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Strategies to Maximize Retirement Income, Minimize Taxes & Preserve Wealth

WHAT'S INSIDE?

The Ultimate Retirement Tax-Savings Timeline

Timing is everything in retirement. Get it right, and you could save tens or even hundreds of thousands of dollars in taxes and unlock more income on your terms. Get it wrong, and the penalties — *and missed opportunities* — can be permanent.

From your first job to your last required distribution, the IRS has set critical age-based checkpoints that can either help or hurt your retirement plan. This guide walks through those turning points — *so you can plan ahead, act strategically, and avoid expensive mistakes.*

Before Age 50
It Is Not Too Early (or Too Late)

Whether you are still building your own retirement nest egg or helping the next generation get started, the earlier you begin saving in the right vehicles, the better.

This phase of the timeline is all about laying the foundation for long-term, tax-efficient growth. And that means doing more than parking money in a checking or savings account.

Start with a Roth IRA (if eligible). For 2025, the phaseout limits for making a full Roth IRA contribution begin at $150,000 for single filers and $236,000 for married, filing jointly. If you have earned income and meet the income limits, a Roth IRA is one of the most powerful tools available — *especially when you have time on your side.*

- **Contributions grow tax-free** and can be withdrawn tax-free in retirement.
- **You can access contributions** (not earnings) at any time, making it more flexible than most assume.
- **Small, consistent contributions** in your 30s or 40s can compound significantly over time.

It is not "all or nothing" — *start where you can.* Even $100/month invested early can make a meaningful difference later.

Want to help a child or grandchild? If a young family member earns taxable income, say, from a summer job or side hustle, she may be eligible for a Roth IRA. And you can help fund it!

Example 1: Erin's 15-year-old granddaughter Olivia earned $2,000 scooping ice cream. As a W-2 employee, Olivia can contribute up to that amount to a Roth IRA. Even if Olivia only contributes half, Erin could match it — *and help fully fund her $2,000 limit.*

Time is her biggest advantage. A single early contribution, left untouched, could be worth many times more by retirement.

Executive Summary

The Ultimate Retirement Tax-Savings Timeline

- Before age 50, prioritize Roth IRAs for long-term tax-free growth; even modest early contributions can compound significantly. Help younger family members start Roth IRAs if they earn income.
- At age 50, catch-up contributions increase IRA and 401(k) limits. Early withdrawal penalties (before age 59½) generally apply, but exceptions exist for public safety workers (age 50) and those who separate from service (age 55) from workplace plans.
- After age 59½, penalty-free withdrawals begin, opening a key window to control taxable income before RMDs and Medicare surcharges begin.
- Though RMDs now begin at age 73, QCDs can begin at age 70½, offering a tax-smart way to give. Missed RMD deadlines can trigger steep penalties.
- QLAC payouts must start by age 85, and RMDs continue through age 120 according to IRS life expectancy tables — meaning long-term income strategies are critical.

Too Rich for Roth? Think Again!

- Despite income limits on direct Roth IRA contributions, high-income individuals can still access Roth benefits, like tax-free growth and withdrawals, no RMDs, and better income control in retirement, using legal, strategic workarounds.
- High earners can contribute after-tax dollars to a traditional IRA and convert to a Roth, avoiding income limits. But they must be cautious of the IRS "pro-rata rule" that considers all traditional IRA balances, which can create unexpected taxes.
- There is no income cap on converting traditional retirement funds to Roth accounts. This is especially beneficial during lower-income years, and when done gradually, it can manage tax impacts and reduce future RMDs and Medicare surcharges.
- Beginning in 2024, leftover 529 plan funds can be rolled into a Roth IRA (with restrictions), giving young earners a head start on tax-free retirement savings using unused education funds.
- High earners can contribute to Roth 401(k)s regardless of income, and some plans allow in-plan Roth conversions and after-tax contributions, enabling a "mega backdoor Roth" strategy.

Public Sector Retirees Win Big: What the Social Security Fairness Act Means for You

- The SSFA of 2023, signed into law in January 2025, repeals the WEP and GPO, which had reduced Social Security benefits for certain public employees with non-covered pensions.
- Affected individuals — *including some teachers, police officers, firefighters, and CSRS retirees* — will now receive full Social Security benefits without offsets, and many are eligible for retroactive payments dating back to January 2024.
- WEP reduced benefits for those with mixed covered and non-covered work histories, while GPO cut spousal and survivor benefits for public pensioners. Their repeal restores full benefits to those previously penalized.
- The change impacts retirees with non-covered pensions and limited Social Security-covered earnings. However, FERS employees, consistent Social Security contributors, and railroad retirees are unaffected.
- Refunds and benefit increases may raise taxable income or Medicare premiums.

Early Withdrawal Penalties

Before age 59½, most retirement account withdrawals trigger a 10% early withdrawal penalty, in addition to income taxes. But there are a few key exceptions built into the tax code, especially for public safety employees and early retirees.

Age 50 Supercharge Contributions

Turning 50 comes with a powerful advantage: You can contribute more to your retirement accounts through catch-up contributions *— a valuable way to boost savings and reduce your tax bill in your final earning years.*

- **IRA catch-up contributions:** Allows for an extra $1,000, bringing the 2025 IRA limit to $8,000.
- **401(k), 403(b), 457(b) catch-up contributions:** You can contribute an additional $7,500 in 2025, bringing total contributions to $31,000.

Note: For **ages 60–63,** even higher "super catch-up" limits may apply starting this year (2025). These super catch-up contributions are some of the last, best ways to grow tax-deferred wealth or lock in future tax-free income in a Roth account.

Age 50
For Public Safety Employees

If you or a loved one works in law enforcement, firefighting, or another public safety role, there is a unique rule: If you separate from service in the year that you turn age 50 or older, you can take distributions from your qualified plan without incurring the 10% penalty. Secure 2.0 extended the age 50 public safety exception to private sector firefighters and corrections officers who are employees of state and local governments. SECURE 2.0 also modified it to apply upon the earlier of age 50 or 25 years of service. (**Note:** This applies only to qualified employer plans, like 401(k)s — *not IRAs.)*

Planning tip: Consider leaving at least part of your balance in the plan to preserve this flexibility.

Age 55
Early Access for Plans

If you leave your job in or after the year you turn age 55, you may be able to take distributions from your employer plan, like a 401(k), without the 10% early withdrawal penalty. But:

- This does **not** apply to IRAs.
- You must take the withdrawals **before** rolling the money into an IRA.

This "age 55 rule" is a little-known safety valve for those who retire or are laid off before age 59½.

Note: This is not a green light to treat your retirement account like a checking account. Every withdrawal reduces future growth and income — *so even penalty-free access should be used strategically.*

Age 59½
The Sweet Spot Begins

59½ is the age in which you can generally tap any retirement account without any penalty. (There is 5-year holding period for Roth IRAs.) It marks the beginning of what Ed Slott calls the "tax planning sweet spot" — *a powerful window between age 59½ and the start of required minimum distributions (RMDs).*

Why is it a golden opportunity?

- You control when and how much to withdraw, so you can stay in a lower tax bracket.
- It is a key time to strategically harvest income before Medicare's income-related monthly adjustment amount (IRMAA) surcharges and RMDs kick in.

> It marks the beginning of what Ed Slott calls the "tax planning sweet spot."

Age 63
Last Call Before IRMAA

Medicare's IRMAA charges are based on your tax return from two years prior. That means income in the year you turn age 63 could raise your Medicare premiums at age 65.

If you are planning Roth conversions, large IRA withdrawals, or capital gains sales, you may want to consider completing them by the end of the year in which you turn age 62 to avoid triggering higher healthcare costs later.

Age 70½
Two Key Rules Diverge

Age 70½ is now relevant for two very different reasons:

1. RMDs no longer begin here — *they now start at age 73 for most retirees.*
2. **Qualified charitable distributions (QCDs)** begin at age 70½.

QCDs let you donate up to $108,000 annually (for 2025) from your IRA directly to charity. These do not count as income and can offset RMDs. It is one of the most powerful charitable and tax planning tools available.

Age 73
RMDs Begin

If you have tax-deferred accounts (traditional IRAs, 401(k)s, etc.), the IRS now requires you to begin taking annual withdrawals at age 73.

- Your first RMD must be taken by **April 1** in the year *after* you turn age 73.
- Every year after, you must take your RMD by **December 31.**
- Miss a deadline, and you could face a **25% penalty** (reduced to 10% if timely corrected).

Planning tip: Stack your QCDs and RMDs wisely to avoid Medicare or tax bracket surprises.

Note: Starting in the year 2033, the RMD age will change (again) from age 73 to age 75.

Age 85
Longevity Deferral Ends

If you have purchased a qualified longevity annuity contract (QLAC), distributions must begin by age 85. QLACs allow a portion of your IRA to grow tax-deferred longer than your standard RMD age — *but only within IRS limits and rules.*

Ages 90–120
Yes, The IRS Is Still Watching

RMDs never stop. The IRS life expectancy tables extend all the way to age 120 — *and your* *post-retirement plan needs to accommodate that potential longevity.* Make sure your income strategy is built to last, and revisit withdrawal plans annually.

Summary Timeline

- **Before Age 50:** Fund retirement accounts and help children/grandchildren start early
- **Age 50:** Catch-up contributions begin
- **Age 55:** Penalty-free access to workplace plans (if retired)
- **Age 59½:** Full access begins
- **Age 63:** Last year to avoid IRMAA exposure at age 65
- **Age 70½:** QCDs allowed from IRAs
- **Age 73:** RMDs begin (age raised under SECURE Act)
- **Age 85:** QLAC distributions required

Action Plan

- Use the "sweet spot" wisely *— your 60s may be your best chance to reduce lifetime taxes.*
- Review your timeline with a trained financial professional or tax expert *— especially if you are approaching one of these age-based milestones.*
- Revisit your plan annually *— rules change, and so do you.* ■

Too Rich for Roth? Think Again!

Many high-income Americans assume they have "aged out" or "earned out" of Roth strategies *—but that is far from the truth.* While direct Roth IRA contributions are restricted by income, the tax code offers several ways to secure tax-free growth, even for those who exceed contribution limits.

These strategies are not loopholes *— they are intentional opportunities written into the law.* The key is knowing how to access them, and when they make the most sense.

Why Roth Accounts Matter

Before we explore your options, let's revisit why Roth accounts are worth the effort. Roth IRAs and Roth 401(k)s remain one of the most powerful tools in a retiree's tax planning toolkit. They offer:

- **Tax-free growth** (your money compounds without annual tax drag);
- **Tax-free withdrawals** in retirement;
- **No required minimum distributions (RMDs)**; *and*
- **More control** over your taxable income in retirement.

The bottom line: Roth assets give you flexibility — *both now and in the future.*

Roth accounts can help you:

- Avoid income-related monthly adjustment amount (IRMAA) surcharges on Medicare;
- Control your tax bracket during Roth conversions or capital gains harvesting; *and*
- Fund legacy planning tax-efficiently.

Roth assets give you flexibility — *both now and in the future.*

So how can high-income earners still take advantage of these tax-free benefits? Here are four ways to access Roth strategies — *no matter your income level.*

1: The Backdoor Roth IRA

The backdoor Roth IRA remains a reliable workaround for high earners who exceed the income limits for direct Roth IRA contributions. This strategy involves making a **non-deductible contribution** to a traditional IRA, then converting that amount to a Roth IRA.

This sounds simple, but there is one key detail many overlook: The IRS does not just look at the account you are converting.

The IRS considers **the total value of all your traditional IRA accounts** *— including SEP and SIMPLE IRAs —* as of December 31 of that year. This is known as the "**pro-rata rule**," and it can create an unexpected tax bill if you have pretax IRA balances elsewhere.

Example 1: Anna earns $300,000 and is not eligible for a direct Roth IRA. She contributes $7,000 after-tax to a traditional IRA and quickly converts it to a Roth IRA. Since she has no other IRA assets, the conversion is tax-free.

Planning tip: Some high earners roll their existing IRA funds into a 401(k) plan first — *removing those balances from the calculation and allowing for a* ***cleaner, mostly tax-free backdoor Roth.*** It is a smart move, but one worth coordinating with a trained advisor who understands how to structure Roth strategies the right way.

2: Roth Conversions (No Income Limit)

Unlike contributions, Roth conversions have no income limits. Anyone can move funds from a traditional IRA or 401(k) into a Roth account. You will pay tax on the converted amount, but once it is in the Roth, future growth and withdrawals can be tax-free.

This strategy works especially well:

- **In lower-income years** (e.g., early retirement or gap years);
- **When you expect future tax increases**;
- **As part of legacy planning** — *Roth IRAs can be passed on income-tax-free.*

You do not have to convert everything all at once. Consider using Roth conversions to **"fill up" lower tax brackets** — *converting just enough each year to stay within the 12%, 22%, and 24% tax brackets.* This approach spreads out the tax impact and avoids pushing other income into high brackets.

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Example 2: Brian and Jennifer recently retired and are living off of their savings. While within a low tax bracket, Brian and Jennifer convert $100,000 to a Roth IRA over two years — *paying taxes now to avoid higher taxes later.*

This is often a **multi-year strategy** that can shrink future RMDs, reduce IRMAA surcharges, and leave a more tax-efficient inheritance.

3: The 529-to-Roth IRA (Side Door Roth)

A new rule in Section 126 of the SECURE 2.0 Act, which was effective starting in 2024, allows unused 529 plan funds to be rolled into a Roth IRA for the beneficiary. Often called the "side door Roth," this move can create tax-free retirement savings for young workers.

Here are some key rules:

- The 529 plan must be open **at least 15 years.**
- The beneficiary must have **earned income.**
- Transfers count toward **annual Roth limits** ($7,000 in 2025, plus $1,000 catch-up contribution for individuals age 50 and older).
- The **lifetime maximum transfer** is $35,000 per beneficiary.
- Contributions (and earnings) made within **the last 5 years** are not eligible for rollover — *so timing matters*

Example 3: John's daughter Emma finishes college with $10,000 left in her 529 plan. She starts working and earns a salary of $40,000.

John can roll $7,000 (Roth contribution cap) of the remaining funds from the 529 plan into Emma's Roth IRA for the first year and $3,000 (+ Emma can make up to $4,000 in additional contributions) the following year — *starting decades of tax-free growth.*

This strategy will not apply to every family, but for overfunded 529s, it is a smart way to repurpose leftover education funds — *and put a young saver years ahead in retirement planning.*

Bonus Strategy: Roth 401(k)s (and In-Plan Conversions)

Many are surprised to learn that even if you **earn too much for a Roth IRA**, you may still be eligible to contribute to a Roth 401(k) — *there are **no income limits** for Roth contributions **inside employer plans.***

In addition, many plans allow **in-plan Roth conversions**, meaning you can move pretax or traditional after-tax funds into the Roth side of your 401(k). You will pay tax on the converted amount now, but future growth and withdrawals can be tax-free.

Planning tip: This in-plan Roth conversion strategy is especially powerful if your plan allows **after-tax contributions beyond the regular limits** —*opening the door to a "**mega backdoor Roth**."* In 2025, total 401(k) contributions (employee + employer + after-tax) can reach $70,000 for those under age 50 —*and even higher with catch-up contributions.*

Here are three key questions to ask about your plan:

1. *Am I contributing to the **Roth** or **pretax** side?*
2. *Does my plan allow **in-plan Roth conversions**?*
3. *Can I make **after-tax contributions** that are eligible for conversion?*

If the answer to these questions is "Yes," then an in-plan Roth conversion may be one of the most **powerful — *and underused* — ways to build tax-free retirement income** inside your existing employer-sponsored 401(k) plan.

Final Thought: Do Not Rule Out Roths Too Soon

Roth accounts allow you to pay taxes once — *and never again.* From Roth conversions and backdoor contributions to newer options like the 529-to-Roth rollover, high earners have more ways than ever to build tax-free income.

Tax-free growth gives you and your loved ones more than just savings — *it offers freedom, flexibility, and control.* You can **spend more confidently, give more intentionally, or pass on more wealth efficiently.**

And the best part? You do not need to wait for tax season to take action! With the right planning, you can begin shifting more of your retirement income into the tax-free column — *on your terms, and on your timeline.* ▪

Public Sector Retirees Win Big: What the Social Security Fairness Act Means for You

In a landmark shift for public sector workers, 2025 brought the repeal of two controversial rules that had reduced Social Security and Railroad Retirement benefits for over 40 years. Signed into law on January 5, 2025, the Social [Security Fairness Act of 2023 (SSFA)]() represents a significant policy change long sought by public employee unions and advocates.

The SSFA eliminates the **Government Pension Offset (GPO)** and **Windfall Elimination Provision (WEP)** — *two provisions that disproportionately impacted workers with pensions from non-Social Security-covered jobs.* This includes teachers, firefighters, police officers, and federal, state, and municipal employees. The law is retroactive to benefits payable after December 2023, providing both back pay and permanent monthly benefit increases for those previously affected.

Supporters argue these rules unfairly penalized workers who divided their careers between jobs that did and did not pay into Social Security. Opponents had claimed the provisions were necessary to prevent individuals from receiving benefits they had not fully funded through payroll taxes.

The GPO and What It Meant

The GPO was created in 1977 to prevent overpayment of spousal and survivor benefits to those receiving government pensions from non-covered work. Originally, spousal or widow(er) benefits were offset dollar-for-dollar by the amount of a non-covered pension. In 1983, the formula was changed so that two-thirds of the pension amount was subtracted from any Social Security spousal or survivor benefit.

Example 1: Walter is a retired public school teacher from Ohio, receiving a $2,500 pension. Under his wife's Social Security record, he was eligible for a $1,500 spousal benefit. But the GPO reduced his benefit by $1,667 — *two-thirds of his pension* — eliminating it entirely.

With the GPO now repealed, Walter will receive the full $1,500 and a refund dating back to January 2024.

> The SSFA eliminates the GPO and WEP — *two provisions that disproportionately impacted workers with pensions from non-Social Security-covered jobs.*

Understanding WEP and the "Windfall"

The WEP, enacted in 1983, was designed to adjust Social Security's progressive benefit formula for workers who had both covered and non-covered employment. Calculating benefits in 2025 uses a 3-tier progressive formula based on average earnings:

- 90% of the first $1,226 of average indexed monthly earnings, plus
- 32% of average indexed monthly earnings between $1,226 and $7,391, plus
- 15% of any average indexed monthly earnings above $7,391.

Since there is an annual cap on taxable earnings ($176,100 in 2025) an executive earning that amount will pay the same Social Security tax as a professional athlete earning $17 million in the same year, and both will receive the same credit toward future benefits.

The "windfall" in WEP arose when workers earned a pension from a public or foreign employer whose earnings were not subject to Social Security taxes. Without adjustment, these workers often appeared as low-income earners in the Social Security system; their years in non-covered employment were recorded as zeros in the 35-year average used to calculate benefits. This led to a disproportionately high replacement rate in the first tier of the benefit formula, unintentionally boosting benefits.

To correct this, Congress enacted WEP, which reduced the 90% replacement rate in the first tier to as low as 40% for those with 20 or fewer years of substantial Social Security-covered earnings. The reduction decreased gradually, increasing by 5% per year for those with 21 to 29 years of "substantial" covered earnings. After 30 years of substantial covered work, WEP no longer applied. However, WEP never eliminated a retiree's Social Security benefit; it was capped at the lower of a specified dollar reduction or 50% of the noncovered pension.

Example 2: Paul, a retired Civil Service Retirement System (CSRS) annuitant, receives a $4,000 monthly, non-covered pension. After retirement, he worked part-time in covered employment, earning a $1,000 Social Security benefit. However, due to WEP, his benefit was reduced to $525.

With the repeal of WEP, Paul is entitled to his full $1,000 Social Security retirement benefit. Additionally, if he was collecting benefits for January 2024 and beyond, he can expect to receive a retroactive refund of the $475 monthly difference.

Who Is Affected?

The SSFA impacts workers whose government employment did not deduct Social Security taxes. This includes:

- Federal employees under CSRS, hired before 1984;
- Certain state and local government employees, including teachers, university staff, and municipal workers whose employers opted out of Social Security;
- Public safety personnel, such as firefighters and police officers, covered by independent retirement systems;
- Some individuals with foreign pension who previously experienced reductions under WEP;
- Retirees whose own Social Security was reduced by WEP;
- Spouses, ex-spouses, and survivors denied benefits under GPO; *and*
- Dependent children affected by reduced parent benefits.

With many retirees contacting the SSA for clarification, it is vital that you discuss this sweeping change and its implications with your team of financial professionals.

Who Is Not Affected?

Not all public employees were impacted by WEP and GPO. Federal employees under **Federal Employees Retirement System (FERS)** (hired in 1984 or later), and those who consistently paid into Social Security, were not subject to these reductions. Roughly **72%** of public employees fall into this category and include:

- Individuals whose only pension comes from Railroad Retirement.
- FERS employees and annuitants — *since 1984, federal employees have paid Social Security taxes.*
- Public employees whose earnings were always subject to FICA taxes, meaning their benefits were never reduced by WEP or GPO.
- Non-covered pensioners with 30 or more years of substantial Social Security earnings were already exempt from WEP.

Tax and Medicare Impacts

Larger monthly checks and lump-sum refunds could increase your adjusted gross income (AGI), potentially affecting income tax or Medicare premiums:

- You may move into a **higher tax bracket**.
- Income-related monthly adjustment amount (IRMAA) surcharges could **increase your Medicare costs**.

The IRS and SSA have not issued formal guidance on payments stemming from the SSFA yet, so it is wise to consult a tax professional if you are concerned about impacts for 2024 or 2025.

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If the lump-sum retroactive payment pushes your combined income above the thresholds for the tax on Social Security, the IRS will allow you to allocate it to the year you should have received it. You do not even have to amend your prior year's tax returns. Simply check the box on line 6c of your Form 1040 or 1040-SR if it lowers the taxable portion of your benefits and pay any taxes owed for the prior year with your current year's tax return.

Speak with your advisor about making qualified charitable distributions (QCDs) from your IRAs if you are subject to required minimum distributions (RMDs). QCDs can be used to offset your RMDs and will reduce modified adjusted gross income (MAGI), which is also used to determine Medicare Part B and D premiums.

What You Should Do Now

The SSA is issuing payments automatically, with most increases already processed. If you were previously denied benefits due to WEP or GPO, you may now qualify and should reapply. Final adjustments, especially for complex cases, are expected by late 2025.

Here is how to make sure you are on track:

- Confirm whether you or your spouse's pension was from **non-covered employment**.
- Log in to your *my* Social Security account online to verify your earnings record, address, and direct deposit information.
- **Reapply** if you were denied under the old rules.
- **Watch for mailed notices** — *you may receive your payment before the letter arrives.*
- **Track changes** to your income and Medicare premiums.
- **Be patient**: SSA is still working through backlogs, and recent staffing reductions may slow the timeline further.

With the repeal of GPO and WEP, it is essential to work with your financial advisor and reassess planned claiming strategies to ensure they remain aligned with overall income planning objectives.

For millions of public sector retirees, the repeal of WEP and GPO could be a policy win! ▪

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Editor-in-Chief
Ed Slott, CPA

Contributing Editors
Sarah Brenner, JD
Andy Ives, CFP®, AIF®
Ian Berger, JD
Heather Schreiber, RICP®, NSSA®

Copy Editors
Courtney Browning
Ryan Fortese

Graphic Design
Debbie Slott, D. Slott Design

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100 Merrick Road - 200 E
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P: (877) 337-5688
E: newsletter@irahelp.com

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100 Merrick Road, Suite 200E
Rockville Centre, NY 11570