

Key Milestones to an Empowered Retirement

Easing off the accelerator to coast into retirement can bring a whirlwind of emotions – from excitement and anticipation to disbelief and a touch of uncertainty as you venture into uncharted territory. Building a fulfilling and empowered retirement starts with equipping yourself with knowledge for the road ahead. A well-designed road map can guide you through key milestones, helping to navigate the twists and turns with confidence. While every retirement journey is unique, understanding the opportunities available at critical ages can set you on the path to a smoother, more comfortable and well-deserved retirement.

If you are 50 or will be by the end of the year and you contribute to a 401(k), 403(b), TSP, or 457 plan, you can make a \$7,500 **catch-up contribution** on top of the standard \$23,500 limit (2025).

- ❖ Traditional or Roth IRA, you can make an additional \$1,000 contribution in addition to the standard \$7,000 contribution (2025).
- ❖ SIMPLE IRA or SIMPLE 401(k), you can make an additional \$3,500* catch-up contribution on top of the standard \$16,500 limit (2025). *Higher SIMPLE IRA catch-ups may apply under certain conditions. Check with the plan sponsor.



ATTENTION

- ❖ **Public safety employees**, 50+ years of age, who retire, quit, or are laid off in the same year: Avoid the 10% early withdrawal penalty provided you take the distribution directly from your employer's retirement plan.
- ❖ **Widows or widowers** who are or become **disabled** within seven years of your spouse's death, may be eligible to draw Social Security survivor benefits. If you are still working, benefits may be reduced or eliminated until you reduce your earnings, retire, or reach full retirement age (FRA).

A withdrawal from an IRA, 401(k), 403(b), or other employer-sponsored plans are no longer subject to the early withdrawal penalty. If you are still an active employee, the employer's plan must permit an in-service distribution. Pre-tax distributions are still taxable as ordinary income.

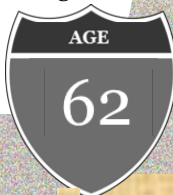


- ❖ If you separate from service in the same year that you are at least 55+ by December 31, you may take a distribution directly from that employer's qualified retirement plan without paying the 10% early withdrawal tax. Any pre-tax distributions will be taxable and may be subject to a 20% mandatory federal income tax withholding requirement.
- ❖ If the monies are first rolled to an IRA, the age 55 exception will no longer apply. This exception does not apply to IRAs, SEPs, or SIMPLE IRA plans.

- ❖ Earliest age you can claim **Social Security** retirement or spousal benefits. Filing for benefits at age 62 could reduce your monthly retirement or spousal benefit by 30 to 35% of your benefit at your normal retirement age. You may file online up to four months before your 62nd birthday by visiting ssa.gov.



- ❖ **Widow or widower (and not disabled)**: Earliest age at which you may be able to file for reduced survivor benefits. If you continue to work, your benefits may be reduced or withheld depending on the amount of your earned income.
- ❖ Starting January 1, 2025, employees aged 60 – 63 by December 31 of the year, will be eligible to make **enhanced catch-up contributions** to their retirement plans after reaching the maximum deferral limit.
 - ❖ For 2025, participants in 401(k), 403(b), TSP, and 457(b) plans can contribute an additional \$11,250 – 150% of the standard age - 50 catch-up contribution – on top of the \$23,500 standard deferral limit.
 - ❖ For SIMPLE IRA and SIMPLE 401k plans, the additional catch-up contribution limit for 2025 is \$5,250, above the \$16,500 standard deferral limit. These super-charged contributions provide a valuable opportunity for you to boost your retirement savings before retirement.



If you plan to enroll in Medicare Parts B and D at age 65, your income in this year determines what your Medicare premiums will be at age 65.

Your Medicare premiums and potential surcharges referred to as **income related monthly adjusted amount (IRMAA)** for the current year are based upon your **modified gross adjusted income** as reported on your IRS tax return two years before the current year. This process repeats annually.

- ❖ For example, your 2025 Part B and D premiums are based on your MAGI in 2023. Certain qualifying life-changing events such as retirement permit you to request a redetermination of your premiums using a more recent tax year.



Consult your tax and financial professionals to ensure that your income does not cause you to pay higher premiums than anticipated

- ❖ Age at which you generally are first eligible for **Medicare**, unless you are disabled. Your seven-month **initial enrollment period** includes the three months before your 65th birthday, the month you turn 65, and ends three months after your birthday.
- ❖ Unless a special enrollment period applies to you (for example, if you or your spouse are actively employed and are covered under a workplace health plan with 20 or more employees), failure to enroll in time could cause lifelong monthly penalties to your Medicare Part B and Part D prescription drug plan premiums.

Working with a knowledgeable financial professional can help you navigate the path to and through retirement more confidently, providing personalized guidance and tailored strategies that reflect your individual needs and goals.

Key Retirement Milestones Reference Guide

- ❖ When you reach your full retirement age (FRA), you can collect 100% of your Social Security benefit. **Why is this important?** You could receive as much as a 30% higher lifelong benefit than if you decide to file at age 62, which could also positively impact the income of your surviving spouse if you are the higher-wage earner.
- ❖ If you were born between 1943 and 1954, your FRA is 66. If you were born between 1955 and 1959, your FRA falls somewhere between 66 and 67. And if you were born in 1960 or later, 67 is the year you are entitled to 100% of your retirement benefit. If you were born on January 1st, refer to the prior year for FRA.



- ❖ You stop earning monthly **delayed retirement credits** (up to 8% for every 12 months you delay your claim beyond your FRA, accrued monthly) on your Social Security retirement benefit. If you have not yet filed for benefits, do so now. Waiting provides no additional credits.

- ❖ If you were 70 ½ by December 31, 2019, you should already be collecting **required minimum distributions** (RMDs) from your traditional IRA or workplace retirement plan. If you're still working and participating in your company's retirement plan, you may be able to delay RMDs from your current employer's plan until you retire, if later. Check with your employer.



- ❖ When filing any time beyond your Full Retirement Age, you can request the Social Security Administration (SSA) to issue a lump sum retroactive payment up to a maximum of six months or back to your FRA month, whichever is shorter. However, doing so will reduce your monthly benefits unless the lump sum is for months you missed by waiting beyond age 70 to file. Consult your tax advisor; receiving a large lump sum could impact your tax situation.

- ❖ You may direct tax-free charitable donations from your IRA using **qualified charitable distributions** (QCDs). A properly executed QCD requires the donation to be paid directly from the IRA to an eligible charitable organization, with an annual maximum of \$108,000 (2025) per IRA owner.



- ❖ A one-time election to direct a maximum of \$54,000 (2025) to a charitable gift annuity or charitable remainder trust will offset the higher limit.
- ❖ Beginning in 2020, the QCD you may exclude from income is reduced by the aggregate amount of deductible IRA contributions you made at 70.5 or older.
- ❖ You are not required to itemize deductions to take advantage of a QCD, and the amount of the QCD, up to a maximum of \$108,000 (2025) is tax-free. Furthermore, once you are subject to RMDs, Qualified Charitable Distributions can be used to partially or fully satisfy your RMDs for the same year. When properly executed, QCDs reduce your taxable income for that year, offering a tax-efficient way to meet your philanthropic goals while managing your retirement income.
- ❖ Speak to your tax advisor for additional details before using the strategy.

- ❖ If you were born between July 1, 1949, and December 31, 1950, you should have already started taking RMDs from Traditional IRAs and workplace retirement plans by April 1 of the year following the year you reached age 72 (unless you are still working and participate in a qualified plan that permits you to delay RMDs until the year you retire). If you were born between 1951 and 1959, you should begin taking RMDs in the year you reach age 73. Those born in 1960 or later must begin RMDs at age 75.



- ❖ Required beginning date - April 1 of the year following the year you reach your applicable RMD age. If you wait until April 1st to take your first RMD, you must also take a second RMD by December 31st of the same calendar year.
- ❖ Qualified Charitable Distributions (discussed previously) may be used to offset your annual RMD up to the QCD amount, or \$108,000 (2025), whichever is less. Any remaining RMD due must still be satisfied, and ordinary income taxes paid on the remaining RMD due.

- ❖ <https://www.irs.gov/pub/irs-drop/n-24-80.pdf>
- ❖ IRC Section 72(t)(10)
- ❖ <https://www.ssa.gov/pubs/EN-05-10084.pdf>
- ❖ <http://www.irs.gov/retirement-plans/plan-participant-employee/retirement-topics-tax-on-early-distributions>
- ❖ <https://www.ssa.gov/benefits/retirement/planner/agereduc.html>
- ❖ <https://www.ssa.gov/pubs/EN-05-10043.pdf>
- ❖ www.medicare.gov/your-medicare-costs/part-b-costs
- ❖ <http://www.ssa.gov/pubs/EN-05-10147.pdf>
- ❖ <https://www.irs.gov/retirement-plans/plan-participant-employee/retirement-topics-required-minimum-distributions-rmds>
- ❖ <https://www.irs.gov/pub/irs-pdf/p590b.pdf>

Good Luck on Your Journey to an Empowered Retirement!

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