AMERICAN ASSOCIATION OF INDIVIDUAL INVESTORS & BETTERINVESTING

QUALIFIED CHARITABLE DISTRIBUTIONS & ROTH CONVERSIONS

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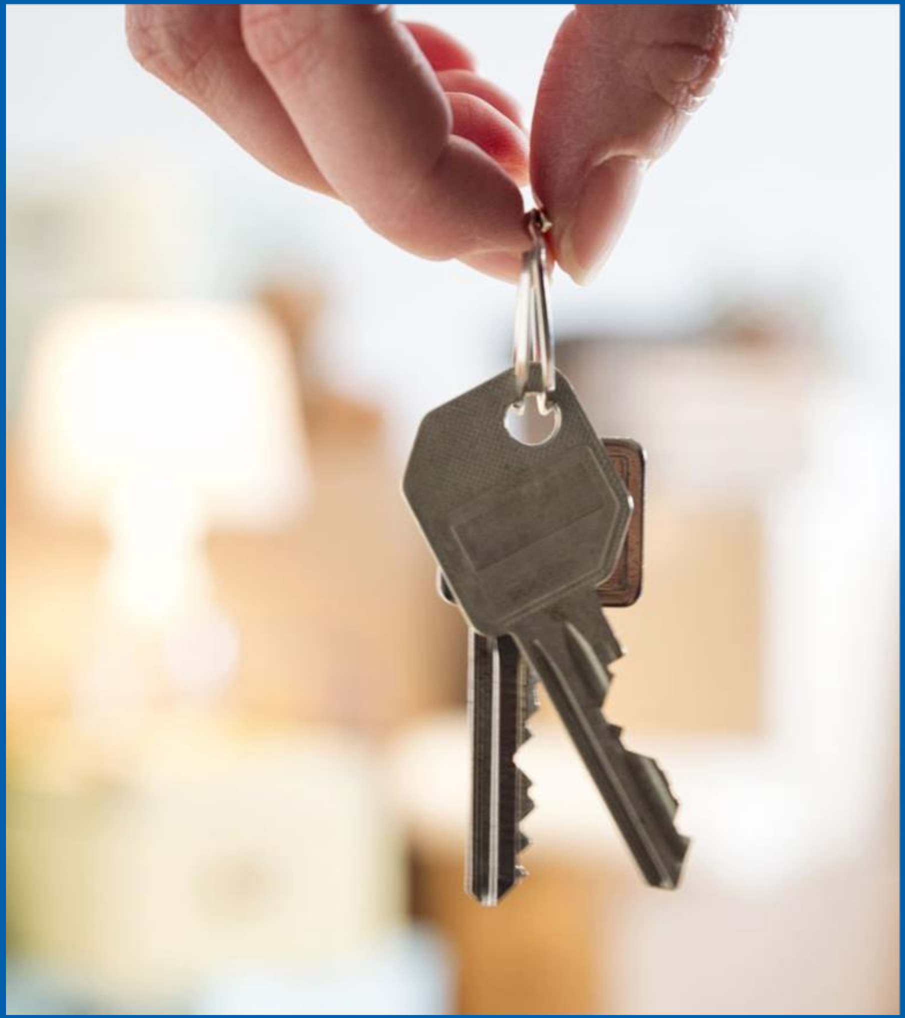
AGENDA

- Using Qualified Charitable Distributions (QCDs).
- Roth Conversions.

QUALIFIED CHARITABLE DISTRIBUTIONS (QCD)

- Must be 70 ½ to make QCDs. Do these first.
- Counts as all or part of your RMD, up to limit.
- Does not increase your income for taxes.
- Cannot itemize the QCD.
- Avoids the 0.5% AGI floor for those who itemize starting in 2026.
- Maximum QCD adjusts for inflation annually. $108k per person in 2025.

KEY QCD TAKEAWAY



NEVER WRITE A PERSONAL CHECK FOR CHARITABLE DONATIONS IF YOU ARE OVER 70½ AND HAVE AN IRA.

ROTH CONVERSION OPPORTUNITIES

- SECURE Act 1 limited ‘stretch IRAs’ for beneficiaries to 10 years.
- SECURE Act 2 codified the rules for the 10-year RMDs for inherited IRAs.
- July 4 Tax Bill (OBBBA) permanently* locked tax brackets at current percentages.

** Permanent means until Congress changes the law.*

ROTH CONVERSION RULES

- Anyone can ‘convert’ an IRA to a Roth IRA. There is no income limit.
- Everything except QCDs that come out of IRAs are taxed as ordinary income, including converting to a Roth.
- Think “Long-Term, Big-Picture, Lowest-Life-Time-Rates” in your analysis. Let tax planning drive your decision.
- Current tax brackets are historically very low.

TOP FEDERAL INCOME TAX RATES

1913	7%	1936	79%	1959	91%	1982	50%	2005	35%
1914	7%	1937	79%	1960	91%	1983	50%	2006	35%
1915	7%	1938	79%	1961	91%	1984	50%	2007	35%
1916	15%	1939	79%	1962	91%	1985	50%	2008	35%
1917	67%	1940	79%	1963	91%	1986	50%	2009	35%
1918	77%	1941	81%	1964	77%	1987	38.5%	2010	35%
1919	73%	1942	88%	1965	70%	1988	28%	2011	35%
1920	73%	1943	88%	1966	70%	1989	28%	2012	35%
1921	73%	1944	94%	1967	70%	1990	28%	2013	39.6%
1922	58%	1945	94%	1968	70%	1991	31%	2014	39.6%
1923	58%	1946	91%	1969	70%	1992	31%	2015	39.6%
1924	46%	1947	91%	1970	70%	1993	39.6%	2016	39.6%
1925	25%	1948	91%	1971	70%	1994	39.6%	2017	39.6%
1926	25%	1949	91%	1972	70%	1995	39.6%	2018	37%
1927	25%	1950	91%	1973	70%	1996	39.6%	2019	37%
1928	25%	1951	91%	1974	70%	1997	39.6%	2020	37%
1929	25%	1952	92%	1975	70%	1998	39.6%	2021	37%
1930	25%	1953	92%	1976	70%	1999	39.6%	2022	37%
1931	25%	1954	91%	1977	70%	2000	39.6%	2023	37%
1932	63%	1955	91%	1978	70%	2001	39.1%	2024	37%
1933	63%	1956	91%	1979	70%	2002	38.6%	2025	37%
1934	63%	1957	91%	1980	70%	2003	35%	2026	37%
1935	63%	1958	91%	1981	70%	2004	35%		

DR. & MRS. PROFESSOR EXAMPLE

Peter DOB: 03/15/1955. He is over 70 ½. University professor.

Paula DOB: 10/01/1962. She is 63. Food Blogger.

2 dependent children.

PROFESSOR FAMILY ASSUMPTIONS

Taxable Assets:	$743,000	Roth Conversions:	$4,454,832
Tax-Deferred Assets:	$4,475,000	Tax on Conversion:	$1,222,049
Total Roth Assets:	$325,000	Tax Adjustment ?	27.00%
		Rate of Return:	8.00%
		Inflation:	2.00%

They make annual $50,000 QCDs.

2025 TAX SCENARIOS

Note - Calculations are not audited and should be reviewed with a tax professional

	SCENARIO 1 Tax Year 2024	SCENARIO 2 2025 Scenario	SCENARIO 3 2025 Roth Scenario
GENERAL INFORMATION			
Year	2024	2025	2025
Calculation		Current Law	Current Law
Inflation Assumption		2.00%	2.00%
INCOME			
1040 INCOME			
Wages	$124,000	$126,480	$126,480
Taxable Interest	$6,000	$6,000	$6,000
Qualified Dividends	$15,000	$15,000	$15,000
Total Dividends (incl. Qualified)	$20,000	$20,000	$20,000
IRA Distributions	$9,750	$9,750	$9,750
Roth Conversion		$0	$64,100

SCHEDULE D & 1 INCOME

SCHEDULE D INCOME			
Short Term Capital Gains	$2,500	$2,500	$2,500
Long Term Capital Gains	$19,500 *LT loss to carry forward: $0*	$19,500 *LT loss to carry forward: $0*	$19,500 *LT loss to carry forward: $0*
Total Capital Gains	$22,000	$22,000	$22,000
SCHEDULE 1 INCOME			
Schedule C Income	$52,900	$52,900	$52,900
Total Income	$234,650	$237,130	$301,230
Schedule 1 Deductions	$3,737	$3,737	$3,737
Adjusted Gross Income	$230,912	$233,393	$297,493
Standard/Itemized Deductions	$42,000	$46,500 *(itemized)*	$46,500 *(itemized)*

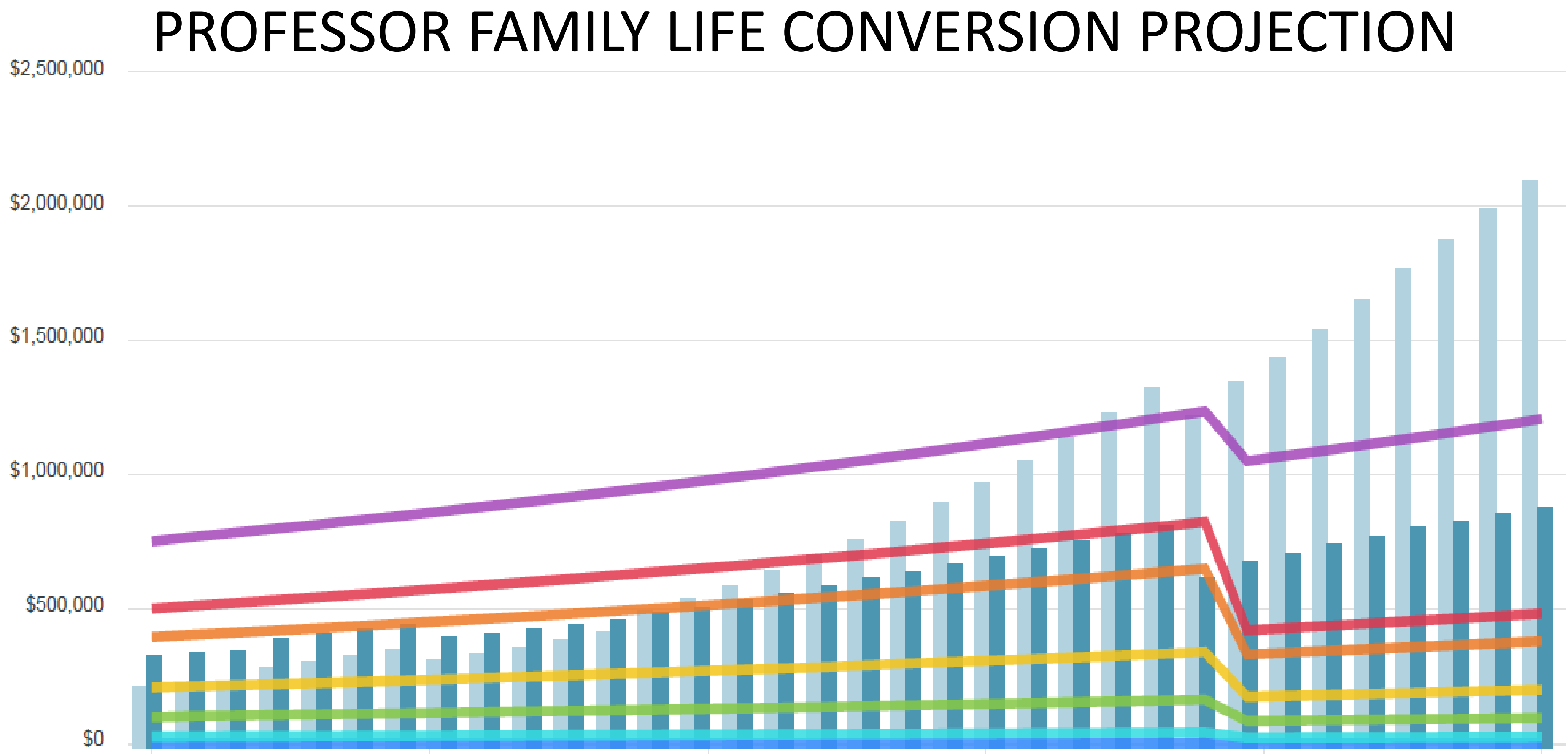
SCENARIO RESULTS

Total Other Deductions		$996	$0
QBI Deduction	$9,832	$9,832	$9,832
Taxable Income	$179,080	$176,065	$241,161
Total Nonrefundable Credits Applied	$3,700	$3,700	$3,700
Total Tax	$30,864	$29,922	$46,048
Ordinary Income Marginal Bracket	22.0%	22.0%	22.0%
LT Capital Gains Marginal Bracket	15.0%	15.0%	15.0%
Effective Rate	17.2%	17.0%	19.1%
Total Tax (Net of Refundable Credits)	$30,863	$29,922	$46,048
FICA			
FICA		$9,676	$9,676
Tax Plus FICA		$39,597	$55,723
Effective Tax on Next $1,000 Ordinary Income		23.3%	27.7%
Effective Tax on Next $1,000 Capital Gains		16.3%	18.8%

NOW WHAT?

TAX BRACKET VISUALIZER

Below is a projection of taxable ordinary income each year, with and without roth conversions, with the tax bracket thresholds overlaid.



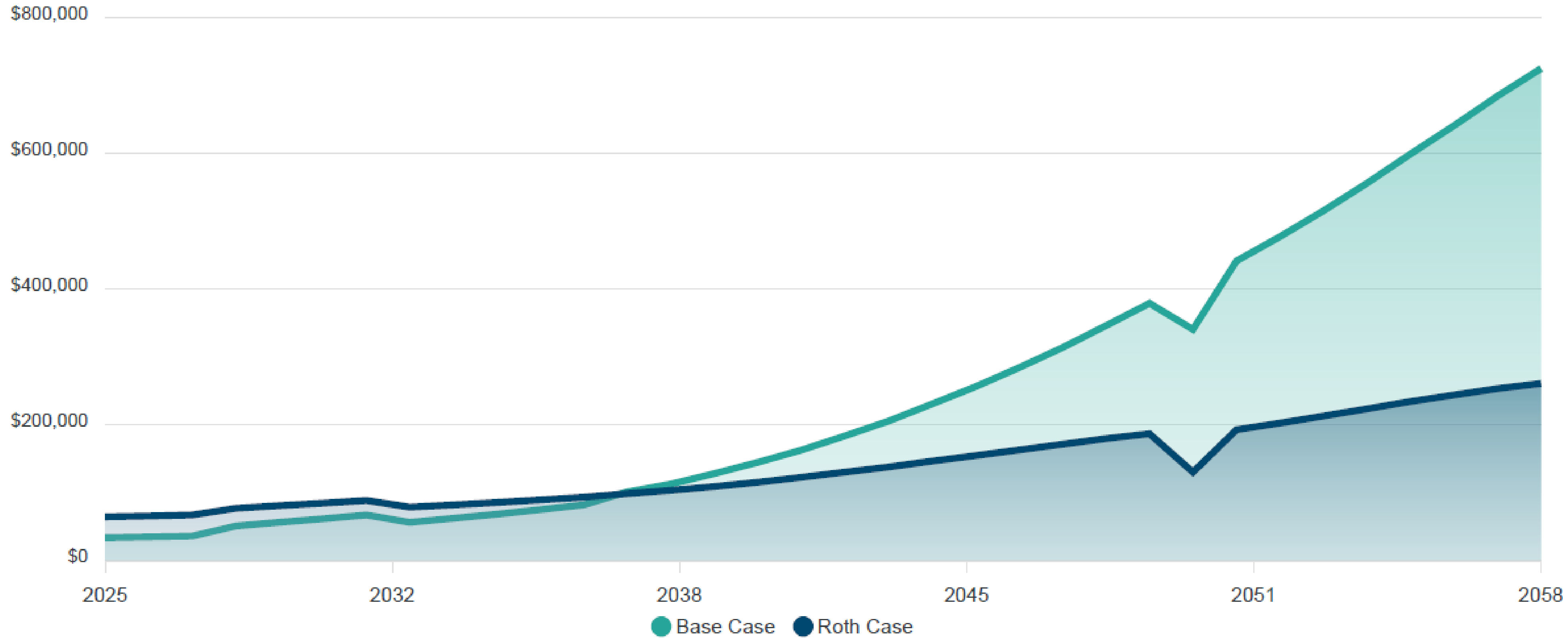
PROJECTED TAXES

Base Projection Total Lifetime Tax (Present Value): $5,208,742

Roth Projection Total Lifetime Tax (Present Value): $3,128,429

Projection Difference (Present Value): $2,080,313

Below is a projection of the annual taxes you could pay each year with and without a Roth conversion plan.



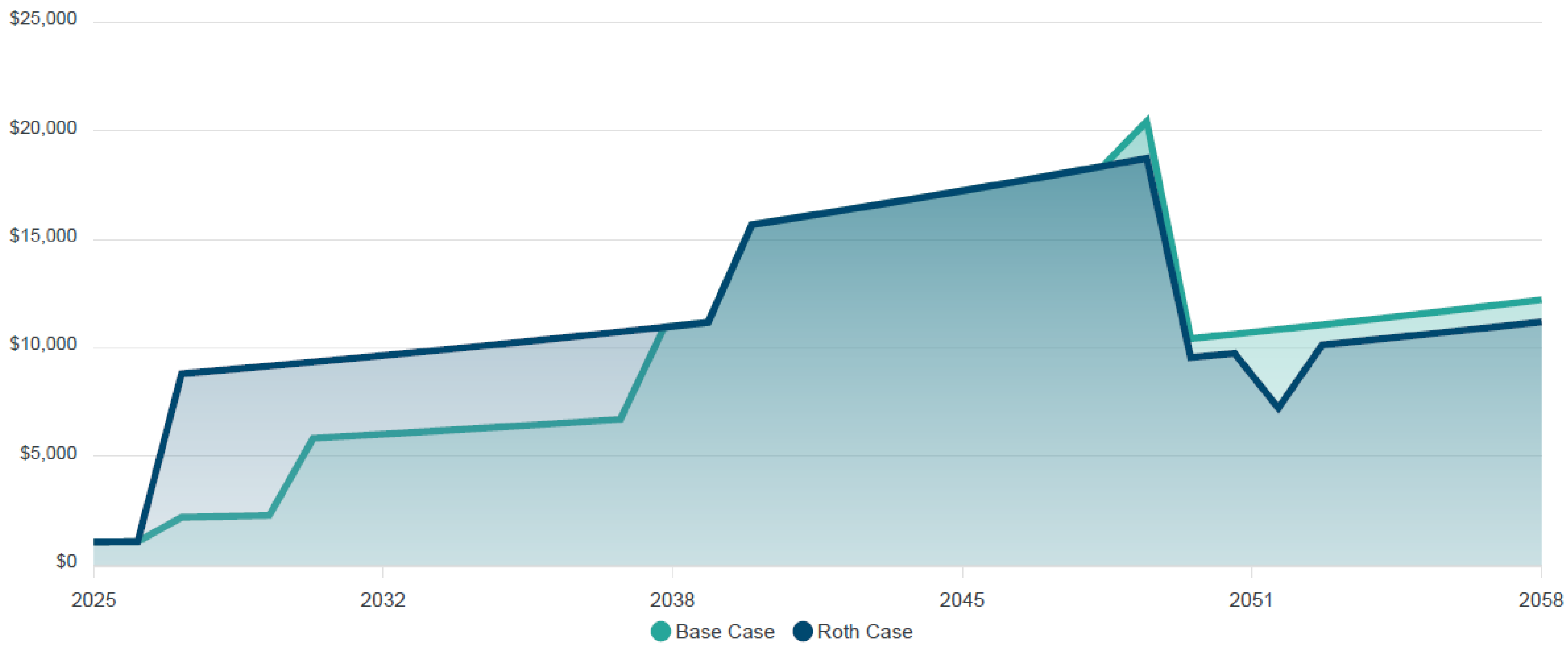
IRMAA SURCHARGES

Base Projection Total Lifetime IRMAA Surcharges (Present Value): $237,692

Roth Projection Total Lifetime IRMAA Surcharges (Present Value): $274,092

Projection Difference (Present Value): ($36,400)

Below is a projection of the amount of IRMAA surcharges on Part B and Part D you could pay each year with and without a Roth conversion plan.



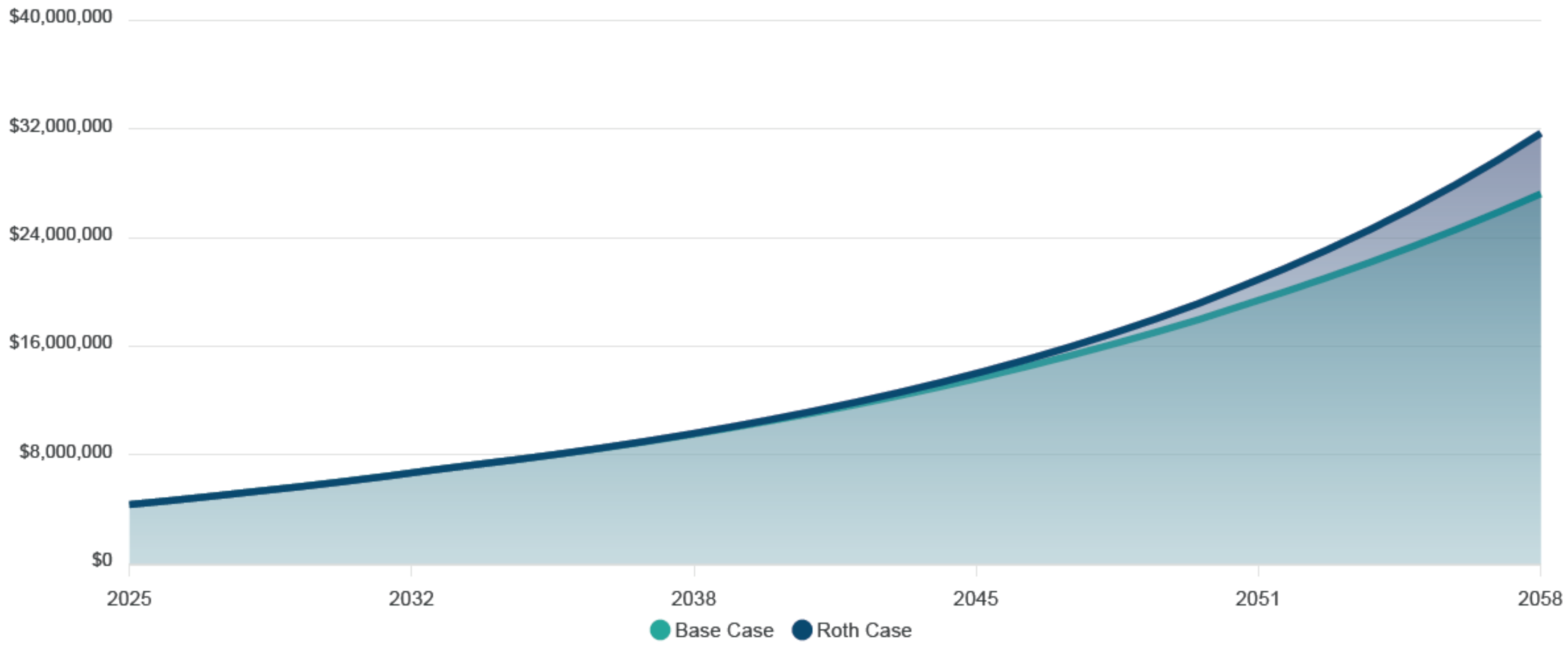
PORTFOLIO VALUE

Base Projection Ending Portfolio Value: $27,224,986

Roth Projection Ending Portfolio Value: $31,690,515

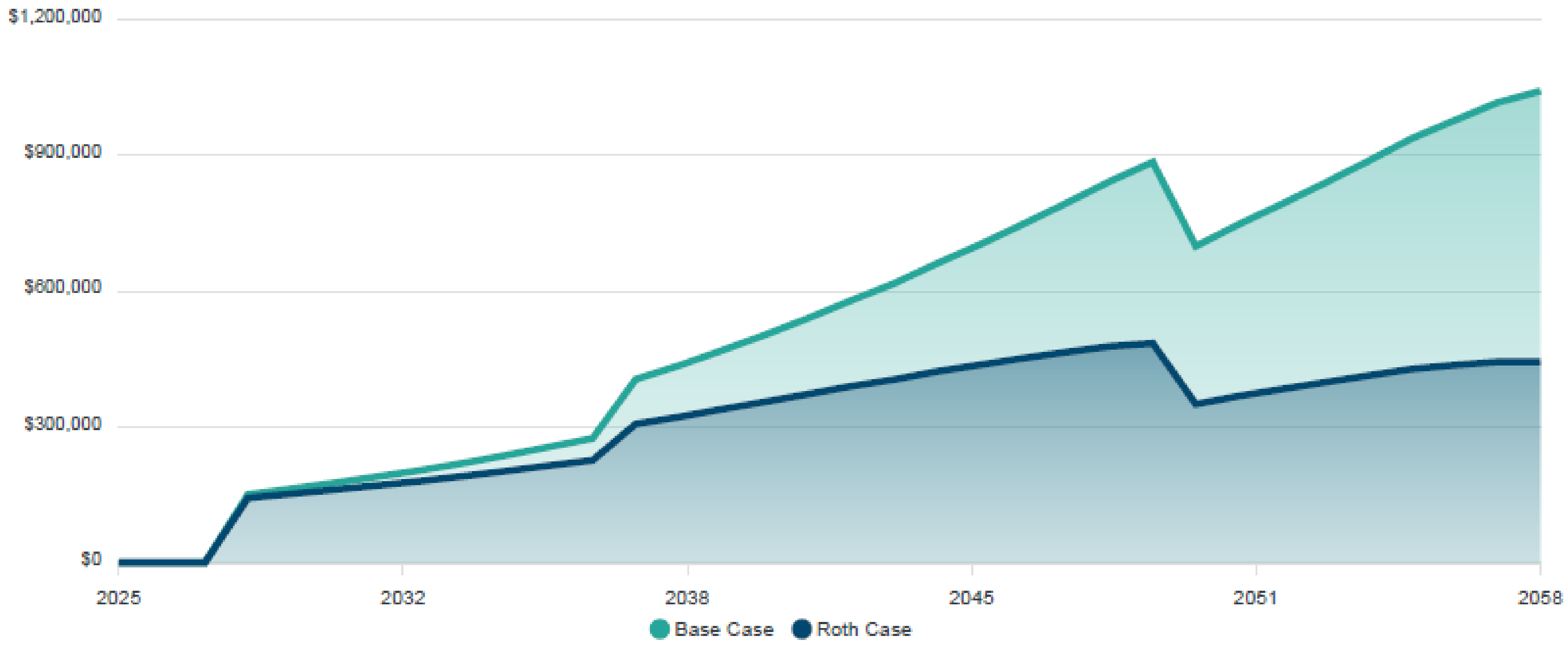
Projection Difference: $4,465,530

Below is a projection of how your portfolio could behave in the long run, with and without a Roth conversion plan. The projection takes into account rates of return, your age, your spending, and expected market rates like investment returns and inflation.



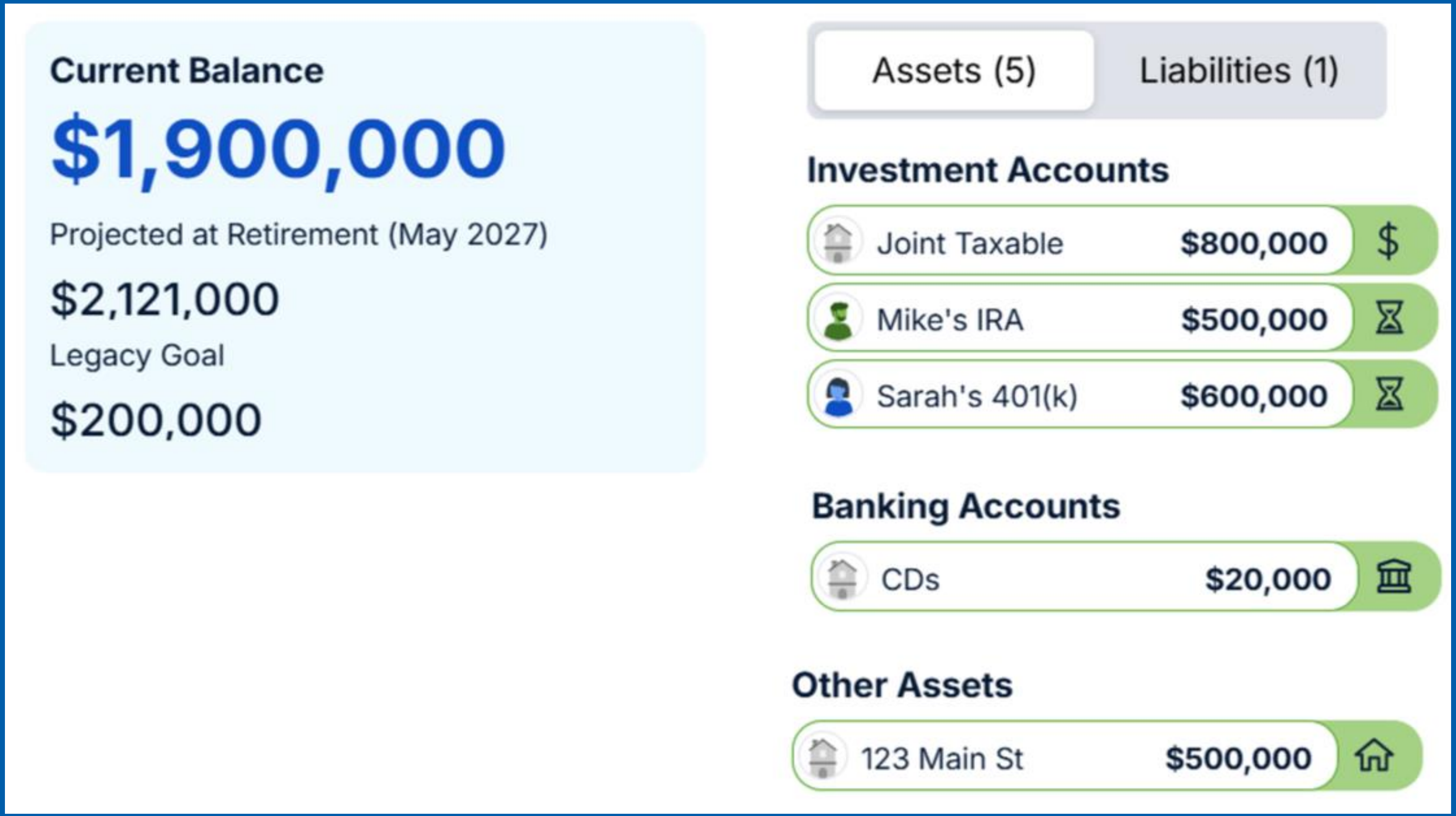
REQUIRED MINIMUM DISTRIBUTIONS

Below are the projected Required Minimum Distribution (RMD) amounts per year. One advantage of a Roth account is that it has no RMDs.



MR. & MRS. JONES - PRERETIREMENT

He is 62. She is 60. They have a legacy goal of at least $200,000 in today's dollars.

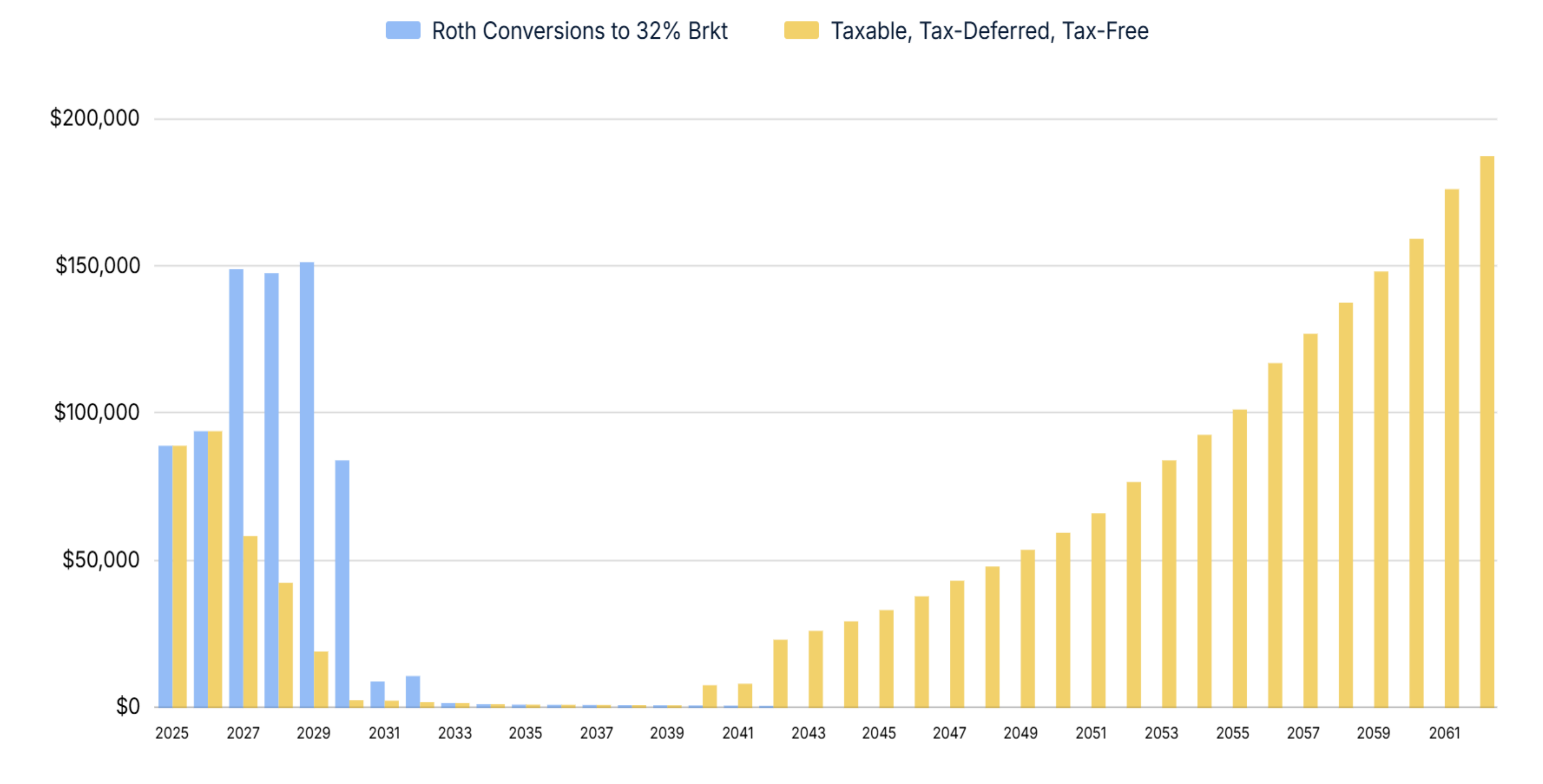


ROTH CONVERSION TO 32% V. TYPICAL STRATEGY

Roth Conversions to fill 32% Brkt — vs — Taxable, Tax-Deferred, Tax-Free

Average Tax Rate	Total Taxes	Total Net Income	Net Legacy
Saves **7.3%**	Saves **$1.4 million**	Goes up **$1.4 million**	Goes up **$872,000**
Roth Conversions to fill 32% Brkt 9%	**Roth Conversions to fill 32% Brkt** $747,000	**Roth Conversions to fill 32% Brkt** $5,031,000	**Roth Conversions to fill 32% Brkt** $14,094,000
vs	vs	vs	vs
Taxable, Tax-Deferred, Tax-Free 16.2%	**Taxable, Tax-Deferred, Tax-Free** $2,167,000	**Taxable, Tax-Deferred, Tax-Free** $3,612,000	**Taxable, Tax-Deferred, Tax-Free** $13,223,000

TOTAL TAX COMPARISON



QUESTIONS?

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