Dan Huslin
Licensed insurance agent

COMPANION WORKSHEET · THE LATCHKEY KID'S RETIREMENT PLAN

# Map your tax buckets

Every retirement dollar falls into one of three tax buckets. Write each account's balance in the right column.
Date: _____

## 1 Sort your accounts

### 1. Tax later

Almost every dollar is taxed when it comes out (except any after-tax money you put in).

| | |
|---|---|
| 401(k), 403(b), 457 | $ _____ |
| Traditional IRA | $ _____ |
| IRA annuities | $ _____ |
| | $ _____ |
| **Total** | **$ _____** |

### 2. Tax on growth only

You put in taxed money. Only the growth is taxed, on different schedules.

| | |
|---|---|
| Savings, CDs | $ _____ |
| Brokerage | $ _____ |
| After-tax annuities | $ _____ |
| | $ _____ |
| **Total** | **$ _____** |

### 3. Tax-free

Roth money, once you meet the rules: age 59½ and the five-year clock.

| | |
|---|---|
| Roth IRA | $ _____ |
| Roth 401(k) | $ _____ |
| HSA (for medical bills) | $ _____ |
| | $ _____ |
| **Total** | **$ _____** |

## 2 How it splits

| | |
|---|---|
| Bucket 1 share of total bucket 1 ÷ all three | _____ % |
| Bucket 2 share | _____ % |
| Bucket 3 share | _____ % |

## 3 What it means

**Mostly in bucket 1?** That's normal for GenX. It also means a big tax bill is waiting, and RMDs will start forcing it out. For most people born in 1960 or later, RMDs start at 75.

**The gap years.** The years between retiring and starting RMDs (and Social Security) are often when your income is lowest. That can be a good time to move some money from bucket 1 to bucket 3 with Roth conversions.

**Watch the Medicare line.** Medicare looks back two years. Income at 63 can raise your premiums at 65.



General information, not tax advice. Tax rules change; confirm with a tax professional before converting or moving money. © The Dark Horse Group, Inc.

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## 4 Plan the gap years

Fill in the years from when you stop working until RMDs start. Bring this to your tax professional.

| Year | Your age | Expected income | Income source | Conversion to ask about | Notes |
|---|---|---|---|---|---|
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## 5 Questions for your tax professional

- ☐ Would Roth conversions in my gap years make sense for me?
- ☐ How much could I convert each year and stay in my current bracket?
- ☐ How much could I convert and stay under the Medicare (IRMAA) line two years later?
- ☐ Where would the tax money come from? (Not from the converted money, ideally.)
- ☐ What will my RMDs look like at 75 if I do nothing?
- ☐ Would a conversion analysis show the effect on my Medicare premiums?

## 6 Notes



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