



# **Demystifying RMDs: A Strategic Approach to Retirement Withdrawals**

June 17, 2025

# Presenters



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# Topics for Discussion

Today we will discuss:

- **What are RMDs**
- **Why are RMDs more complex for High-Net-Worth Individuals**
- **Pro-Active Planning**
- **QCDs**
- **Roth Conversions**
- **Case Study**

# What Are RMDs?

# What are RMDs?

## Required Minimum Distributions

- Minimum amount you must withdraw from your retirement accounts each year once you reach a certain age
  - Traditional IRAs
  - Qualified Employer Plans (401(k), 403(b), etc.)
  - Sep IRAs
  - SIMPLE IRAs



## NEW RMD AGES

YEAR OF BIRTH	RMD BEGINS
1950 OR BEFORE	72 (OR 70.5 IF YOU HAD RMDs IN 2020)
1951 - 1959	73
1960 OR LATER	75

CODE: "IN THE CASE OF AN INDIVIDUAL WHO ATTAINS AGE 72 AFTER 12/31/22, AND AGE 73 BEFORE 1/1/33, THE APPLICABLE AGE IS 73."

**RMD Age – 73 or 75**

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# RMD Rules

## RMD Calculation

$$\frac{\text{Prior Year Balance on 12/31 (\$)}}{\text{Life Expectancy Factor (xx years)}} = \text{Required Minimum Distributions (RMD)}$$

## When do I have to take my RMD?

- Your first RMD begins the year you turn 73 (or 75)
  - The first RMD *can* be taken by 4/1 of the year after you turn 73.
- Subsequent RMDs must be taken by 12/31 of each year.
- If you have more than one account subject to RMDs, you can withdraw the total RMD amount from a single account

## Working past RMD Age

- If you continue to work past age 73 (or 75) and do not own more than 5% of the business, most plans allow you to postpone RMDs from your current employer's plan until no later than April 1 of the year *after* you finally stop working.

***We track these rules for you!***

# RMDs for High-Net-Worth Individuals

# When RMDs Become Complex

- Higher Tax Brackets
- IRMAA Premium Increases
- Impact to Beneficiaries under the 10-Year Rule

## Medicare IRMAA Cheat Sheet 2025



### What is IRMAA?

IRMAA stands for Income Related Monthly Adjustment Amount. IRMAA is an extra charge added to your premium as you have more income while on Medicare.

The standard Part B premium amount in 2025 starts \$185.00. If your modified adjusted gross income as reported on your IRS tax return from 2 years ago (2023) is above a certain amount, you'll pay more than the standard premium amount as shown below.

File Individual Tax	File Joint Tax	Part B Premium	Additional Part D
\$106,000 or less	\$212,000 or less	\$185.00	N/A
\$106,001 up to \$133,000	\$212,001 up to \$266,000	\$259.00	+ \$13.70
\$133,001 up to \$167,000	\$266,001 up to \$334,000	\$370.00	+ \$35.30
\$167,001 up to \$200,000	\$334,001 up to \$400,000	\$480.90	+ \$57.00
\$200,001 up to \$499,999	\$400,001 up to \$750,000	\$591.90	+ \$78.60
\$500,000 and above	\$750,000 and above	\$628.90	+ \$85.80

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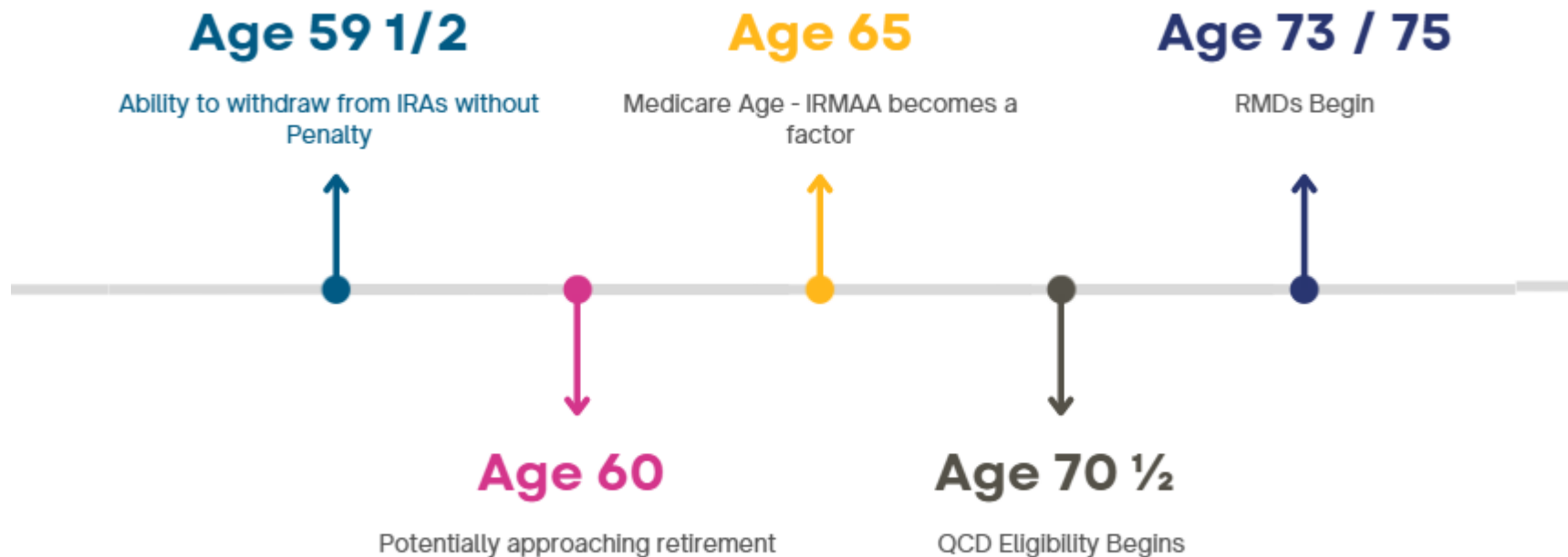
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# Pro-Active Planning Strategies

# Taking Advantage of the “Gap” Years

“Planning is bringing the future into the present so that you can do something about it now.” - Alan Lakein



# Strategic Withdrawals *Before* RMD Age

- Living Expenses
- Reinvestment
- Creative Strategies such as QCDs or Roth Conversions

## Why?

- Filling Lower Tax Brackets
- Utilizing Applicable State Retirement Income Exclusions
- Transferring Future Growth into Tax-Advantaged Accounts
- Controlling IRA Balance for Beneficiaries

# Qualified Charitable Distributions (QCDs)

# What is a QCD?

A Qualified Charitable Distribution is a tax-free charitable donation withdrawn from your IRA and sent directly to a charity of your choice.

## Who is a good fit?

- Someone who is charitably inclined
- Has an IRA
- Is RMD age or at least 70 ½

## How To Make A QCD



The QCD must come from a Traditional or Inherited IRA



An individual is eligible to make a QCD if they are 70 1/2 years or older



The distribution must go directly to a qualified charity 501(c)(3)



You must receive a confirmation letter from the charity that states no goods or services were received in exchange for the contribution.

# Tax Benefits of QCDs

1. Reduce income taxes
2. Deduct QCDs from Required Minimum Distributions (RMDs)
3. More advantageous than charitable cash contributions

## SCENARIO 1 Phil takes a *portion* of his annual RMD as a QCD

Phil's annual RMD =  
\$15,000

Phil makes a  
\$10,000 QCD

### RESULT

Phil's remaining RMD of  
\$5,000 will count towards  
his taxable income.

## SCENARIO 2 Phil takes his *entire* annual RMD as a QCD

Phil's annual RMD =  
\$15,000

Phil makes a  
\$15,000 QCD

### RESULT

Phil satisfied his full RMD  
by making a QCD; his  
taxable RMD income is  
\$0, rather than \$15,000.

## SCENARIO 3 Phil takes his *entire* annual RMD as a QCD, and donates an additional amount

Phil's annual RMD =  
\$15,000

Phil makes a  
\$15,000 QCD  
Phil also makes  
an additional  
\$5,000 QCD

### RESULT

Phil's taxable RMD income  
is \$0, rather than \$15,000.  
Phil further reduces his IRA  
balance which could  
potentially reduce future  
RMD amounts.

Note: None of the  
additional amount made as  
a QCD can count towards  
Phil's RMDs for future years.

# Considerations

**Income**

Attach Form(s) W-2 here. Also attach Forms W-2G and 1099-R if tax was withheld.

If you did not get a Form W-2, see instructions.

Attach Sch. B if required.

**Standard Deduction for—**

- Single or Married filing separately, \$12,950
- Married filing jointly or Qualifying surviving spouse, \$25,900
- Head of household, \$19,400
- If you checked any box under Standard Deduction, see instructions.

1a	Total amount from Form(s) W-2, box 1 (see instructions)	1a	
b	Household employee wages not reported on Form(s) W-2	1b	
c	Tip income not reported on line 1a (see instructions)	1c	
d	Medicaid waiver payments not reported on Form(s) W-2 (see instructions)	1d	
e	Taxable dependent care benefits from Form 2441, line 26	1e	
f	Employer-provided adoption benefits from Form 8839, line 29	1f	
g	Wages from Form 8919, line 6	1g	
h	Other earned income (see instructions)	1h	
i	Nontaxable combat pay election (see instructions)	1i	
z	Add lines 1a through 1h	1z	
2a	Tax-exempt interest	2a	
3a	Qualified dividends	3a	
4a	IRA distributions	4a	
5a	Pensions and annuities	5a	
6a	Social security benefits	6a	
c	If you elect to use the lump-sum election method, check here (see instructions)	b	Taxable interest
7	Capital gain or (loss). Attach Schedule D if required. If not required, check here	b	Ordinary dividends
8	Other income from Schedule 1, line 10	b	Taxable amount
9	Add lines 1z, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your <b>total income</b>	b	Taxable amount
10	Adjustments to income from Schedule 1, line 26	4b	
11	Subtract line 10 from line 9. This is your <b>adjusted gross income</b>	5b	
12	<b>Standard deduction or itemized deductions</b> (from Schedule A)	6b	
13	Qualified business income deduction from Form 8995 or Form 8995-A	7	
14	Add lines 12 and 13	8	
15	Subtract line 14 from line 11. If zero or less, enter -0-. This is your <b>taxable income</b>	9	
		10	
		11	
		12	
		13	
		14	
		15	

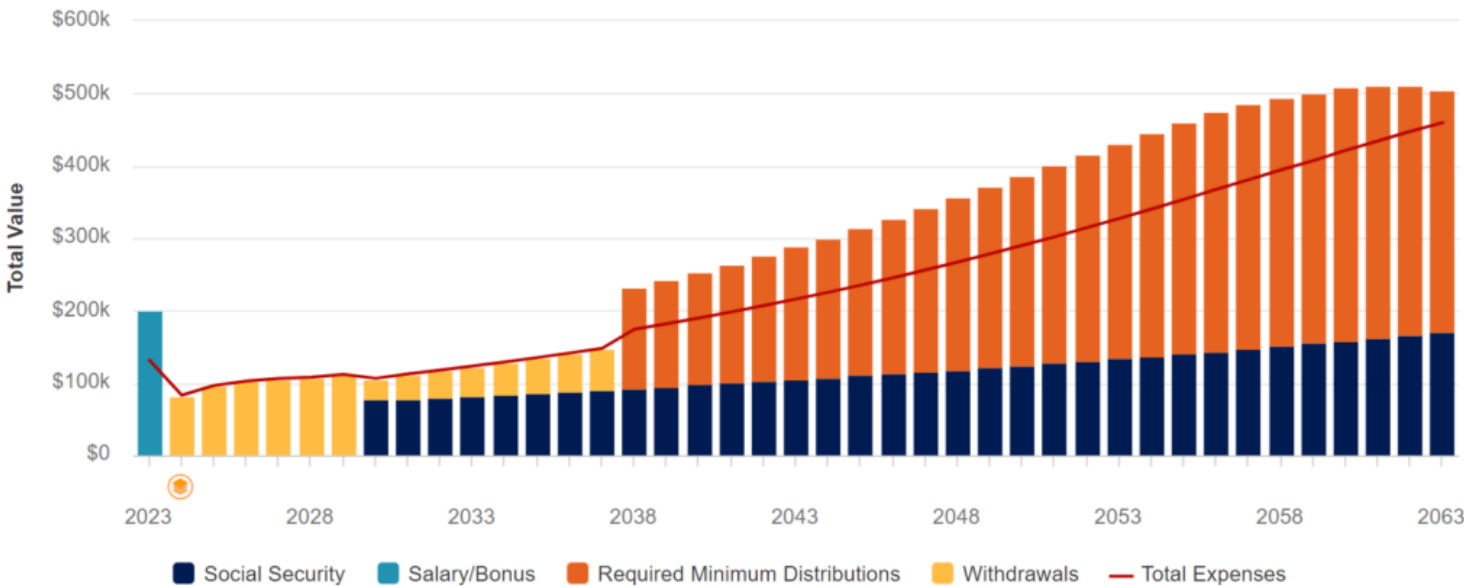
For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions. Cat. No. 11320B Form 1040 (2022)

- 2025 QCD limit is \$108,000 per individual
- You can make as many QCD donations as you would like as long as you stay under the annual \$ limit
- QCD checkbook
- QCD checks need to be cashed by the 501(c)(3) by December 31<sup>st</sup> for tax purposes
- Communicate your QCD donation to your tax preparer
  - The distribution will show up as a normal IRA distribution on your 1099-R tax form and an adjustment is required on your tax return with the full amount in box 4a of your Federal 1040 and the reduced amount in box 4b for the taxable portion with a “QCD” label. Your custodian will be able to provide a record of the checks sent to any charitable organization.

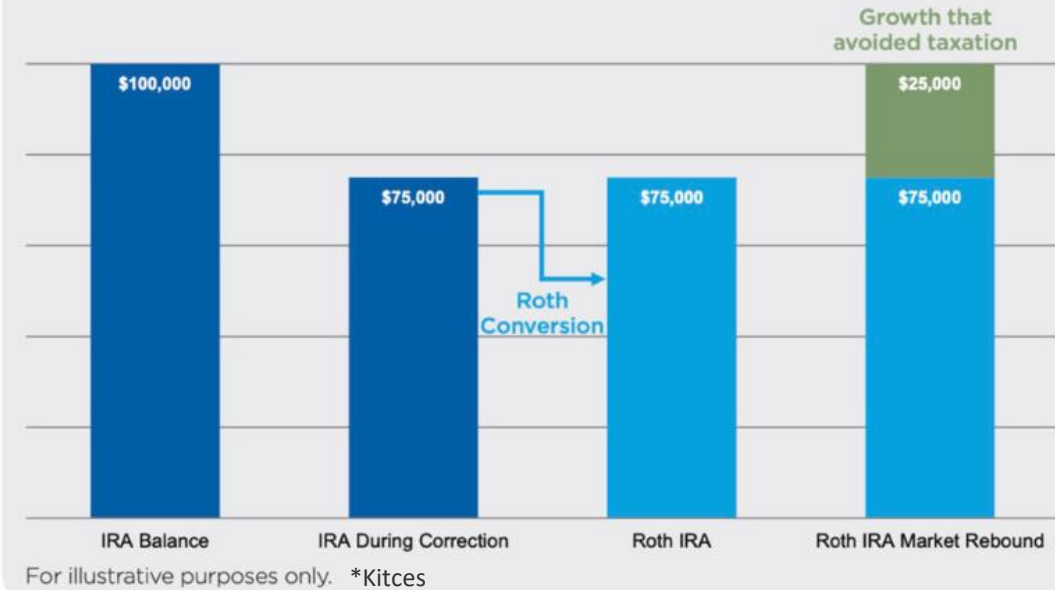
# Roth Conversions



# Roth Conversions



## Roth Conversion During Down Markets



## Considerations:

- Target “gap” years after retirement and before RMD age
- Advantageous during times of volatility

**Once you are RMD Age:** RMDs must be taken before Roth conversions can be done

## Pros:

- Can help lower future RMDs
- Can lower lifetime taxes owed
- Legacy planning strategy – Roth IRAs are a great type of account to leave to beneficiaries

## Cons:

- Immediate tax liability
- Should only consider if you have cash on hand to pay the taxes rather than withholding from the conversion amount

# RMD Planning in Action: A Case Study

# Meet Penny

**Retiree:** Penny

**401(k) Balance:** \$1,500,000

**Living Expenses:** \$60,000 / Year

**Family Situation:** 2 adult children

**Age:** 62

**Taxable Assets:** \$1,000,000

## Details:

- Engaged financial advisor Bill
- RMD 101
- Penny's original plan was to avoid taxes completely for as long as possible

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# Penny's Future Projections

Marginal Tax Bracket at 62:	10%
Projected IRA Balance at 75:	\$3.4M
Estimated First Year RMD	\$127,975
Marginal Tax Bracket at 75:	24% - 32%
Projected Taxable Assets at 75:	\$924K
Projected Roth Assets at 75:	\$0
<b>Total After-Tax Portfolio Value</b>	<b>\$3.5M</b>
Inherited IRA Balance Per Child	\$1.7M+
Annual Withdrawal Per Child	\$170K+
<b>Tax-Free* Inheritance Per Child</b>	<b>\$462K</b>

# RMD Planning Recommendations

Recommendation:

- First Year of Retirement: Execute \$120K Roth Conversion
  - No IRMAA
  - Tax-Free Compounding
- Ongoing Years
  - Utilize IRAs for Living Expenses
  - Allows Taxable Assets and Roths to Grow
  - Additional Roth Conversions as Tax Situation Allows
- Plan for QCDs at age 70 ½

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# Impact of Planning

	<i><b>No Planning</b></i>	<i><b>With Planning</b></i>
Projected IRA Balance at 75:	\$3.2M	\$1.16M
Estimated First Year RMD	\$120,731	\$43,915
Marginal Tax Bracket at 75:	24% - 32%	12%-22%
Projected Taxable Assets at 75:	\$930K	\$2.1M
Projected Roth Assets at 75:	\$0	\$1M
<b>Total After-Tax Portfolio Value</b>	<b>\$3.5M</b>	<b>\$3.75M</b>
Inherited IRA Balance Per Child	\$1.6M+	\$580K+
Annual Withdrawal Per Child	\$160K+	\$58K+
<b>Tax-Free* Inheritance Per Child</b>	<b>\$462K</b>	<b>\$1.55M</b>

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**Thank you for joining us!**

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