Retirement Tax Strategies 2026

Key Concepts & Quick Reference

Current Tax Environment

Tax Rates on Income, Gains, Collectibles

- Ordinary income: 10%–37%
- Long-term capital gains: 0%, 15%, or 20% depending on income
- Collectibles (art, coins, metals): max 28% tax rate
- Net Investment Income Tax (NIIT) of 3.8% may apply for higher earners

Social Security Taxation

- Up to 85% of SS benefits may be taxable
- Provisional Income = AGI + non-taxable interest + 50% of SS benefits
- Single filers begins at $25,000
- Married filing jointly: begins at $32,000
- Taxation of SS has NOT been indexed for inflation

Future of Tax Rates

- Current rates are historically low
- Rising national debt may create pressure for future rate increases

TIP: Proactive planning today can help reduce lifetime tax exposure

Taxation for Your Heirs

Stretch IRA Rules

- SECURE Act eliminated "Stretch IRA" for most non-spouse beneficiaries
- Most must distribute inherited IRAs within 10 years
- Distributions are taxed as ordinary income

TIP: Roth conversions and other strategies can reduce the tax burden passed to heirs

Stepped Up Basis

- Non-qualified (taxable) assets inherited at death receive a step-up in cost basis to fair market value, eliminating capital gains tax on lifetime appreciation
- IRAs get no step-up — heirs pay ordinary income tax on every dollar withdrawn
- Strategic asset location can significantly benefit heirs

Estate Tax Limitations

- Federal estate and gift tax exemption is $15M per individual ($30M for married couples), adjusted annually for inflation
- Estates exceeding the exemption are taxed at a flat rate of 40%

TIP: Now is an important time to review gifting and estate planning strategies

Tax Treatment of Different Accounts

- **Traditional IRA/401(k):** Pre-tax contributions, taxable withdrawals as ordinary income, RMDs required
- **Roth IRA/401(k):** After-tax contributions, tax-free withdrawals, not subject to RMDs under current tax law
- **Non-Qualified (taxable) accounts:** Capital gains treatment and step-up basis at death

TIP: Diversifying across all three tax buckets provides flexibility in retirement

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Tax Solutions for Non-Retirement Assets

Tax-Efficient Investing

- Municipal bonds: interest generally exempt from federal (and often state) income tax
- REITs can provide income with a portion treated as return of capital (tax-deferred)
- Index funds/ETFs minimize taxable distributions

TIP: Asset location strategy: place tax-inefficient assets in tax-advantaged accounts

Annuities & Cash Value Life Insurance

- Annuities: tax-deferred growth, no annual contribution limits
- Cash value life insurance: tax-free growth and can be accessed via tax-free loans
- Life insurance death benefit: passes income-tax-free to heirs

TIP: Both can be useful for high earners who have maxed out traditional tax advantaged accounts

Section 351 “Exchange Fund”

- Allows holders of highly appreciated, concentrated stock positions to contribute shares into a partnership fund
- In exchange, they receive diversified exposure without triggering an immediate capital gains tax event
- Must hold the fund interest for at least 7 years to qualify
- These strategies are complex and typically limited to accredited investors

TIP: Effective solution for executives or founders with large single-stock exposure

Capturing Losses

- Tax loss harvesting can potentially offset capital gains and up to $3,000 of ordinary income annually
- Losses may be carried forward
- Certain investments (e.g., Oil & Gas) may offer tax advantages
- Subject to IRS rules, limitations, and investment risk
- Oil & gas partnerships are for accredited investors

Tax Solutions for Real Estate

1031 & 721 Exchanges

- **1031 Exchange:** Defer capital gains and depreciation recapture by reinvesting real estate sale proceeds into a "like-kind" property within strict timelines (45-day ID / 180-day close)
- **721 Exchange (UPREIT):** Contribute real estate into a Real Estate Investment Trust (REIT) operating partnership in exchange for operating partnership units — tax-deferred, and provides diversification and liquidity
- At death, heirs receive a stepped-up basis, potentially eliminating the deferred gain entirely

TIP: Both strategies allow investors to preserve capital that would otherwise go to taxes

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Tax Solutions for Business Owners

Intermediary Installment Sale Trust

- Sell your business and defer capital gains tax via installment payments over time
- An intermediary trust purchases the business and issues a structured installment note
- Proceeds compound pre-tax during the deferral period
- These strategies require careful structuring and professional guidance

TIP: Particularly valuable for owners selling businesses with large embedded gains

Opportunity Zone Funds

- Invest capital gains into a Qualified Opportunity Zone Fund to defer & potentially reduce tax
- Investments held 10+ years: appreciation inside the fund is completely tax-free
- Targeted at economically distressed communities, investment must meet "substantial improvement" standards
- For accredited investors

Section 1202 Stock Exemption

- Up to 100% federal capital gains exclusion on C-corp stock held 5+ years (assets under $50M at issuance)
- Some states (e.g., CA) don't conform
- Highly specific strategy with strict qualifications

TIP: Powerful planning tool for founders, angel investors, and early employees

Tax Solutions for IRAs

Roth Conversions

- Convert traditional IRA funds to a Roth IRA, pay tax now, enjoy tax-free growth and withdrawals later
- Most compelling during lower-income years (e.g., early retirement before Social Security/RMDs begin)
- "Filling up" lower tax brackets annually can reduce lifetime tax burden significantly
- Also reduces future RMDs, which can lower Medicare IRMAA surcharges and SS taxation

ILITs

- Irrevocable Life Insurance Trust owns a life insurance policy outside your taxable estate
- Death benefit passes income-tax-free AND estate-tax-free
- IRA distributions may be used to fund premiums (subject to taxation)
- Useful for legacy-focused planning

TIP: Particularly effective for those with large traditional IRAs who want to maximize wealth transfer to heirs

Special Situation Trusts

- Spousal Lifetime Access Trust (SLAT): Removes assets from estate while retaining indirect spousal access
- Beneficiary Defective Inheritor's Trust (BDIT): Advanced strategy to shift IRA value to heirs in a tax-efficient manner
- Special Situation Trusts can be tailored to family, tax, and legacy goals
- Advanced strategies require legal and tax coordination

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Tax Solutions for Charitable Giving

Gift Stock - Not cash

- Donate appreciated securities directly to avoid capital gains — deduct full fair market value
- Far more efficient than selling, paying tax, then donating cash
- Works with donor-advised fund, direct gifts to charity, or private foundations

Qualified Charitable Distributions from IRAs

- IRA owners age 70½+ can donate up to the IRS annual limit (indexed, approximately $100K+ per individual)
- QCDs count toward satisfying RMDs without increasing taxable income
- May reduce overall tax liability and Medicare-related costs
- Particularly beneficial for those not itemizing deductions

Donor Advised Funds & Charitable Remainder Trusts

- **DAF:** Contribute assets now for an immediate deduction, distribute to charities on your own timeline — ideal for bunching deductions in high-income years
- **CRT:** Contribute appreciated assets, receive lifetime income, remainder goes to charity — avoids capital gains

TIP: Both strategies align philanthropic goals with meaningful tax savings

Current Market Outlook

- Volatility elevated: tariff uncertainty, geopolitical risk, inflation concerns
- Sequence-of-returns risk: an early down market can permanently impair a retirement portfolio

IDEAS:

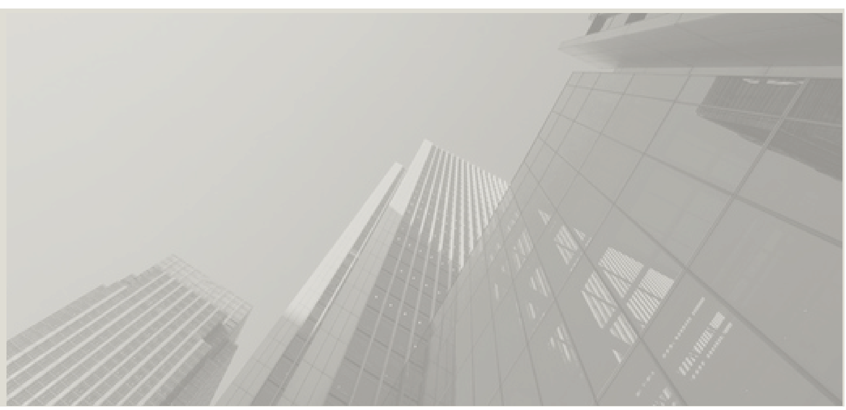
Fixed indexed Annuities (FIAs) and buffered annuities offer **market participation with downside protection**

Locking in guaranteed income floors can **reduce anxiety and allow equity exposure to remain in place for long-term growth**

Your Next Steps

Meet with us to build a strategy designed to:

- Reduce taxes
- Protect your income
- Provide clarity and confidence in your future



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