

Estate Planning for the Surviving Spouse

Hans and Tom discuss estate planning for the surviving spouse using the following charts in the video with the same title.

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ESTATE PLANNING FOR THE SURVIVING SPOUSE			
<div>SS</div> <div></div> <div>MED</div> <div></div> <div>LTC</div> <div></div> <div>401K/IRA</div> <div></div>	<div>THE SMALLER OF THE 2 CHECKS STOPS</div> <div>IRMAA IS MORE MEDICAL COSTS OF DECREASED STOP</div> <div>MEDICAL ADVOCACY + TRANSPORTATION FOR SURVIVOR</div> <div>NO SPOUSE CAREGIVER</div> <div>SPOUSE USED UP LTC</div> <div>DEPLETED SAVINGS</div> <div>RMDs CONTINUE</div> <div>ROTH CONVERSION MORE EXPENSIVE</div>	<div>LIFE INSURANCE</div> <div>LIFETIME ANNUITY</div> <div>ROTH CONVERSIONS</div> <div>DELAY SS FOR LARGER CHECK</div> <div>LONG-TERM CARE INSURANCE</div> <div>RMD PLANNING</div> <div>100% SURVIVOR ON PENSIONS</div> <div>ESTATE TAX PLANNING</div> <div>PORTABILITY</div>	<div>SMALLER SS CHECK STOPS- ASSETS IN 2nd MARRIAGE PASS TO KIDS PENSIONS REDUCE OR STOP -</div> <div>SURVIVING SPOUSE COULD - LIVE A LONG TIME SURVIVING SPOUSE COULD REMARRY</div> <div>2nd MARRIAGE INHERITANCE CONCERNS</div> <div>2023 MARRIED 2023 SINGLE</div> <div> <div>\$0-\$22,000 10%</div> <div>\$22,000-\$29,450 12%</div> <div>\$29,451-\$190,750 22%</div> <div>\$190,751-\$361,200 24%</div> <div>\$361,201-\$462,500 32%</div> </div> <div> <div>\$0-\$11,000</div> <div>\$11,000-\$14,175</div> <div>\$14,176-\$95,375</div> <div>\$95,376-\$132,100</div> <div>\$132,101-\$231,250</div> </div>
			<div>Income</div> <div></div> <div>Estate</div> <div></div> <div>Taxes</div> <div></div>



SPOUSE BENEFICIARY OPTIONS

Use this chart to determine the best course of action when a spouse beneficiary inherits an IRA in 2020 or later. The options will depend on when the IRA owner dies and the age of the spouse beneficiary. If the death is before the **required beginning date (RBD)**, the options are spousal rollover, keeping an inherited IRA, or electing the 10-year rule. If the IRA owner dies after the RBD, the options are spousal rollover and keeping the inherited IRA. A spousal rollover can be done at any time but once done cannot be reversed.

Date of Death	IRA Owner Dies <u>BEFORE</u> RBD (or has a Roth IRA): 3 Options			IRA Owner Dies <u>ON</u> or <u>AFTER</u> RBD: 2 Options	
Options	Spousal Rollover	Inherited IRA	10-Year Rule	Spousal Rollover	Inherited IRA
Spouse beneficiary is under age 59½	No RMDs (ULT)* until age 73 If Roth, no lifetime RMDs 10% penalty applies	No RMDs (SLT)** until 12-31 of the year the IRA owner would have been 73 No 10% penalty	Distribute funds by 12-31 of the 10th year after the year of death No annual RMDs or 10% penalty	No RMDs (ULT)* until age 73 10% penalty applies	RMDs (SLT)** each year No 10% penalty
Spouse beneficiary is older than age 59½ but younger than age 73	No RMDs (ULT)* until Age 73 If Roth, no lifetime RMDs No 10% penalty	No RMDs (SLT)** until 12-31 of the year the IRA owner would have been 73 No 10% penalty	Distribute funds by 12-31 of the 10th year after the year of death No annual RMDs or 10% penalty	No RMDs (ULT)* until age 73 No 10% penalty	RMDs (SLT)** each year No 10% penalty
Spouse beneficiary is age 73 or older	RMDs (ULT)* each year If Roth, no lifetime RMDs No 10% penalty	No RMDs (SLT)** until 12-31 of the year the IRA owner would have been 73 No 10% penalty	Distribute funds by 12-31 of the 10th year after the year of death No annual RMDs or 10% penalty	RMDs (ULT)* each year No 10% penalty	RMDs (SLT)** each year No 10% penalty

* Use the Uniform Lifetime Table (ULT) and the recalculated age of the spouse beneficiary to calculate the required minimum distribution (RMD).

** Use the Single Life Expectancy Table (SLT) and the recalculated age of the spouse beneficiary to calculate the RMD. If the death is on or after the RBD, you may use the nonrecalculated life expectancy of the deceased IRA owner if it is longer.

2023 Tax Planning

Taxable Income Brackets for 2023 Ordinary Income Tax Rates

Marginal Tax Rate	Married Filing Joint	Single
10%	\$0 – \$22,000	\$0 – \$11,000
12%	\$22,001 – \$89,450	\$11,001 – \$44,725
22%	\$89,451 – \$190,750	\$44,726 – \$95,375
24%	\$190,751 – \$364,200	\$95,376 – \$182,100
32%	\$364,201 – \$462,500	\$182,101 – \$231,250
35%	\$462,501 – \$693,750	\$231,251 – \$578,125
37%*	Over \$693,750	Over \$578,125

*The top rate is effectively 40.8% for those subject to the 3.8% Medicare surtax on net investment income (those with MAGI over the thresholds of \$250,000 joint filers/\$200,000 single filers).

2023 Trust Tax Rates

Ordinary Income Tax		Capital Gain Rates	
10%	\$0 - \$2,900	0%	\$0 - \$3,000
24%	\$2,901 - \$10,550	15%	\$3,001 - \$14,650
35%	\$10,551 - \$14,450	20%	Over \$14,650
37%	Over \$14,450		

Trust Tax Rates – Distributions from inherited IRAs that exceed **\$14,450** and are made to and retained in discretionary trusts will be subject to the top 37% rate. After the SECURE Act, inherited IRA funds will have to be paid out to most of these trusts under the 10-year rule, accelerating trust taxes. Roth conversions during the IRA owner's life become more valuable if the IRA beneficiary is a trust.

Qualified Business Income (QBI) Deduction

20% Deduction Phase-Out Ranges

\$364,200 - \$464,200 - Married Joint

\$182,100 - \$232,100 – Single

Taxable Income Brackets for 2023 Long Term Capital Gains and Qualified Dividends Tax

Long Term Capital Gains Rate	Married Filing Joint	Single
0%	\$0 – \$89,250	\$0 – \$44,625
15%*	\$89,251 – \$553,850	\$44,626 – \$492,300
20%**	Over \$553,850	Over \$492,300

*The 15% rate is effectively 18.8% for those subject to the 3.8% Medicare surtax on net investment income.

**The top rate is effectively 23.8% for those subject to the 3.8% Medicare surtax on net investment income

2023 Transfer Taxes

Transfer Tax	Exemption*	Maximum Rate
Estate, Gift, GST Tax	\$12,920,000	40%

*The estate and gift exemptions are portable. The unused amount can be transferred to a surviving spouse. The GST exemption is NOT portable.

Annual Gift Tax Exclusion **\$17,000**

Standard Deductions

Married-Joint	\$27,700
Single	\$13,850
Head of Household	\$20,800

Extra Standard Deduction for Age 65 or Blind

\$1,500 (married-joint)

\$1,850 (single)

Qualified Charitable Distributions

Available only to IRA owners and IRA beneficiaries who are 70½ or older. The annual QCD limit is \$100,000 per IRA owner, **not** per IRA account. QCDs are more valuable due to the larger number of taxpayers that are using the increased standard deduction.

Roth Conversion Planning Ideas

Roth conversions are permanent and work best for those who believe they will be subject to higher marginal tax rates in the future.

Roth conversions are not all or nothing. Consider a series of smaller annual conversions over time to spread out the income tax.

Timing Roth conversions for maximum tax efficiency:

Convert before RMDs begin. RMDs cannot be converted, so no conversion can be done until the RMD is withdrawn.

Avoid the impact of Roth conversions on Medicare IRMAA charges for Parts B and D based on income. Since Medicare has a 2-year lookback provision, consider conversions before age 63.

If a spouse died during the year, consider a Roth conversion for the surviving spouse since this may be the last year to take advantage of married-joint tax return rates. Include the conversion income on the final joint tax return.