

# Retirement Investing Vehicles & SECURE 2.0

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**Alan Nelson**

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# Poll Questions and Responses

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1. Do you contribute at least 10% to 401(k) (required amount to get Viasat max match of 5%)?
  - a. Yes, at least 10% but not max contributions
  - b. No
  - c. Yes, I max my annual contributions (\$22.5k in 2023, \$23k in 2024 and \$7.5k catch-up for 50+)
  - d. I don't contribute to 401(k)/403(b)/TSP
2. If you don't max your 401(k) contributions, have you setup auto-increase?
  - a. Yes
  - b. No
  - c. How the heck do you do that?
3. Have you increased your investments/savings (higher percentage to 401(k), more to IRA/brokerage account) for 2024?
  - a. Yes
  - b. No
4. Do you have an IRA?
  - a. Roth IRA
  - b. Traditional IRA
  - c. Both
  - d. What's an IRA?

# Poll Questions and Responses

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5. Do you max fund your IRA annually? (\$6.5k in 2023, \$7k in 2024, \$1k catchup for 50+)
  - a. Yes
  - b. No
  - c. I don't know
  - d. Can't since I don't have one.
6. Have you max funded IRA for 2023 (allowed until tax day 4/15/2024)?
  - a. Yes
  - b. No
  - c. I will before tax day
7. Do you have an HSA (Health Savings Account) with a High Deductible Health Plan?
  - a. Yes
  - b. No
  - c. I don't know
8. If you have an HSA, do you spend the money yearly or invest?
  - a. Spend all yearly
  - b. Invest all and pay out of pocket or with FSA for medical/dental/vision
  - c. Spend some and invest the rest

# Poll Questions and Responses

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9. Do you have an emergency fund (3-6 months worth of expenses that are easily accessible)?

- a. Yes, at my brick and mortar bank (BoA, Wells Fargo, USAA, etc.)
- b. Yes, kept in a High Yield Savings Account (Ally, CIT bank, other online HYSA)
- c. Yes, held elsewhere
- d. No
- e. I don't know

10. Do you have a brokerage (taxable) investment account?

- a. Yes
- b. No
- c. I don't know

11. Do you use an FSA even if you have an HSA?

- a. Yes
- b. No
- c. What's an FSA?
- d. I didn't think you could use an FSA if I have an HSA.

# Agenda

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- SECURE 2.0 Updates (Congress signed late Dec 2022)
- Retirement Savings Vehicles and Options
  - ✓ 401(k)
  - ✓ Health Savings Account (HSA)
  - ✓ Individual Retirement Accounts (IRAs)
  - ✓ Brokerage Accounts and 457(b) plans
- How to Get Money before 59 ½ and some tricks
- Lifetime Tax Management

# SECURE 2.0 Immediate Changes

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## ➤ Updated Required Minimum Distribution Ages

- ✓ Previously age 72

Birth Year	RMDs Begin at Age
1951-1959	73
1960 or later	75

Note: Penalty for NOT taking RMD reduced

- From 50% to 25% and may be as low as 10% if corrected quickly

*Sounds good in theory, but this penalty likely to actually be enforced unlike the 50%*

## ➤ So What?

Assuming 75 as RMD age

- ✓ 3 more years of Roth Conversions
- ✓ Can put more in tax-deferred now

# SECURE 2.0 Immediate Changes

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- New Exceptions to 10% Early Withdrawal Penalty (pre 59 ½)
  - ✓ Terminal Illness
  - ✓ Survivors of Domestic Abuse
  - ✓ Corrective Distributions of Excess Contributions & Earnings
  
- Qualified Charitable Distributions Annual Limits
  - ✓ Limits now Indexed to Inflation
  - ✓ One-time \$50k charitable distribution via split interest gifts

In 2026: Up to \$2500 per year penalty-free for Long Term Care premiums

# SECURE 2.0 “Rothification”

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- Employer match can now go into Roth 401(k)s, 403(b)s or 457s
  - ✓ Employee will foot the tax bill
- Employees can make Roth contributions to SIMPLE and SEP IRAs
- Starting in 2024 and beyond
  - ✓ Roth 401(k)s and Roth 403(b)s no longer have RMDs
    - ❖ Only Roth IRAs prior to this



Senator William Roth, Delaware

Congress thinks they like getting the tax payments now, but we'll see in 20 years

# SECURE 2.0 Roll 529 to Roth IRA

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- Convert tax and penalty from up to lifetime limit of \$35k
- Rules and Restrictions
  - ✓ Starts in 2024
  - ✓ 529 Account must have been open > 15 years
  - ✓ Subject to annual Roth IRA contribution limits
  - ✓ Amount converted cannot exceed the aggregate amount contributed to the 529 plan account in the 5 years prior to the Roth IRA conversion distribution date

Can always change a beneficiary on the 529

# SECURE 2.0 More Roth

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- Employer match can now go into Roth 401(k)s, 403(b)s or 457s
  - ✓ Employee will foot the tax bill
- Employees can make Roth contributions to SIMPLE and SEP IRAs
- Starting in 2024 and beyond
  - ✓ Roth 401(k)s and Roth 403(b)s no longer have RMDs
    - ❖ Only Roth IRAs prior to this
  - ✓ Catch-up contributions for “Highly Compensated” must be Roth – **moved from 2024 to 2026**

Congress thinks they like getting the tax payments now, but we'll see in 20 years

# SECURE 2.0 Retirement Savings Incentives

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- File Schedule C, start Solo 401(k) plan before tax return date, eligible for 2023 employee contributions
- New small business (up to 50) can receive 100% credit for startup costs
- Small employers get new credit up to \$500 per for making military spouse immediately eligible for retirement plans
- Employers can offer gift cards to encourage employees to save for retirement



# SECURE 2.0 Additional 2024 and Beyond

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- IRA catch-up contributions (50+) will be indexed to inflation vice just \$1000
- In 2025, catch-up for ages 60-63 increased to at least \$10k
- **Employers allowed to match student loan payments into 401(k), etc.**
- Penalty-free emergency withdrawals up to \$1k from 401(k) / IRA
- 2025: Auto enrollment and auto annual increased contributions in NEW 401(k)s, 403(b) – employee can opt out
- Surviving spouses can elect to be treated as employee – may reduce RMD amount



# Use All These Vehicles to Build Your Rich Life

➤ 401(k) =



➤ Health Savings account =



➤ IRA =



✓ Roth makes it military-grade

➤ Brokerage Account (ESPP/RSUs) =



➤ Social Security = ???



One can and should contribute to as many of these as possible - one doesn't exclude the others

# 401(k) Your Tax-Advantaged Retirement



2024 IRS limit on total contributions is **\$69k** (up \$3k)  
**(\$76.5k** with catch-up for year turn age 50)

## Normal Means to Contribute

Employee Elective Deferrals

Company Match

## Potential Additional Contributions

Company Profit Sharing

After-tax contributions (not in our plan)\*

Side business profits - Solo 401k, etc.

No Income Limits on 401(k) – can contribute pre-tax, Roth or combination of both

# 401(k) Your Tax-Advantaged Retirement



Current Max Contributions in Example 401(k) Plan that match \$0.50 per \$1 up to 5%

Contributor (<50 years old)	Max Annual Contribution 2023
Employee Elective Deferrals	\$ 23,000.00
Employer match \$0.50 per \$1 up to 10% of eligible compensation	(max) \$11,500.00
Total	<b>\$34,500.00</b>

Potential Extra Money in 401(k)

Potential for Additional **\$34,500** in 401(k):  
(\$42,000 for people 50+)

- Nonelective Contributions
- After-tax contributions
- Profit sharing from Solo 401(k), etc.

**Must contribute by end of Calendar Year**

# Do You Like Finding Free Money?



➤ Are you contributing at least 10% to 401(k)?  
Let's assume a salary of \$100k



Can't save 10% to 401(k)? Better question, can you afford to throw away free money?

## 401(k) is for RETIREMENT, so Don't Touch It!

- Creditors cannot touch 401(k) assets, even in Bankruptcy
- No loans or cashing out!



Pensions worked well because people could NOT spend it ahead of time!

# Free Counseling

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If you're thinking about taking a loan or cashing out your 401(k)...  
just give me a call



You only learn who has been swimming naked when the tide goes out

## What Are the Age-Related Rules with 401(k)?

1. Withdraw before 59.5 – pay income tax and 10% penalty
2. Early access rule if working at company until reach 55
3. Required Minimum Distributions (RMDs) at age ~~70.5, 72,~~  
73 (born '51-59), 75 (born 1960 or later)
4. 5-year Rule on Roth 401(k) earnings

# What are these things you call RMDs?

➤ Uncle Sam wants his Money!

$$\text{Amount of RMD} = \frac{\text{Account Balance on 12/31}}{\text{Life Expectancy for Age}}$$

Example: Age 75, 401(k) balance \$3M  
**RMD = \$3M / 24.6 = \$131,951 (income tax)**  
 Previously at age 72: \$3M / 27.4 \$109.5k

REVISED UNIFORM LIFETIME TABLE – EFFECTIVE 2022									
Age	Distribution Period	Age	Distribution Period	Age	Distribution Period	Age	Distribution Period	Age	Distribution Period
		80	20.2	90	12.2	100	6.4	110	3.5
		81	19.4	91	11.5	101	6.0	111	3.4
72	27.4	82	18.5	92	10.8	102	5.6	112	3.3
73	26.5	83	17.7	93	10.1	103	5.2	113	3.1
74	25.5	84	16.8	94	9.5	104	4.9	114	3.0
75	24.6	85	16.0	95	8.9	105	4.6	115	2.9
76	23.7	86	15.2	96	8.4	106	4.3	116	2.8
77	22.9	87	14.4	97	7.8	107	4.1	117	2.7
78	22.0	88	13.7	98	7.3	108	3.9	118	2.5
79	21.1	89	12.9	99	6.8	109	3.7	119	2.3
								120+	2.0

There are ways to get minimize RMDs and control your tax brackets

# I Left the Company - What are my options with 401(k)?

➤ Leave the 401(k) where it is

➤ Roll it over into an IRA

➤ Roll it to a new 401(k) plan

~~➤ Withdraw it:~~

~~➤ Pay taxes possibly 10% age penalty~~



# Health Savings Account – Best Tax Advantage



➤ Triple Tax Advantage (except CA state tax)

HSA Annual Limits	2024		Change
	<55 yrs old	55 yrs +	
Self-only	\$ 4,150	\$ 5,150	+\$300, \$0 in catchup
Family	\$ 8,350	\$ 9,350	+\$600, \$0 in catchup
HDHP min deductibles	Self: \$1600	Family: \$3200	+\$100 ind, \$200 family
HDHP max out of pocket	Self: \$8050	Family: \$16100	+\$550 ind, +1100 family

➤ FSA: Use it or lose it – our company allows carryover but must be paid by 7/31

FSA IRS Annual Limits	2023	2024	Change
Annual Limit	\$3,050	\$3,200	+\$150, normally ~+\$100
Note: This is use it or lose it			

In our high-deductible plan, you can contribute to both HSA and limited use FSA

Invest money then reimburse years later with Tax Free Growth.

# IRA – Your Best Tax Advantaged



- Requires Income to contribute
- Flexibility – investing options and distributions\*
- Roth IRA – No RMDs! (in 2024 Roth 401(k)s don't have RMDs)
- May contribute up to Tax Day of following Year

You Can and Should Contribute Both to Your 401(k) and IRA

# Income and Contribution Limits for IRAs

2024 IRS Annual Limits	Income Limits MAGI	<50	50+
Roth IRA	Single (\$146k - \$161k) Married (\$230k - \$240k)	\$7,000	\$8,000
Traditional IRA w/ no employer plan	No Limit, all tax deductible	\$7,000	\$8,000
Traditional IRA w/ employer plan - Income limits deductible contributions	Single (\$77k - \$87k) Married (\$123k - \$143k)	\$7,000	\$8,000
Summary: \$500 increase overall, no change in catchup contribution amount of \$1000			

There are currently ways around the income limit for Roth IRAs

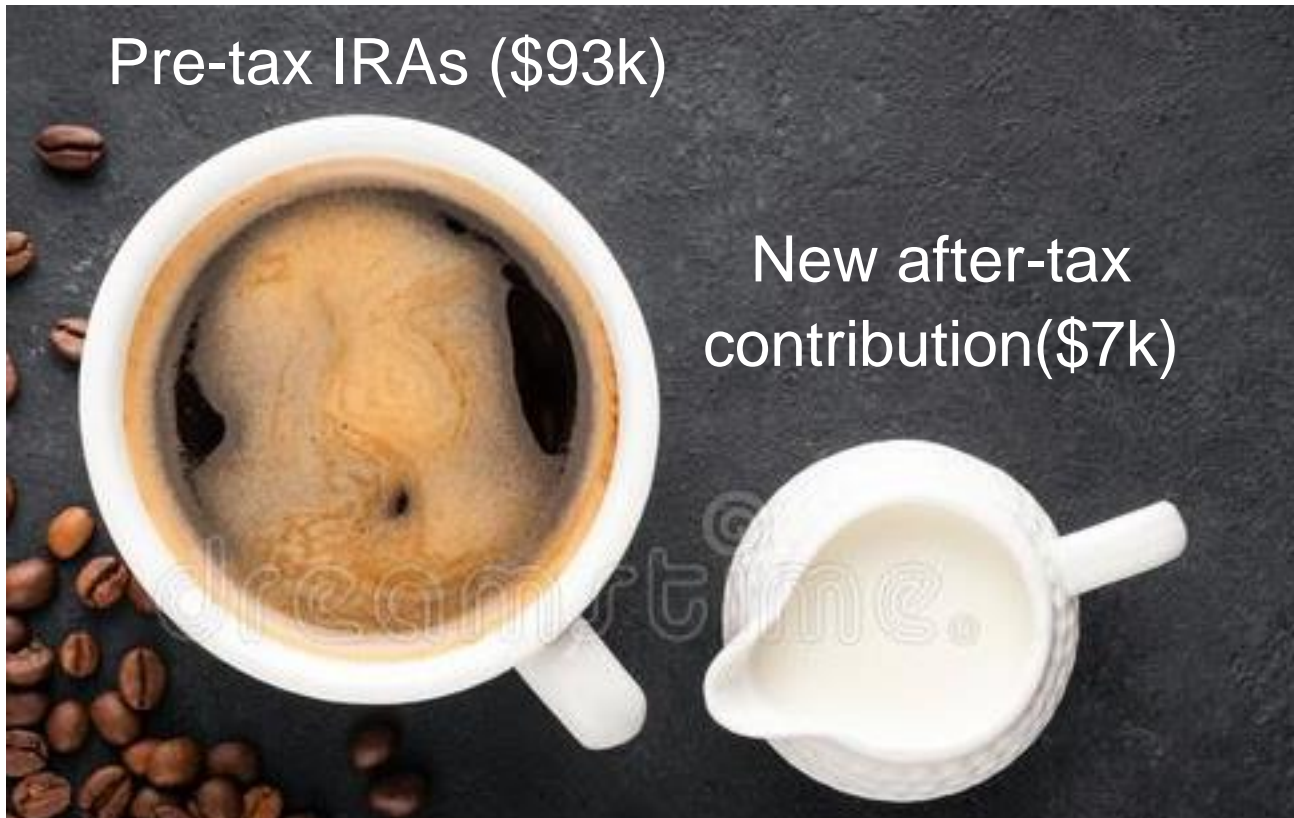
# What is this Backdoor Roth IRA Conversion?

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- Current “loophole” – Backdoor Roth IRA Conversion
  1. Non-deductible Contribution to Traditional IRA
  2. Invest it, then wait until near December (Step Transaction Doctrine)
  3. Convert entire Traditional IRA to Roth IRA
  4. BAM – tax-free growth forever!

Key Assumption – You have little or no money in pre-tax IRAs

# How the Pro Rata Rule Screws You!



New Traditional IRA balance (\$100k)



Attempt Backdoor on annual \$7k...Pay taxes on 93% of Conversion

Option to Roll Traditional IRA into Viasat 401(k) -> Then contribute and backdoor

## New Trick to Contribute to Roth IRA for Some

- Contribute to Pre-tax 401(k)
- Contribute to Roth IRA
- In-plan conversion of Pre-tax 401(k)

# These Roth 5-year Rules are So Confusing!

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- Roth IRA Withdrawals  $< 59 \frac{1}{2}$  vs  $\geq 59 \frac{1}{2}$ 
  - ✓ First Roth created  $\geq 5$  year ago or not?
    - ❖ Contributions vs Conversions vs Earnings

# Brokerage Account & 457(b) – Your Retirement



- No Age Restrictions
- Pay better Capital Gains Rate Taxes
- ESPP and RSUs are in one

Pulls you through to age limits on qualified accounts (401(k) and IRAs)

## Bonus Account at some Employers: 457(b) and potentially pension

- 457(b) State workers, schools, hospitals, non-profits, etc.

Contributor	Contribution type	Max Annual Contribution 2024	
		<50 years old	50 years and older
Employee Elective Deferrals	Pre-tax or Roth	\$ 23,000.00	\$ 23,000.00
	Catch-up Contributions	\$ -	\$ 7,500.00
Employee Total		\$ 23,000.00	\$ 30,500.00

- 457(b) in separate from 401(k) type account and can max contributions to both
- 457(b) has no age limit to withdraw (i.e., no 10% penalty like 401(k))

Married couple where one has access to 457(b) may contribute over \$60k to tax advantaged through employee elective deferrals

# How Do I get Money out before 59 ½ Penalty Free?

- FIRE Roth Conversion Ladder
- Retire at 55 or later 401(k) rule
- 72(t) - SEPP (Substantially Equal Periodic Payments)

Best option varies based on your individual situation

# Taxes – Stop Thinking Only About Today!

- Low Tax Rates Now
- Roth Conversion in Gap Years
- RMDs, Social Security and IRMAA
- What if Spouse Passes Away

Do you think that Tax Rates are going down?

# Is it Time to Add More Roth Contributions?

2024 Tax Brackets		
Tax Rate	Single Filers	Married Filing Joint
10%	\$0 to \$11,600	\$0 to \$23,200
12%	\$11,600 to \$47,150	\$23,200 to \$94,300
22%	\$47,150 to \$100,525	\$94,300 to \$201,050
24%	\$100,525 to \$191,950	\$201,050 to \$383,900
32%	\$191,950 to \$243,700	\$383,900 to \$487,450
35%	\$243,700 to \$609,350	\$487,450 to \$731,200
37%	\$609,350 or more	\$731,200 or more

2017 Tax Brackets before TCJA (Returning NLT 1/1/2026)		
Tax Rate	Single	Married Filing Jointly
10%	\$0 – \$9,325	\$0 – 18,650
15%	\$9,326 – \$37,950	\$18,651 – \$75,900
25%	\$37,951 – \$91,900	\$75,901 – \$153,100
28%	\$91,901 – \$191,650	\$153,101 – \$233,350
33%	\$191,651 – \$416,700	\$233,351 – \$416,700
35%	\$416,701 – \$418,400	\$416,701 – \$470,700
39.60%	\$418,400+	\$470,700+

2024 Federal standard deduction is **\$14,600** for single filers and **\$29,200** for married households.

Nobody complained about having too much tax-free money in Retirement!

# The Hidden Medicare Tax - IRMAA

2024 IRMAA		
Individual Income	Married Income	Monthly Premium Each
≤ \$103k	≤ \$206k	\$174.70
> \$103k - 129K	> \$206k - \$258k	\$244.60
> \$129k - \$161k	> \$258k - 322k	\$349.40
> \$161k - \$193k	> \$322k - \$386k	\$454.20
> \$193k - \$500k	> \$386k – \$750k	\$559.00
> \$500k	> \$750k	\$594.00
Additional Potential "Tax"		<b>\$10,063.20</b>

IRMAA calculated on Income 2 years before Premiums Paid

# Roth Conversions to Beat the RMD Tax Bomb

- Rollover 401(k) to Traditional IRA
- Convert Traditional to Roth\*
- Wait 5 Years
- Tax-Free for Life

# Control Your Tax Rate by Conversion Amount

2024 Tax Brackets		
Tax Rate	Single Filers	Married Filing Joint
10%	\$0 to \$11,600	\$0 to \$23,200
12%	\$11,600 to \$47,150	\$23,200 to \$94,300
22%	\$47,150 to \$100,525	\$94,300 to \$201,050
24%	\$100,525 to \$191,950	\$201,050 to \$383,900
32%	\$191,950 to \$243,700	\$383,900 to \$487,450
35%	\$243,700 to \$609,350	\$487,450 to \$731,200
37%	\$609,350 or more	\$731,200 or more

# Establish Residency Outside California?

2024 California tax rates		
Tax rate	Single	Married
1%	\$0 to \$10,412	\$0 to \$20,824
2%	\$10,413 to \$24,684	\$20,825 to \$49,368
4%	\$24,685 to \$38,959	\$49,369 to \$77,918
6%	\$38,960 to \$54,081	\$77,919 to \$108,162
8%	\$54,082 to \$68,350	\$108,163 to \$136,700.
9.30%	\$68,351 to \$349,137	\$136,701 to \$698,274
10.30%	\$349,138 to \$418,961	\$698,275 to \$837,922
11.30%	\$418,962 to \$698,271	\$837,923 to \$1,396,542
12.30%	\$698,272 or more	\$1,369,543 or more

CA standard deduction is **\$5,363** for single filers and **\$10,726** for married households.

# Capital Gains Tax Rates 2024

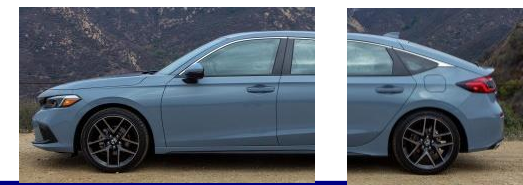
2024 Capital Gains Tax Rate Thresholds		
Capital Gains Tax Rate	Taxable Income (Single)	Taxable Income (Married Filing Jointly)
0%	Up to \$47,025	Up to \$83,350
15%	\$47,026 to \$518,900	\$83,350 to \$517,200
20%	Over \$518,900	Over \$517,200

There's an additional 3.8% surtax on net investment income (NII) that you might have to pay on top of the capital gains tax. (NII includes, among other things, taxable interest, dividends, gains, passive rents, annuities and royalties.) You must pay the surtax if you're a single taxpayer with modified adjusted gross income over \$200,000, a married couple filing a joint return with modified AGI over \$250,000, or a married person filing a separate return with modified AGI over \$125,000.

- Capital Gains: A profit from the sale of property or an investment
  - ✓ Long term Capital Gains are derived from assets that are held for more than one year and are taxed at Capital Gains rates (lower)
  - ✓ Short-term capital gains (sold within a year) are taxed as normal income (typically higher rate)

Ex: Buy a stock for \$10, 366 days later you sell it for \$15 – you will pay Capital Gains taxes on \$5 profit (\$15 - \$10)

# Social Security Benefits and Taxes



- 2024 Social Security Increase **3.2%**
  - ✓ Same Increase for Military Pension and VA Disability COLA
- FICA Tax Rates and Increase in Max Taxable Earnings

Tax Rate	2023	2024
Employee	7.65%	7.65%
Self-Employed	15.30%	15.30%
Note: SS: 6.2%, Medicare 1.45%. Additional 0.9% Medicare Tax for Ind > \$200k, and Married >\$250k		

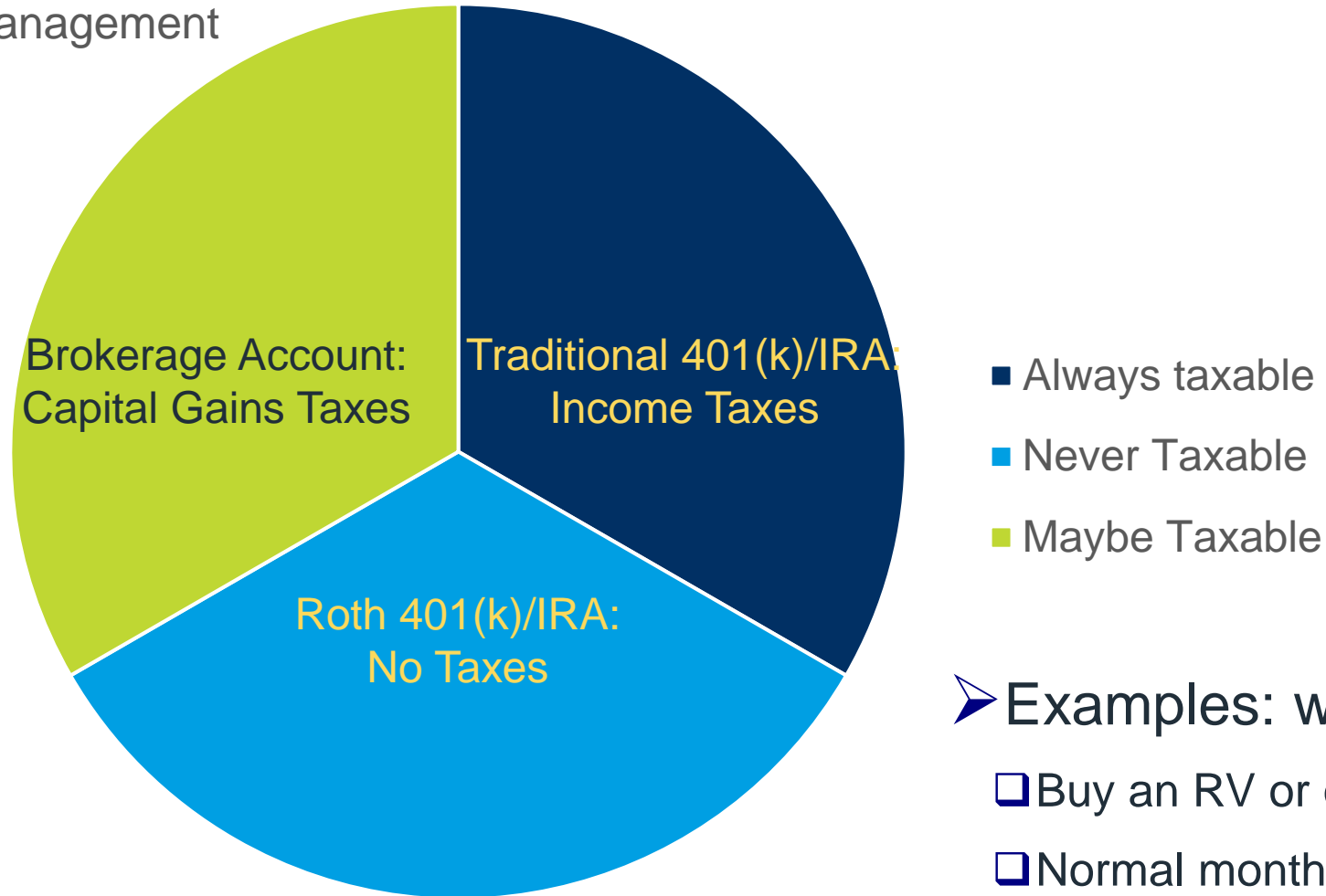
	2023	2024
Maximum Taxable Earnings		
Social Security (OASDI only)	\$160,200	\$168,600
Medicare (HI only)	No Limit	
Quarter of Coverage		
	\$1,730	\$1,640

Need a min 6 QCs (Quarter of Coverage) to receive any SS benefits, and max number needed is 40

Additional \$818.40 of tax for people making \$160k – important to keep SS going

# Retirement Trifecta – Roth, Traditional and Brokerage

Tax Management

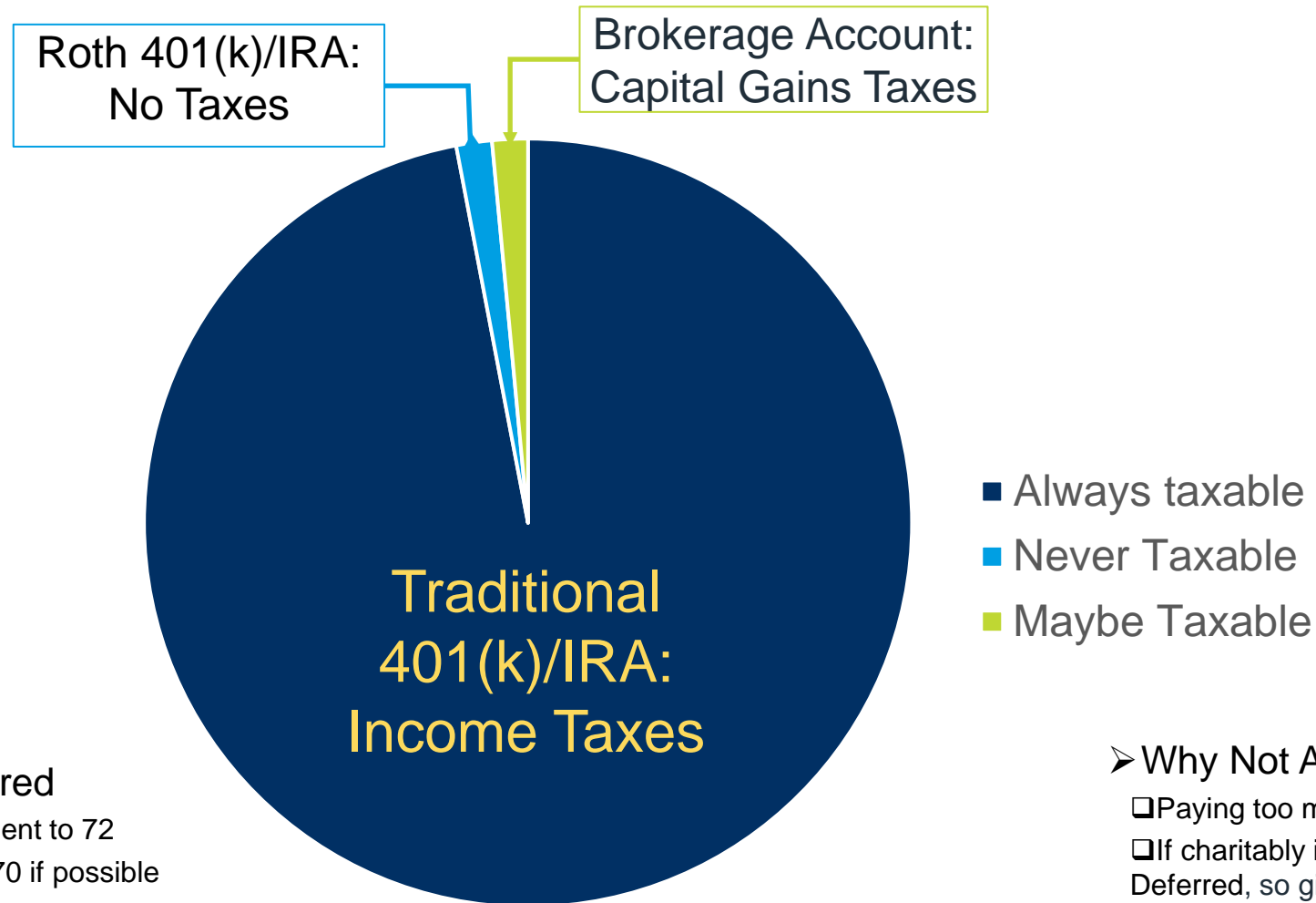


➤ Examples: where to pull money from?

- Buy an RV or other large cash purchase?
- Normal monthly expenses?

Flexibility to Control/Influence Lifelong Tax Brackets

# Most Only Think About Saving on Taxes This Year



- Strategy if all tax-deferred
  - Roth conversion from retirement to 72
  - Push Social Security to age 70 if possible
  - Normal monthly expenses?

- Why Not All Roth?
  - Paying too much tax early and
  - If charitably inclined – tax-free from Deferred, so giving less

Potential Tax Bomb Later if not managed properly

# Power of Compounding and Rule of 72

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- A piece of paper is .05mm thick



# Put on Your Oxygen Mask First



There are Student Loans for School, but not loans for Retirement

# Your Homework

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- Open benefits enrollment upcoming
  - ✓ Update plan
  - ✓ Update HSA contributions
  - ✓ Determine FSA amount
- Update your contribution percentage for 401(k), IRA,
  - ✓ Don't spend all your raise!
- Open IRA (Fidelity, Schwab or Vanguard)
  - ✓ Can fund 2023 limits of \$6.5k (\$7.5k for 50+) until Tax Day (4/15/2024)
  - ✓ Setup automatic investing
- Open Brokerage Account at Same Company as IRA
- Review and Cancel Unneeded Subscriptions
- Verify your beneficiaries for all accounts

# Questions?

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From You:

- ✓ Was this too Basic? Was it too fast?
- ✓ What didn't make sense?
- ✓ What do you want to know more about?

My questions for you:

- ✓ Do you feel confident to take actionable steps right now or tomorrow?
- ✓ Do you have a net worth tracker or need one? Personally, I started a quarterly one few years back and recommend that or at least an annual one
- ✓ What are you waiting for to take command of your financial future?

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  - Share what positive changes you've made
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What better goal than to do What you Want, When you Want, with Who you Want, and How you Want?

# What Topics to Explore?

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- ~~Personal Finance/Investing 101/201 parts 1&2~~
- ~~Retirement Investing Vehicles~~
- ~~Traditional v Roth and Lifetime Tax Management~~
- ~~ESPP and RSUs~~
- ~~Inflation, Recession and Bear Markets~~
- ~~Average 401k by age and net worth by age/salary – are you on track?~~
- ~~Insurance (term, life, umbrella, etc.)~~
- Investing for Children/niece-nephew (529, UTMA, Brokerage, and Roth IRA once earning income)
- Common Investor Biases
- Why I prefer indexes to individual stocks (self-cleansing vs. lifecycle of business)
- Building Credit Scores
- Mega Backdoor Roth
- Roth 5-year rules
- Dollar Cost Average vs Lump Sum Investing
- Credit card / travel hacking
- Cost of Raising a Child
- Roth Conversion Ladder
- RMDs or MRDs (Minimum Required Distributions)
- 210 concept (tax planning for 2 people, 1 person and 0 (children))
- Risk Parity when close to drawing down vice accumulating
- Better Charitable Giving – The Donor Advised Fund and QCDs
- Social Security and when to start

# Quarterly Veteran-specific Topics to Explore?

- ~~TSP – what to do with it – leave it where it's at or roll into personal 401k/IRA and 401k/IRA planning~~ Done
- ~~Factoring in any pension/disability into retirement planning~~ Done
- Umbrella and Life Insurance (SGLI, VGLI, SBP, term, whole, etc.)
- Financial/fringe benefits for non-retiree veterans and retirees
- Reserve duty, points and retirement
- Healthcare options (Tricare, VA, Viasat, other)
- GI Bill (if there's a remaining balance or not yet used), including remaining Montgomery GI bill and Post-9/11
- VA loan vs conventional loans and other home loans – when/how to transfer a VA loan to another property