors benefit**
  - Enhanced senior deduction preserved
- **SALT deduction cap increased**
  - From $10,000 to $40,000
- **Estate tax exemptions remain elevated**
  - Most families avoid estate tax entirely

What didn't change

- Capital gains treatment
  - Long-term gains remain more favorable than ordinary income
- Medicare IRMAA
- RMDs
- Social Security taxation

Lower rates don't eliminate taxes. They create a planning window.

PREPARATION VS. PLANNING

Preparing for taxes

- Filing and compliance
- Maximizing deductions
- Deferring taxes
- Reacting to current rules

Planning for taxes

- Income timing and sequencing
- Coordinating tax buckets
- Managing lifetime tax exposure
- Designing outcomes across decades

Focus: How much do I own in taxes this year?

SECTION 1

QUALIFIED AND NON-QUALIFIED MONEY

THE MOST IMPORTANT DISTINCTION

Qualified vs. non-qualified money

How your money is **labeled** determines:

- How it's taxed
- When it's taxed
- How much control you have
- What happens to it after you're gone

Nomenclature matters because rules follow names.

What "qualified" means

Qualified money = IRS-defined rules

Examples:

- Traditional or Roth TSP/IRA
- Special tax treatment
- IRS rules on timing
- Restrictions on access
- Required distributions may apply

Qualified doesn't mean good or bad. It means governed.

TRADITIONAL VS. ROTH

Two very different types of qualified money

Traditional: Pay-later money	**Roth:** Pay-now money
Contributions may reduce taxes today	Taxes paid upfront
Grows tax-deferred	Grows tax-free
Withdrawals taxed as ordinary income	Withdrawals are tax-free
RMDs required	No RMDs for original owner
Fully taxable to heirs	Tax-free to heirs

Same category, completely different outcomes.

NON-QUALIFIED MONEY

Non-qualified money = Flexible money

Examples:	Not tax-free. Tax-flexible:
Brokerage accounts	No RMDs
Savings/money market	Capital gains treatment
Real estate	Step-up in basis at death
Business assets	Income timing is optional

WHEN EACH BUCKET IS USEFUL

Each type of money has a job

Traditional	Roth	Non-qualified
Useful during high-earning years	Best when tax rates are known and low	Ideal for early retirement income
Helpful in temporarily low-income years	Creates long-term flexibility	Useful for tax-bracket management
Risky if over-concentrated	Powerful for legacy planning	Often under-used strategically

Planning is deciding which job each dollar performs.

SECTION 2

REQUIRED MINIMUM DISTRIBUTIONS (RMDs)

REQUIRED MINIMUM DISTRIBUTIONS

- Mandatory withdrawals from traditional qualified accounts
- Begin later in retirement
- Increase every year
- Fully taxable as ordinary income

Once RMDs begin, income is no longer optional.

RMDs create tax pressure because **they don't replace income, they stack on top of it,** often pushing taxes higher later in retirement, not earlier.

- Pension income
- Social Security
- Other withdrawals

BEWARE THE REINVESTMENT TRAP

A common retirement pattern

RMDs **exceed** spending needs

Excess income is **reinvested**

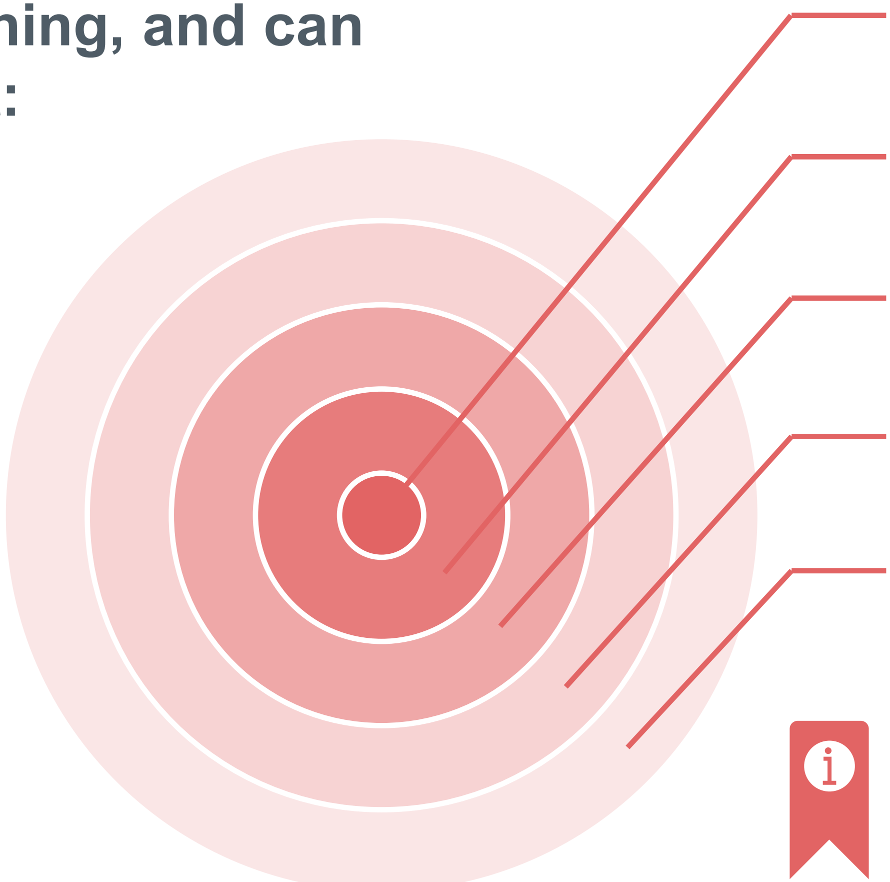
Account balances **continue growing**

Future RMDs **increase**

This often increases lifetime taxes instead of reducing them.

RMDs AS A SYSTEM LEVER

RMDs move more than one thing, and can affect:



RMDs aren't the problem. Unplanned RMDs are.

SECTION 3

WITHDRAWAL ORDER AND SEQUENCING

WHERE YOUR INCOME COMES FROM MATTERS

The order you pull money can materially change:

- Taxes
- Flexibility
- Long-term outcomes

It's not just how much you take. It's also where you take it from.

DEFAULT VS INTENTIONAL APPROACH

What most people do:

- Take RMDs when required
- Spend from traditional accounts
- Use Roth money last
- Leave non-qualified untouched

Logical, but often tax-inefficient.

Sequencing is about control, and planning considers:

Current vs. future tax brackets → RMD timing → Medicare thresholds → Legacy goals

Same accounts, different order, different outcome.

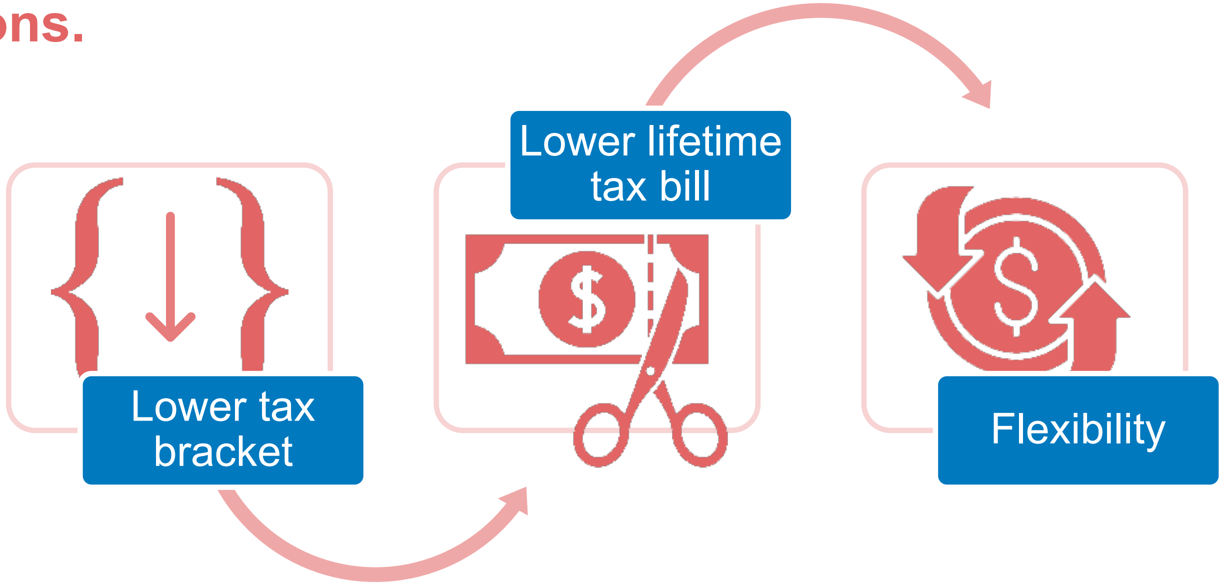
THE GAP YEARS

The period between retiring and starting Social Security (age 62-70) or RMDs (age 73+)

Whether by design or default, this is a planning opportunity

These years allow intentional tax decisions.

Benefits:

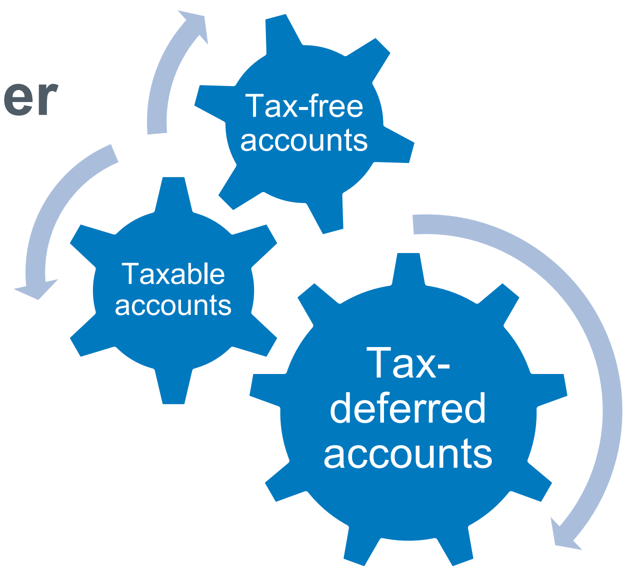


SEQUENCING AS A LEVER

Withdrawal order affects:

- Tax brackets
- Medicare costs
- RMD size
- Legacy outcomes

Changing the order changes the outcome.



You don’t need different accounts, just a different order.

SECTION 4

ROTH CONVERSIONS

WHAT A ROTH CONVERSION IS

Moving money from traditional to Roth

Paying tax by choice

Changing future tax rules

**The money doesn't change.
The tax treatment does.**

WHY CONVERSIONS EXIST

Conversions are about control and can:

Reduce future RMDs

Create tax-free income

Improve legacy outcomes

Conversions turn unknown future taxes into known decisions.

WHEN CONVERSIONS MAY MAKE SENSE

During lower-income years

Before Social Security and RMDs

When there's room in a tax bracket

Same conversion, different timing, very different result.

WHAT CONVERSIONS ARE NOT

All-or-nothing

Tax avoidance

For everyone

A one-time decision

Conversions are a tool, not a rule.

CONVERSIONS AS A SYSTEM LEVER

One move can affect many things:

- Tax brackets
- Medicare premiums
- Social Security taxation
- Future RMDs
- Legacy taxes

Coordination matters.

SECTION 5

ASSET LOCATION

ASSET LOCATION

It's not just what you own, it's also where it lives.

Allocation = What you own

Location = Which accounts hold what

Same investments, different tax outcomes.

WHY LOCATION MATTERS

Growth is taxed differently

Traditional	Taxed later as ordinary income
Roth	Never taxed again
Non-qualified	Taxed along the way

Where growth happens can matter more than how much growth you get.

MATCHING ASSETS TO TAX RULES

Different assets create different tax friction

Some assets benefit from shelter

Some benefit from flexibility

Asset location matches growth to tax rules.

LOCATION AS PART OF THE SYSTEM

Location affects more than taxes today

- RMD size
- Flexibility
- Income stacking
- Legacy outcomes

This is coordination, not optimization.

LEGACY

How your money is labeled matters even more after you're gone

Traditional	Fully taxable to heirs
Roth	Tax-free to heirs
Non-qualified	Step-up in basis

Your kids inherit your tax structure, not your strategy.

SECTION 6

BRINGING IT ALL TOGETHER

TAX PLANNING IS COORDINATION OVER TIME

It's not about:

- One account
- One strategy
- One year

It's about coordinating:

- Account types
- Conversions
- Timing
- Asset location
- Sequencing
- Legacy outcomes

Same dollars, different design.

THE BIG MISTAKE

Most people did nothing wrong

Decisions made one year at a time

Deferrals made automatically

No full-system view

That's preparation, not planning.

CASE STUDY

A federal employee example

– Late-50s Federal employee

– Pension + Social Security coming

– Majority of savings in Traditional TSP

– Minimal Roth and non-qualified assets

Initial belief:
"I'll be in a lower tax bracket later."

WITHOUT PLANNING

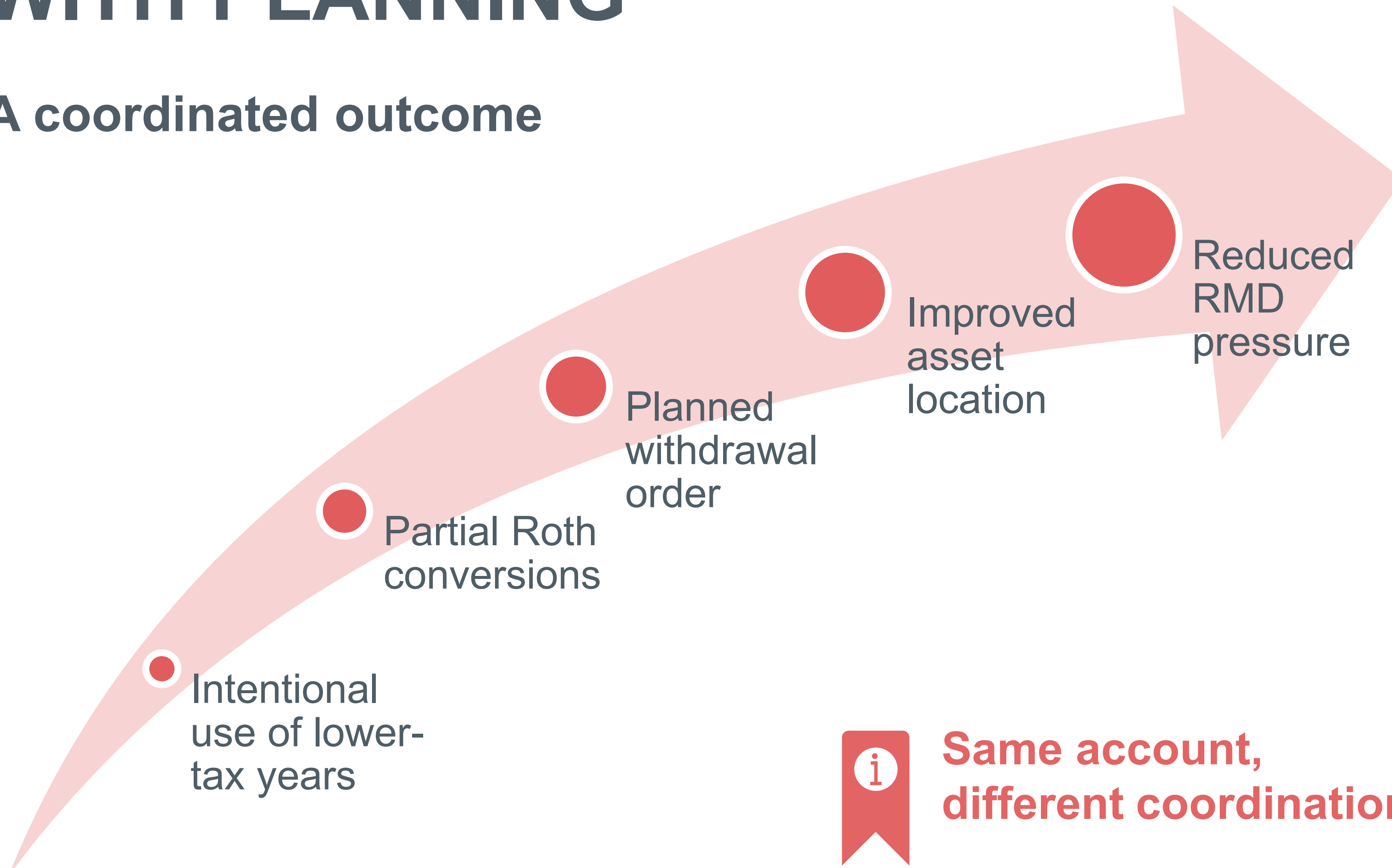
The default path

Pension fills lower brackets → Social Security taxed → RMDs force income → Excess re-invested → Lifetime taxes rise → Heirs inherit taxable accounts

Nothing broke.
Nothing was designed.

WITH PLANNING

A coordinated outcome



Same account, different coordination.

THE TOOLBOX

There are many ways to influence taxes

Non-qualified account management

Social Security strategies

Asset location and timing

Roth conversions

Withdrawal sequencing

Trust and legacy structures

Each lever affects the others.

REALITY CHECK

Knowing the tools isn't the same as using them well

- Strategies interact
- Timing changes outcomes
- Rules change
- Mistakes compound quietly

This is why tax planning is ongoing, not transactional.

SUMMARY

You now know:

- How taxes behave in retirement
- Where people get surprised
- That levers exist to change outcomes

So, the real takeaway is:

It would be a mistake to make big tax decisions **without seeing the full system**, and it would also be a mistake **not to look at it at all**.

RESOURCES

Websites

– The Institute for Financial Education
  - Email: info@ifeonline.org

– Internal Revenue Service: irs.gov
  - Interactive Tax Assistant: irs.gov/help/ita
  - Tax Withholding Estimator: apps.irs.gov/app/tax-withholding-estimator
  - Year-Round Tax Planning Pointers for Taxpayers: irs.gov/newsroom/year-round-tax-planning-pointers-for-taxpayers

Online Articles

– Taxes Definition: Types, Who Pays, and Why

– Tax Planning and Preparation Resources

Podcasts

– Personal Financial Planning Podcasts

Apps

– Cash App Taxes
  Free filing via phone or online
  - cash.app/taxes

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