

# CARDINAL ADVISORS

## Roth IRA Conversion up to 24% Tax Bracket

The following examples are used in the video “Roth IRA Conversion up to 24% Tax Bracket” by Hans and Tom to discuss IRA’s.

**ROTH IRA CONVERSION UP TO 24% TAX BRACKET**

<b>S.S</b> <input type="checkbox"/>	<b>TOM + CHELSEY - 64 COUPLE - RETIRE JAN 2025</b> \$750,000 TAXABLE INVESTMENTS \$2,500,000 TAX DEFERRED IRA \$230,000 CASH \$12,000 MONTHLY SPENDING (AFTER TAX)	<b>PROJECTION</b> \$250,000 TO \$300,000 ROTH CONVERSION FOR SEVERAL YEARS \$1,116,909 LESS IN TAXES OVER LIFETIME \$1,113,069 MORE IN TAX ADJUSTED ENDING PORTFOLIO	<b>INCOME</b> <input type="checkbox"/>
<b>MED</b> <input type="checkbox"/>	<b>CURRENT PLAN - 90% SUCCESS</b> - BOTH START SS. JAN 2025 - SUPPLEMENT SPENDING FROM CASH + TAXABLE SAVINGS - DELAY TAKING FROM IRA TO AGE 75 (RMD) - PAY AS LITTLE TAX AS POSSIBLE NOW		<b>ESTATE</b> <input type="checkbox"/>
<b>LTC</b> <input type="checkbox"/>	<b>PROPOSED PLAN - 99% SUCCESS</b> - DELAY SOCIAL SECURITY TO JAN 2030 - PURCHASE SPIA FROM TAXABLE MONEY (\$12,500/MONTHLY \$11,200 TAX FREE \$1,300 TAXABLE) (PAYMENTS STOP DECEMBER 2029) - PURCHASE INCOME ANNUITY 1 MILLION TAX DEFERRED IRA (INCOME \$112,100/ANNUAL - STARTS JAN 2030) - ROTH CONVERSION EACH YEAR UP TO 24% TAX BRACKET 28% 2026 AND AFTER		<b>TAXES</b> <input type="checkbox"/>
<b>401K/IRA</b> <input type="checkbox"/>			

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# Insurance Can Lead To A

# More Successful

# Retirement

**Thomas Griffith, CFP®**

**Vice President**

**Cardinal Advisors**

**FORUM  
MAX**



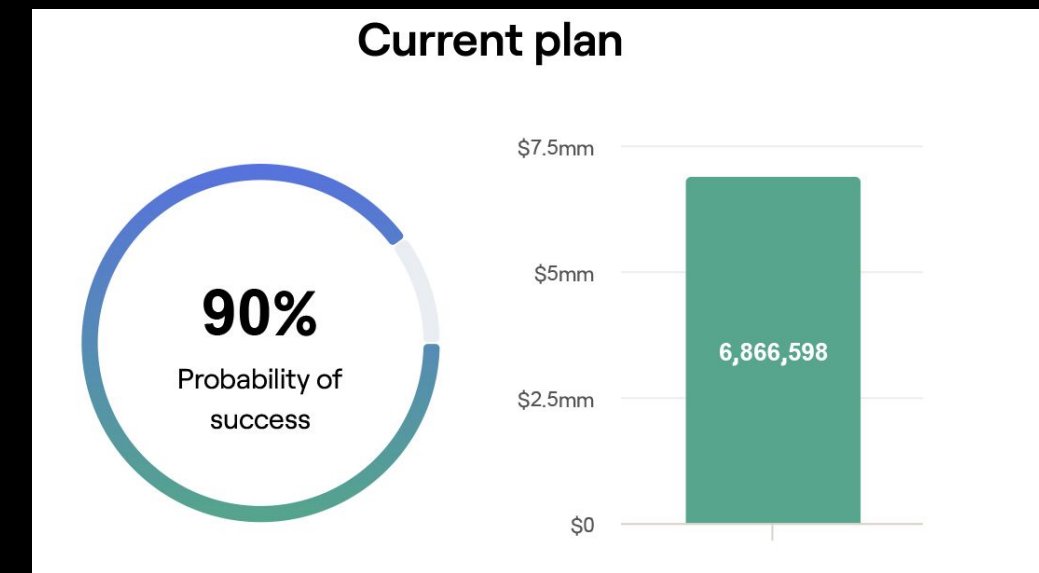
# Profile

- Thomas and Chelsey: 64-year-old couple retiring January 1<sup>st</sup> of 2025.
- Net worth of \$4,230,000 (\$230K of cash, \$750,000 of taxable investments, and \$2,500,000 of tax deferred investments).
- Thomas is planning to start Social Security as soon as he retires
- Chesley was a stay-at-home mom and only qualifies for spousal benefits.
- Monthly spending of \$12,000/month after tax

## Balance Sheet Details

Description	Thomas	Chelsey	Total
<b>Assets</b>			
<b>Cash</b>			
Checking	\$30,000		\$30,000
High Yield Savings	\$200,000		\$200,000
Total Cash	\$230,000	\$0	\$230,000
<b>Invested Assets</b>			
<b>Non-qualified</b>			
Taxable Brokerage	\$750,000		\$750,000
<b>Qualified</b>			
Rollover IRA	\$2,500,000		\$2,500,000
Total Invested Assets	\$3,250,000	\$0	\$3,250,000
<b>Real Estate Assets</b>			
Primary Home	\$750,000		\$750,000
Total Real Estate Assets	\$750,000	\$0	\$750,000
<b>Total Assets</b>	<b>\$4,230,000</b>	<b>\$0</b>	<b>\$4,230,000</b>
<b>Net Worth</b>			
<b>Total Net Worth</b>	<b>\$4,230,000</b>	<b>\$0</b>	<b>\$4,230,000</b>

# Current Plan



- Take Social Security at retirement
- Supplement cash flow out of taxable savings and cash
- Delay taking money out of IRA until RMDs start at 75

## Cash Flows – Current Plan

### Summary

Year	Age	Cash Inflows				Cash Outflows					Net Flows
		Income Inflows	Planned Distribution	Other Inflows	Total Inflows	Expenses	Goals	Tax Payment	Planned Saving	Total Outflows	
2025	65/65	53,643	0	0	53,643	144,000	0	732	0	144,732	(91,089)
2026	66/66	59,983	0	0	59,983	147,600	0	1,505	0	149,105	(89,122)
2027	67/67	61,481	0	0	61,481	151,290	0	1,589	0	152,879	(91,398)
2028	68/68	63,018	0	0	63,018	155,072	0	2,491	0	157,563	(94,545)
2029	69/69	64,594	0	0	64,594	158,949	0	2,618	0	161,567	(96,974)
2030	70/70	66,209	0	0	66,209	162,923	0	2,711	0	165,633	(99,424)
2031	71/71	67,865	0	0	67,865	166,996	0	2,766	0	169,762	(101,897)
2032	72/72	69,562	0	0	69,562	171,171	0	2,782	0	173,953	(104,391)
2033	73/73	71,300	0	0	71,300	175,450	0	2,756	0	178,206	(106,905)
2034	74/74	73,082	0	0	73,082	179,836	0	2,684	0	182,520	(109,438)
2035	75/75	74,910	193,096	0	268,007	184,332	0	55,387	0	239,719	28,287
2036	76/76	76,783	205,571	0	282,354	188,940	0	59,733	0	248,673	33,681
2037	77/77	78,702	217,880	0	296,581	193,664	0	64,108	0	257,772	38,809
2038	78/78	80,670	231,928	0	312,597	198,506	0	69,136	0	267,642	44,956
2039	79/79	82,687	246,855	0	329,543	203,468	0	74,554	0	278,022	51,521
2040	80/80	84,754	262,730	0	347,484	208,555	0	80,393	0	288,948	58,537

# Proposed Plan

- Thomas delay Social Security until age 70.
- Chelsey file for her spousal benefits at once Thomas files
- Purchase a 5 year period certain SPIA out of their taxable funds to bridge the gap from 65 to age 70.
- Purchase a fixed indexed annuity with an income rider to start at age 70 to supplement their income.
- Roth conversion up the 24% tax bracket
- Purchase a Hybrid LTC policy out of their IRA funds to cover the LTC risk.

## Proposed plan



## Cash Flows – Proposed Plan

### Summary

Year	Age	Cash Inflows			Cash Outflows				Net Flows		
		Income Inflows	Planned Distribution	Other Inflows	Total Inflows	Expenses	Goals	Tax Payment		Planned Saving	Total Outflows
2025	65/65	150,000	0	0	150,000	144,000	0	102,941	0	246,941	(96,941)
2026	66/66	150,000	0	0	150,000	147,600	0	75,069	0	222,669	(72,669)
2027	67/67	150,000	0	0	150,000	151,290	0	77,335	0	228,625	(78,625)
2028	68/68	150,000	0	0	150,000	155,072	0	79,648	0	234,720	(84,720)
2029	69/69	150,000	0	0	150,000	158,949	0	81,528	0	240,477	(90,477)
2030	70/70	194,389	0	0	194,389	162,923	0	77,472	0	240,395	(46,007)
2031	71/71	204,114	0	0	204,114	166,996	0	79,121	0	246,117	(42,003)
2032	72/72	206,415	0	0	206,415	171,171	0	74,091	0	245,262	(38,847)
2033	73/73	208,772	0	0	208,772	175,450	0	32,234	0	207,684	1,088
2034	74/74	211,188	0	0	211,188	179,836	0	32,156	0	211,992	(804)
2035	75/75	213,667	0	0	213,667	184,332	0	32,169	0	216,501	(2,835)
2036	76/76	216,206	0	0	216,206	188,940	0	32,164	0	221,105	(4,899)
2037	77/77	218,807	0	0	218,807	193,664	0	32,142	0	225,806	(6,998)
2038	78/78	221,476	0	0	221,476	198,506	0	32,119	0	230,624	(9,149)
2039	79/79	224,211	0	0	224,211	203,468	0	32,095	0	235,563	(11,352)
2040	80/80	227,013	0	0	227,013	208,555	0	32,071	0	240,626	(13,612)



Single Premium Immediate Annuity<sup>SM</sup>

Contract Owner: Thomas Griffith  
Contract Issue State: North Carolina  
Owner Residence State: North Carolina

Primary Annuitant: Thomas Griffith  
Date of Birth (Age): January 15, 1960 (Age 65)  
Gender: Male

Certain Period Annuity with payments guaranteed for 5 years

Illustration Date: 08/23/2024      Premium: \$671,949.84      Payment Mode: Monthly  
Premium Date: 08/23/2024      Cost Basis: \$671,949.84      Exclusion Ratio (†): 89.60%  
Illustration Expiration Date: 09/06/2024  
Market: Non-qualified

First Payment Date	Monthly Annuity Income	Annual Payout Percentage*	Non-Taxable Portion of Annuity Income	Taxable Portion of Annuity Income
01/01/2025	\$12,500.00	22.3%	\$11,200.00	\$1,300.00

Total Amount of Guaranteed Payments: \$750,000.00  
Certain Period End Date: 12/01/2029

**Certain Period Annuity**

Annuity payments are guaranteed for a period of 5 years. If the annuitant dies before the end of the period, the beneficiary will continue to receive the payments for the remainder of the period.

\* Annual Payout Percentage is the ratio of total annual Annuity Income to Premium. This percentage is not an interest rate or a rate of return.

(†) Exclusion Ratio is the nontaxable percentage of each payment through life expectancy. It will apply to payments until the cost basis is fully recovered. Once the cost basis has been recovered, the excludable amount is zero and all future payments will be fully taxable. Exclusion ratio is calculated using tables provided by the Internal Revenue Service and the cost basis that was entered. The actual exclusion ratio will be determined at the time funds are received.

# Penn Mutual SPIA

- Initial premium of \$671,950 from the \$750,000 of taxable investments
- Monthly income of \$12,500 (\$150,000 annually)
- Monthly taxable income of \$1,300 (\$15,600 annually)
- Creates the cash flow they need to cover most of their expenses while leave room for Roth conversions and allowing them to delay Social Security.

# Midland National Fixed

# Indexed Annuity

- Initial Premium of \$1,000,000 out of their IRA.
- Guaranteed income of \$112,100 covering both lives start at age 70.
- The income is dependent upon market performance.
- This income along with Social Security will cover their income needs, giving them a longer time horizon for their remaining assets.

**GUARANTEED ANNUITY CONTRACT VALUES** **Annual Effective Rate: 0.00%<sup>+</sup>**

This chart illustrates values based on 0% growth, current rider charge, selected withdrawals and the initial allocation. The Accumulation Value reflects rider charges.

END OF YEAR	Youngest Covered Person Start Age/End Age	Premium	Annual Withdrawals <sup>2</sup> (Beginning of Year)	Accumulation Value/Death Benefit	Death Benefit	Minimum Guaranteed Surrender Value	Credited Interest Rate <sup>1</sup>	GLWB Features		
								Net Premium	Level Lifetime Payment Amount <sup>#</sup>	LPA Multiplier <sup>u</sup>
<b>At Issue</b>	<b>64</b>	\$1,000,000		\$1,000,000				\$1,000,000	\$63,300	\$0
1	64 / 65	-	\$0	\$987,500	\$987,500	\$901,250	0.00%	\$1,000,000	\$69,600	\$0
2	65 / 66	\$0	\$0	\$975,000	\$975,000	\$928,288	0.00%	\$1,000,000	\$76,600	\$153,200
3	66 / 67	\$0	\$0	\$962,500	\$962,500	\$956,136	0.00%	\$1,000,000	\$84,200	\$168,400
4	67 / 68	\$0	\$0	\$950,000	\$984,820	\$984,820	0.00%	\$1,000,000	\$92,700	\$185,400
5	68 / 69	\$0	\$0	\$937,500	\$1,014,365	\$1,014,365	0.00%	\$1,000,000	\$101,900	\$203,800
6	69 / 70	\$0	\$0	\$925,000	\$1,044,796	\$1,044,796	0.00%	\$1,000,000	\$112,100	\$224,200
7	70 / 71	\$0	\$112,100	\$800,400	\$960,677	\$960,677	0.00%	-	\$112,100	\$224,200
8	71 / 72	\$0	\$112,100	\$675,800	\$874,034	\$874,034	0.00%	-	\$112,100	\$224,200
9	72 / 73	\$0	\$112,100	\$551,200	\$784,792	\$784,792	0.00%	-	\$112,100	\$224,200
10	73 / 74	\$0	\$112,100	\$426,600	\$692,873	\$692,873	0.00%	-	\$112,100	\$224,200
11	74 / 75	\$0	\$112,100	\$302,000	\$598,196	\$598,196	0.00%	-	\$112,100	\$224,200
12	75 / 76	\$0	\$112,100	\$177,400	\$500,679	\$500,679	0.00%	-	\$112,100	\$224,200
13	76 / 77	\$0	\$112,100	\$52,800	\$400,236	\$400,236	0.00%	-	\$112,100	\$224,200
14	77 / 78	\$0	\$112,100	\$0	\$0	\$0	0.00%	-	\$112,100	\$0
15	78 / 79	\$0	\$112,100	\$0	\$0	\$0	0.00%	-	\$112,100	\$0
16	79 / 80	\$0	\$112,100	\$0	\$0	\$0	0.00%	-	\$112,100	\$0
17	80 / 81	\$0	\$112,100	\$0	\$0	\$0	0.00%	-	\$112,100	\$0
18	81 / 82	\$0	\$112,100	\$0	\$0	\$0	0.00%	-	\$112,100	\$0
19	82 / 83	\$0	\$112,100	\$0	\$0	\$0	0.00%	-	\$112,100	\$0
20	83 / 84	\$0	\$112,100	\$0	\$0	\$0	0.00%	-	\$112,100	\$0
30	93 / 94	\$0	\$112,100	\$0	\$0	\$0	0.00%	-	\$112,100	\$0
61	114 / 115	\$0	\$112,100	\$0	\$0	\$0	0.00%	-	\$112,100	\$0
		<b>Total Withdrawals:</b>	<b>First 30 Yrs: Cumulative:</b>	<b>\$2,690,400</b>	<b>\$5,044,500</b>		<b>0.00%<sup>+</sup></b>			

**ILLUSTRATION SNAPSHOT**  
Covered Person (Age): **Thomas Smith (64)**  
JT Covered Person (Age): **Chelsey Smith (64)**  
Premium: **\$1,000,000.00**  
Agent Name: **HANS SCHEIL**  
State: **NC**

**ILLUSTRATED WITHDRAWALS**  
LPA beginning in Contract Year: 7  
**GLWB FEATURE DETAILS**  
Annual Charge: 1.25% of Initial Premium

<sup>+</sup> Annual Effective Rate over first 10 years.  
<sup>#</sup> At the start of lifetime income, annual payments are reflected in the Annual Withdrawals column.  
<sup>u</sup> Must meet eligibility requirements. See page 5.  
<sup>1</sup> Credited Interest Rate does not reflect the rider charge.  
<sup>2</sup> Subject to any applicable penalty-free withdrawal provisions.

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Software Version 6.1.162.3

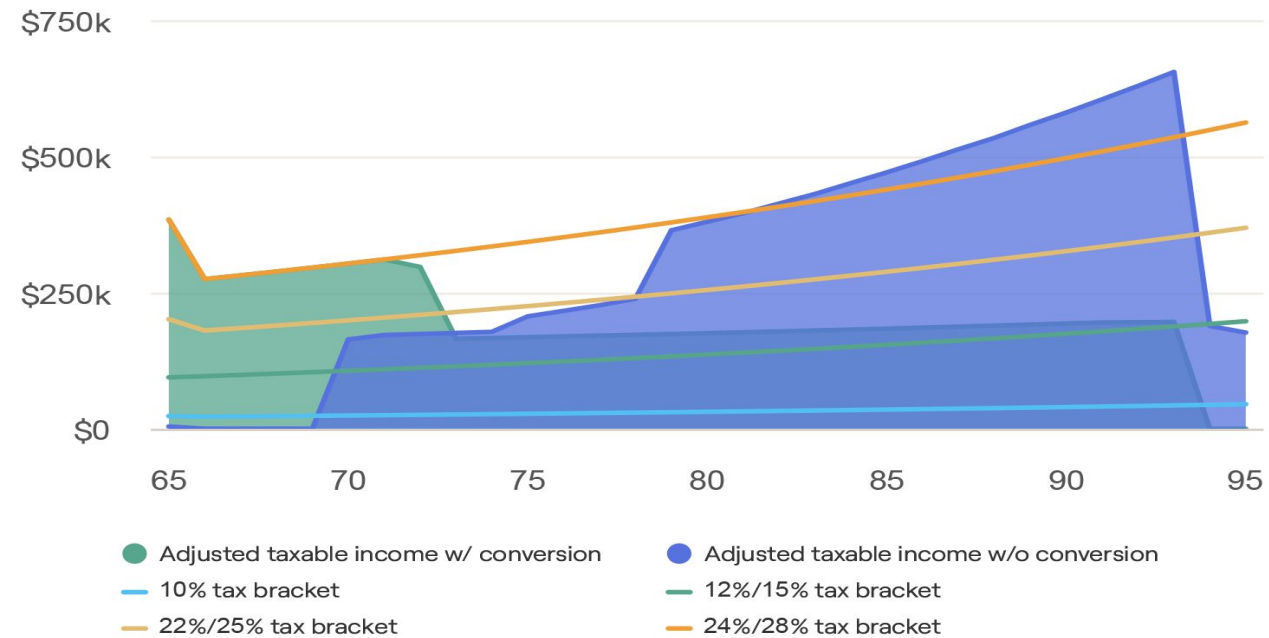




# Roth Conversions



## Ordinary income tax bracket - Proposed Plan



## Distribution and Conversion Details

Year	Age	Conversion Amount	Withdrawal From Taxable Account	Withdrawal From Tax Deferred Account	Withdrawal From Tax Free Account	Taxable Account Balance	Tax Deferred Account Balance	Tax Free Account Balance
2025	65/65	379,831	768,891	1,379,831	0	267,500	2,285,906	379,831
2026	66/66	278,327	72,669	278,327	0	212,565	2,092,829	683,339
2027	67/67	286,833	78,625	286,833	0	148,032	1,878,445	1,015,473
2028	68/68	295,706	84,720	295,706	0	73,125	1,640,976	1,378,500
2029	69/69	292,462	77,973	304,966	0	0	1,378,504	1,762,349
2030	70/70	101,946	0	260,052	0	0	1,143,545	1,981,130
2031	71/71	105,933	0	260,036	0	0	900,457	2,218,402
2032	72/72	94,074	0	245,021	0	0	663,700	2,459,545
2033	73/73	0	0	112,100	0	1,088	551,600	2,622,601
2034	74/74	0	804	112,100	0	356	439,500	2,796,466
2035	75/75	0	380	112,100	2,455	0	327,400	2,979,404
2036	76/76	0	0	112,100	4,899	0	215,300	3,172,024
2037	77/77	0	0	112,100	6,998	0	103,200	3,375,315
2038	78/78	0	0	103,200	9,149	0	0	3,589,933
2039	79/79	0	0	0	11,352	0	0	3,816,575
2040	80/80	0	0	0	13,612	0	0	4,055,982



# One America LTC

- Single premium of \$250K of IRA funds
- Annual distributions of \$31,250 out of the IRA
- Monthly LTC benefits of \$8,737
- Lifetime coverage
- Death benefit (if no care is needed) of \$291,239
- Is part of the larger strategy of lowering the IRA balance
- Covers the largest risk they face in retirement

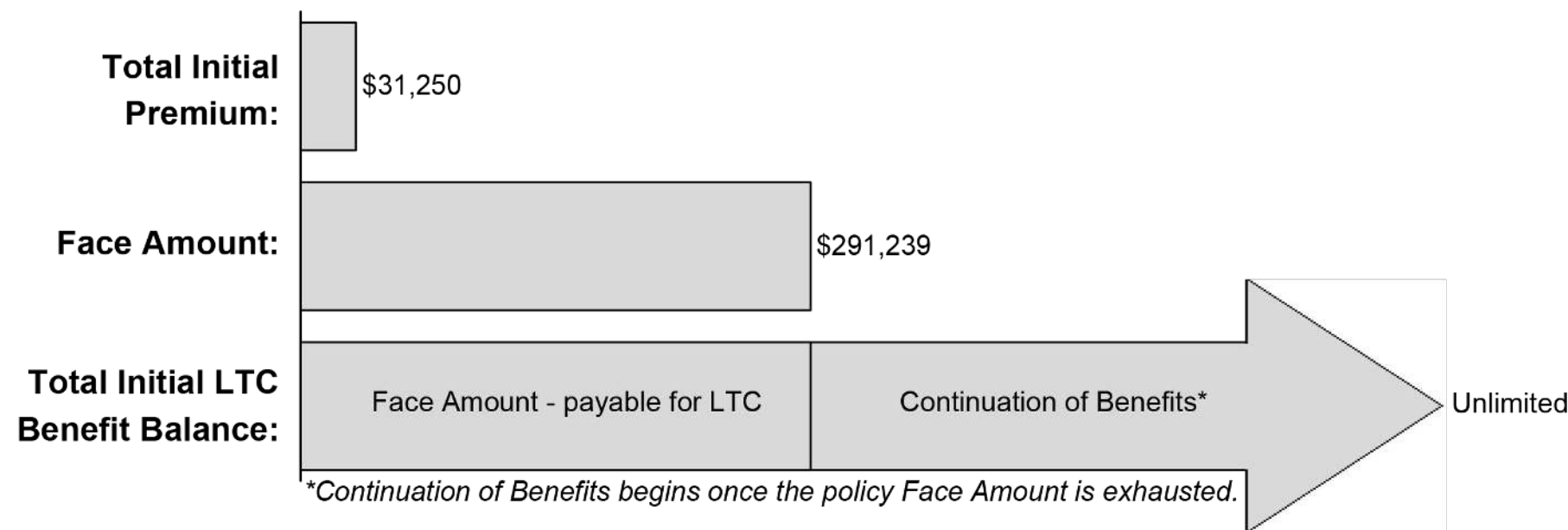
## Asset Care®

### Asset Care Annuity Funding Whole Life

State: NC

Prepared for: Thomas Smith  
Male, 64  
Preferred Non-Tobacco

Chelsey Smith  
Female, 64  
Preferred Non-Tobacco



<b>Initial LTC Benefit Limit, For One or Both Individuals:</b>	\$17,474 Monthly (\$8,737 Monthly, per person)
<b>End of Year 10 LTC Benefit Limit, For One or Both Individuals:</b>	\$17,474 Monthly (\$8,737 Monthly, per person)

#### Premiums:

Single Pay Annuity Premium - \$250,000  
 10-Pay Life Premium\*\*\* - \$14,897  
 10-Pay LTC Premium\*\*\* - \$16,353

\*\*\*Automatically funded by withdrawals from Single Pay Annuity. See Ledger page for details.

#### Features and Benefits:

Benefit Period - 33 Months AOB<sup>1</sup> / Lifetime COB<sup>2</sup>  
 Inflation Option - 0% AOB<sup>1</sup> / 0% COB<sup>2</sup>  
 Inflation Duration - N/A  
 Guaranteed Cash Value  
 Waiver of Premium

<sup>1</sup> Acceleration of Benefits  
<sup>2</sup> Continuation of Benefits

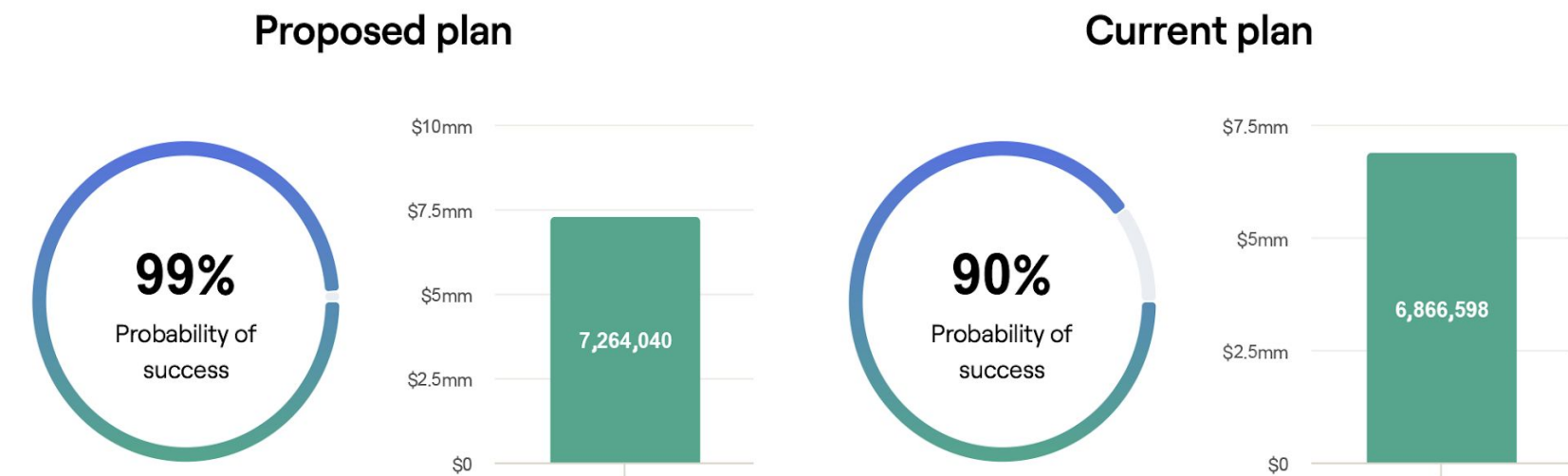


# Final Comparison

- After the proposed changes Thomas and Chelsey have a higher probability of success and a projected higher ending portfolio balance.
- Through the use of insurance they have mitigated their largest risks and have created an income plan that allows them to enjoy retirement without having to worry about the market fluctuations.
- By converting their IRA money to a Roth IRA they have lowered their lifetime tax bill significantly and left their beneficiaries in a much better spot.

## Monte Carlo Analysis

Use of a detailed retirement analysis tool is important to help determine whether you are on track for a successful retirement. Monte Carlo simulations, stress tests, and viewing specific scenarios can help you evaluate your retirement plans and see the impact of potential changes.



### Asset simulation results - Proposed plan

