The Ultimate Investment Guide

Dependable Solutions For An Unsure Future™

NMINAdvisor

....dependable solutions for an unsure future.™

You work **hard** for your money.

Whether you've decided to invest those hard-earned monies or rely on your employer's benefits for protection and financial help, it's important to make sure you are on the right path.

Obtaining a secure financial future and peace of mind for when you retire can be difficult and confusing.

That's why NMIN Advisors has taken the time to put together this guide, to help guide you down that road to retirement, with a sensible, logical, and guaranteed way to help you at retirement and explain your benefits in simple terms.

For any saver who's ever wondered "Am I doing this right?" NMIN Advisors will give you the guidance and confidence to answer "Yes."

Keep reading this guide to learn the new rules of retirement saving, five ways to keep your money in retirement, the six most overlooked tax deductions, and more.

RETIREMENT

What is Retirement Planning?

Retirement planning is the complex process of developing a comprehensive game-plan to properly fund your retirement. At NMIN Advisor we consider numerous variables that come into play when planning your specific Retirement goal. We utilize a broad range of tax and other retirement strategies, while also implementing a variety of modeling techniques in order to assess the possibility of success or failure of various retirement strategies.

How the Retirement Planning Process works:

Retirement planning is appropriate when people have ongoing, current, and future financial goals they wish to achieve. We educate our clients on several strategies available to them and then assist in the coordination and implementation of their game-plan to help you attain those goals.

First, we need to determine your retirement income needs. A common approach is to start with a percentage of your current income (e.g., 60 % to 100%), or to begin with current expenses and inflate them by a reasonable rate.

In recent years, the average annual inflation rate has typically ranged from about one percent to two percent. It is important to consider fluctuations that may occur to expenses in retirement such as paying off a home mortgage and the potential for increased health-related expenses. A realistic projection of retirement expenses also must factor in the anticipated retirement age, life expectancy, and the effects of possibly living beyond one's life expectancy.

Second step is to identify sources of retirement income by estimating future income and assets. Types of retirement income may include Social Security, a company or government pension, a company-sponsored or business retirement plan such as a 401(k) plan, a simplified employee pension (SEP), a savings incentive match plan for employees of small employers (SIMPLE IRA), 403(b) plans, and 457(b) plans.

Additional sources of retirement income may include an individual retirement plan such as an IRA, annuity income, or a part-time job during retirement.

Third, upon several assumptions that we input into the model, we run cash flow projection models to calculate the retirement income shortfall or surplus.

Some possible strategies to develop and implement to reduce the shortfall, alone or in conjunction, are to:

- Reduce current expenses, to be able to save more before retirement.
- Re-allocate assets to investments that have the potential for safer returns, but at the same time have a return that is higher than normal, with the possibility of a tax-free return at retirement.
- Retire at a later age.
- Reduce living expenses during retirement.
- Work part-time during retirement.

Whether or not there is a shortfall or surplus, retirement savings strategies may include some or all the following options:

- Maximize contributions to employer-sponsored retirement plans. If maximum contributions are not feasible, consideration should be given to contributing at least the minimum amount needed to receive the employer's matching contribution.
- Contribute to individual retirement accounts (IRA) if allowed by the tax law.
- Pursue other possible options to save for retirement, if appropriate – non-qualified deferred compensation plans, salary continuation plans, employee stock purchase plans, annuities, and/or life insurance.

The **fourth** step is an important step in the retirement planning process. NMIN advisors will monitor your progress towards the achievement of your retirement goal on a regular basis as there are personal changes and economic changes that may require a review of our originally designed game-plan.

As retirement approaches, the actual amount(s) of retirement income can be more easily determined.

For instance, the Social Security benefit can be ascertained, a defined benefit pension plan payment can be obtained from the employer and the benefit calculation can be verified, and actual retirement account values (e.g., 401(k) plans, IRAs, etc.) can be determined.

Then, it can be established whether withdrawals may need to be taken from portfolio assets (i.e., tax-deferred savings vehicles and/or taxable accounts) to cover retirement expenses.

The goal is to determine how much can safely be withdrawn from the portfolio and spent on a recurring basis without an excessive risk of running out of money or having to decrease one's standard of living in retirement.

TAX IMPLICATIONS

The retirement planning process involves numerous tax ramifications, both pre-retirement and post-retirement. There are employer-sponsored retirement plans that allow for employee contributions which are deducted from salary as pre-tax contributions and consequently are not included in the employee's current income.

In addition, the investment earnings in the plans are tax-deferred until withdrawn. Examples of such plans are 401(k), 403(b), and 457(b) plans. These plans may also include employer-matching contributions that are not currently taxable to the employee. There are various annual limits on the employee and employer contributions.

Some companies or government agencies offer defined benefit or pension plans in which the company or agency contributes amounts to the plan to provide future retirement benefits.

Generally, from the employee's standpoint, the employer's contributions are not currently includible in the employee's income for tax purposes.

The retirement benefits are normally income taxable at the time of distribution to the employee.

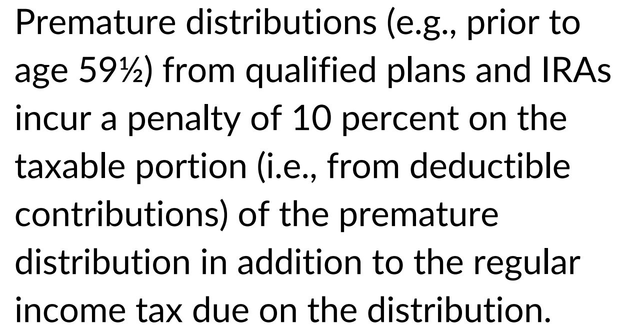
A client may make tax deductible or nondeductible contributions to a traditional individual retirement account (IRA) and nondeductible contributions to a Roth IRA. However, many limits apply.

The limits on deductible IRA contributions and nondeductible Roth IRA contributions are also subject to a phase-out at certain levels of modified adjusted gross income.

Qualified distributions from a Roth IRA are generally tax-free.

In addition, there are SEP and SIMPLE IRAs that allow for larger contribution amounts. Such contributions are made on a pre-tax basis and are therefore not includible in the employee's current income.

When distributions are made, the entire amount distributed is then generally included in the employee's/retiree's income.



Premature distributions (e.g., prior to age 59½) from qualified plans and IRAs incur a penalty of 10 percent on the taxable portion (i.e., from deductible contributions) of the premature distribution in addition to the regular income tax due on the distribution.

The penalty is not imposed on the portion of the premature distribution that is a nontaxable return of basis (i.e., from nondeductible contributions) or is rolled over to another qualified plan or IRA within certain time limits. There are several detailed exceptions to the penalty for premature distributions.

The “required minimum distribution” (RMD) rules require retirement account owners to take distributions that are subject to income taxation.The rules apply to qualified retirement plans, 403(b) plans, 457 plans, and IRAs with the exception of individual Roth IRAs during the account owner’s lifetime.

Distributions must begin by the “required beginning date” (RBD) and continue each year in the minimum required amounts. The RBD for qualified plan participants who own greater than 5 percent of the employer business and IRA owners is April 1st of the year following the year in which they reached age 72, even if they are still working.

There is an exception to this rule for qualified plan participants who are still working after age 72 for the employer sponsoring the plan and own 5 percent or less of the business. These plan participants can delay distributions until they actually retire as long as the qualified plan allows for it. Any portion of an RMD that is not taken on time is subject to a penalty of 50 percent of the unpaid amount of that RMD.

The beneficiary designations on retirement plans need to be properly coordinated with the client's estate plan, to avoid any adverse estate, gift, income, or other tax results.

Social Security benefits paid may be taxable income if one has additional earned income and/or had significant investment income during the year. In this case, one may have to pay income tax on a portion of the Social Security benefits received. Currently, up to 85 percent of Social Security benefits may be taxable depending upon one's tax filing status and the total amount of income received during the year.

Taxable assets/accounts in one's portfolio do not receive the same preferential income tax treatment that the retirement plans previously mentioned receive.

Examples of such taxable portfolio assets include interest-bearing accounts (e.g., money market, CDs, taxable bonds, etc.), stocks, and mutual funds.

In general, the earnings on these taxable accounts (i.e., interest, dividends, capital gains, and other income) are taxed in the year received or generated.

In other words, there is no tax deferral on taxable account earnings as there is on retirement plan earnings. However, there may be special tax breaks such as for qualified dividends and capital gains which may qualify for lower tax rates.

THE NEW RULES FOR RETIREMENT SAVING

There are three risks each one faces when preparing for life after retirement.

In planning for those three risks you'll need knowledge, planning, and action.

- Structural Risks
- Market Risk
- Tax Risk

Structural Risk – Is the risk you have because of the WAY you save. This is about what tools and what kind of help you have available.

Do you have a 401k plan and does your employer match your contributions? Or do you have a non-matching plan, or maybe a 403b, 457 or if you work for the government a TSP. Will that plan be around, will your employer stop matching?

Another is Social Security – will that be around when you retire.

And finally, your personal savings – IRA's are the most popular.

The sum of what I'm saying is – It's time to realize that your retirement savings may be in your hands alone.

Market Risk – This risk comes with HOW you save and WHO helps you save. Plans such as 401k's, IRA's, 403b's. TSP and ROTH IRA's. All these accounts are probably linked to the stock market. The market is the single biggest determinant on whether or not we grow our retirement funds and most of us don't know how to manage that growth. How much of your retirement did you lose in the 2002 – 2009 decade and again in 2020 because of the Coronavirus.

Tax Risk – This is probably the least understood risk you face today saving. Remember, you must account for taxes when you save for retirement.
We live under two tax structures – Tax Deferred and Tax Free.

Tax Deferred – This would be your 401k, 403b, 457, TSP and Traditional IRA. For a tax break today, you are postponing your taxes to when you retire.

Let me ask you a question, do you think taxes are going to be higher, lower or the same when you retire? If you answered higher (most people do) then why would you postpone your taxes and pay more at retirement?

Tax Free – Your dollars would be invested after tax so all your money would be tax free at retirement. So, would it make any difference if taxes were higher? You get to keep more of your money because you're not paying taxes on it.

We can show you how to save for retirement, retire with a tax-free income, plan for emergencies and critical, chronic and terminal illness, plan a legacy and have your retirement plan be self-completing if you die prematurely – but you need to contact us first, so we can help you.

5 STRATEGIES TO HELP KEEP YOUR MONEY IN RETIREMENT

1. Keep track of your income to limit taxes on capital gains. Depending on your income, you might not have to pay any federal income taxes on qualified dividends or gains from selling stocks, mutual funds, or other capital assets you've owned for more than a year. In 2020, married couples who file jointly can qualify for the 0% Capital Gains rate if their taxable income is $80,000 or less. For single filers, the 2020 threshold is $40,000.

How can proactive tax planning help you land in a lower tax bracket during those early retirement years? One move would be to delay taking your Social Security benefits for a few years while you live off your capital gains. And if you need additional income during those years, you might choose to withdraw the funds from a Roth account or IUL, since that won't increase your taxable income.

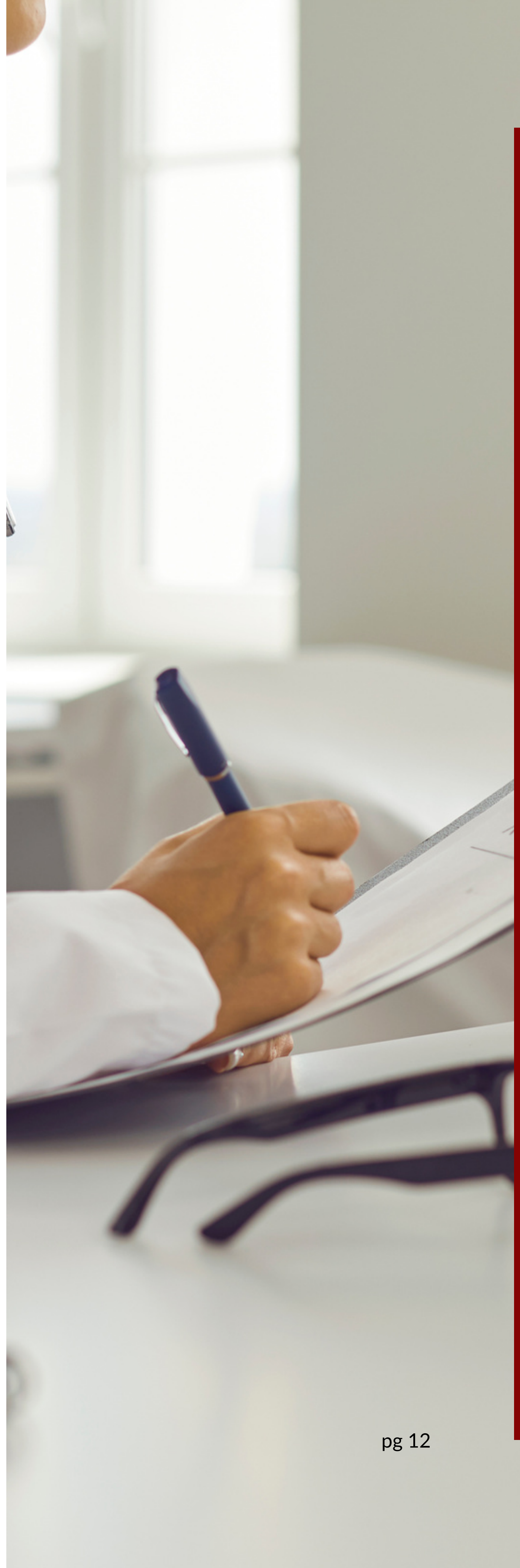
2. Move money from a traditional IRA to a Roth or Index Universal Life (IUL). If you've been putting most of your savings into a tax-deferred investment account, converting all or a sizable chunk of those funds to a Roth or IUL could help defuse the ticking tax time bomb that's waiting for you in retirement. This is especially true if you expect to have a long retirement or if you believe taxes are bound to be higher in the future. The tax bracket overhaul put in place by the Tax Cuts and Jobs Act is set to expire at the end of 2025, bumping up taxes to where they were in 2017. Most experts are predicting they could go even higher, given that the national debt is currently $25 Trillion and growing, and Social Security, Medicaid, and Medicare will likely need funding help in the future.

Finding the optimal Roth or Index Universal Life (IUL) conversion strategy for your circumstances can result in hundreds of thousands of dollars in tax savings over the course of your retirement. Once your money is in a Roth or IUL, it can continue to grow without growing your tax bill. (We will be able to fill you in on all the rules that apply to a Roth conversion and IUL policies.)

3. Plan for the hidden Medicare tax. Here's another place where doing a Roth or IUL conversion now could help mitigate taxes in retirement. Many people don't know this, but individuals and couples with higher incomes may be required to pay an income-related monthly adjustment amount (IRMAA) in addition to their Medicare Part B and Part D premiums. The Social Security Administration (SSA) determines whether you're subject to these surcharges based on the income you reported on your tax return two years ago. (So, for example, in 2020, the SSA will look at your 2018 return.)

Currently, there are six income tiers that determine both surcharges. Individuals with modified adjusted gross income (MAGI) of $87,000 or less and married couples with a joint MAGI of $174,000 or less are in the first tier; they are not subject to IRMAA surcharges in 2020. After that, the extra costs kick in — and they increase at each income tier.

That means affluent retirees who keep their money in tax-deferred accounts for years, until they are required to take minimum distributions at age 72, could end up paying thousands more for Medicare coverage every year. Only careful planning can reduce that unexpected tax bill.



4. Take care of your surviving spouse.
When one spouse dies, the survivor's tax status changes to single filer. That means the widow or widower will face a lower income threshold for calculating income taxes, whether his or her Social Security benefits will be taxed and whether an IRMAA will affect future Medicare premiums. It is important to keep the surviving spouse's filing status in mind when making your income plan.

A Roth or IUL can provide tax-free income and in the case of an IUL provide a tax-free death benefit, also. It's not atypical to see taxes increase 40%-60% just from losing a spouse, while income usually decreases due to losing a Social Security check.

It's easy to become so focused on saving on taxes right now that you lose sight of the future consequences. We can provide a professional analysis of your overall financial plan and help put things in perspective to allow you to develop strategies that will make sense with respect to your needs and objectives now and in retirement.

5. Your legacy. If leaving a legacy is a priority for you, you should know that the new SECURE Act now forces non-spouse beneficiaries (with some exceptions) to take a full payout from an inherited IRA within 10 years of the original account holder's death. The income from these RMDs will go on top of those beneficiaries' existing income, potentially pushing them into a higher tax bracket. And if they forget or fail to distribute the IRA within 10 years, there is a 50% penalty on top of the income taxes due

Again, moving the money to a Roth or IUL may be appropriate. Your beneficiaries will be required to take RMDs from an inherited Roth IRA — and pay a penalty if they don't — but they won't have to pay taxes on those withdrawals, and with an IUL there is no RMD and the funds are passed on generally **tax-free**.

6 MOST OVERLOOKED TAX DEDUCTIONS

No one wants to pay the IRS more taxes than we have to. However, Americans regularly overpay because they fail to take tax deductions for which they are eligible. Let's take a quick look at the six most overlooked opportunities to manage your tax bill.

1. Reinvested Dividends: When your mutual fund pays you a dividend or capital gains distribution, that income is a taxable event (unless the fund is held in a tax-deferred account, like an IRA). If you're like most fund owners, you reinvest these payments in additional shares of the fund. The tax trap lurks when you sell your mutual fund. If you fail to add the reinvested amounts back into the investment's cost basis, it can result in double taxation of those dividends.

Mutual funds are sold only by prospectus. Please consider the charges, risks, expenses, and investment objectives carefully before investing. A prospectus containing this and other information about the investment company can be obtained from your financial professional. Read it carefully before you invest or send money.

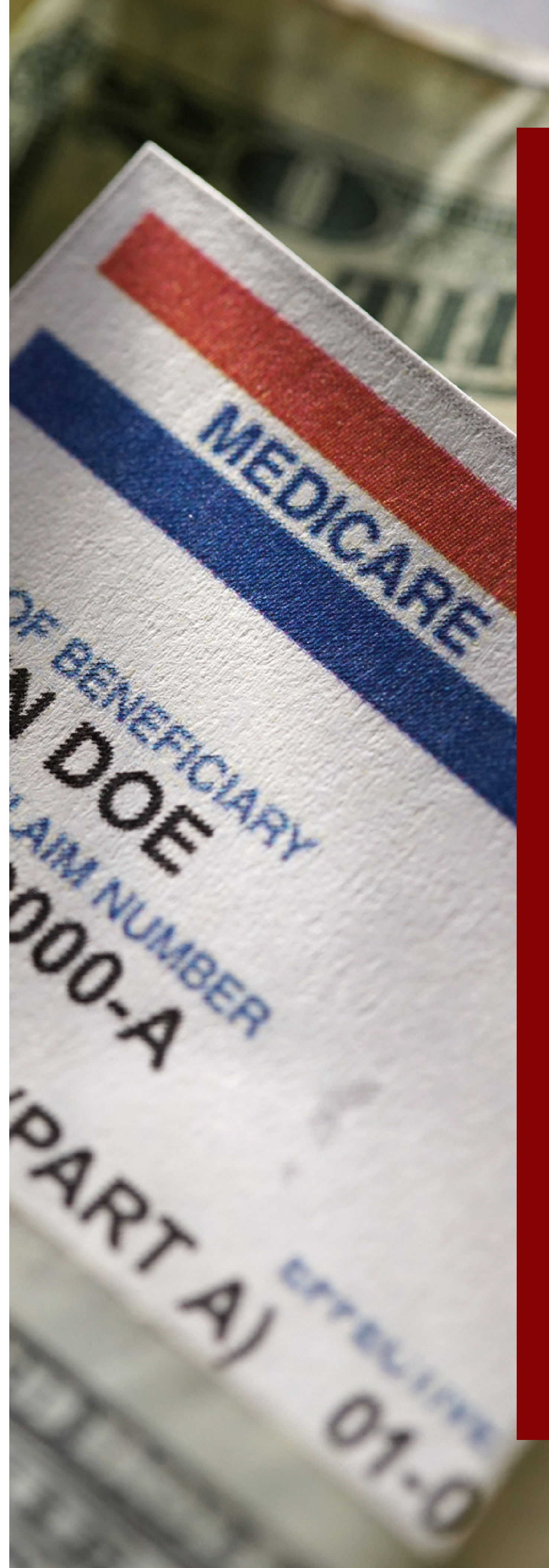
2. Job Hunting Costs: A tough job market may mean you are looking far and wide for employment. The costs of that search—transportation, food and lodging for overnight stays, cab fares, personal car use and even printing resumes—may be considered tax-deductible expenses, provided the search is not for your first job.

3. Out-of-Pocket Charity: It's not just cash donations that are deductible. If you donate goods or use your personal car for charitable work, these are potential tax deductions. Just be sure to get a receipt for any amount over $250.

4. State Taxes: Did you owe state taxes when you filed your previous year's tax returns? If you did, don't forget to include this payment as a tax deduction on your current year's tax return. The Tax Cuts and Jobs Act of 2017 placed a $10,000 cap on the state and local tax deduction.

5. Medicare Premiums: If you are self-employed (and not covered by an employer plan or your spouse's plan), you may be eligible to deduct premiums paid for Medicare Parts B and D, Medigap insurance and Medicare Advantage Plan. This deduction is available regardless of whether you itemize deductions or not.

6. Income in Respect of a Decedent: If you've inherited an IRA or pension, you may be able to deduct any estate tax paid by the IRA owner from the taxes due on the withdrawals you take from the inherited account.



FREQUENTLY ASKED QUESTIONS

FAQ 1 - Why haven't I seen this information before?

A: There are several reasons why this may be the first time you're coming across this information. Sadly, there are quite a few financial advisors out there who sell on commission, and might focus on financial products and services that make them more money vs. taking the time to educate you fully about what's in your best interest. Second, if you work for a school district, a university or other employer, your employer might offer you savings and investment plans as part of your benefit package, but they're highly unlikely to offer you much if any education on how those investment plans work.

And finally, for whatever reason, you may not have paid much attention to your retirement savings plan until now. We'd like to help fill in the black hole of information about how to achieve a more secure financial future. NMIN is a certified financial fiduciary, meaning we are required by law to act only in your best interest, and that always begins and ends with making sure you understand all the options available to you.

FAQ 2 - Are these investment strategies for real and are they legal?

A: We couldn't have remained in business for 50 years and worked with thousands of clients without honoring and abiding by the law. Our job as financial fiduciaries is to help you understand and take maximum advantage of every opportunity allowed by the government as spelled out in the U.S. Tax Code.
Choosing the right financial advisor is one of the most consequential decisions you'll make in your lifetime. A knowledgeable and experienced advisor who takes the time to understand your needs, and tailors an investment and retirement plan to meet those needs, can make a substantial difference in the funds you have available at retirement.

Learn more about NMIN Advisors and schedule your first call with us by visiting our website.

NMINAdvisor

....dependable solutions for an unsure future.™

wf@nminadvisor.com - 888-277-4456 x204 - www.nminadvisor.com