

CARDINAL ADVISORS

Retirement/Financial Plan Series- Episode 1 of 8

In this series, Hans and Tom explore the impact of each of the seven retirement concerns on a comprehensive financial plan. Starting with the video titled "Retirement/Financial Plan Series - Episode 1 of 8"

RETIREMENT/FINANCIAL PLAN SERIES-EPISODE 1/8

S.S. <input type="checkbox"/>	TOM DELAY TO 70 SUSAN SPOUSE 50% SS TAX LARGER CHECK LIVES ON	TOM + SUSAN 67 66 TOM TO RETIRE SOON	9,000/MONTH SPEND TAX IN ADDITION REDUCING INVESTMENT RISK UNDERSPENDERS ASSET ALLOCATION FACTOR INVESTING BASE LEVEL INCOME GUARANTEED	INCOME <input type="checkbox"/>
MED <input type="checkbox"/>	IRMAA 700+ EACH ORIGINAL MEDICARE PLAN G PART D IRMAA APPEAL-RETIRE		SURVIVING SPOUSE FIRST AVOID PROBATE LOW INCOME TAX TOM/SUSAN LARGE LIFE INS WILL-POA's-HIPPA-TRUST	ESTATE <input type="checkbox"/>
LTC <input type="checkbox"/>	TOM'S MOTHER ALZ SUSAN'S MOTHER ALZ IRA FUNDING LTC 300,000 OF IRA		ROTH CONVERSION SPREAD OVER SEVERAL YEARS STAY BELOW IRMAA PREPARE FOR WIDOW TAX	TAXES <input type="checkbox"/>
IRA/ 401K <input type="checkbox"/>	TOM'S RMD 5 YRS SUSAN RMD 6 YRS ROTH-NO RMD OR TAX QCD-70 1/2 + ROTH CONVERSION STRATEGY			

The information and opinions contained herein are provided by third parties and have been obtained from sources believed to be reliable, however, we make no representation as to its completeness or accuracy. The information is not intended to be used as the sole basis for financial decisions, nor should it be construed as advice designed to meet the particular needs of an individual's situation. Content is provided for informational purposes only and is not a solicitation to buy or sell any products mentioned.

Information provided is not intended as tax or legal advice and should not be relied on as such. You are encouraged to seek tax or legal advice from an independent professional.

Hans Scheil and/or Cardinal Advisors are not affiliated with or endorsed by the Social Security Administration or any other government agency.

Hans Scheil and/or Cardinal Advisors are NOT affiliated with or represent the U.S. Department of Health & Human Services (HHS), Social Security Administration (SSA), Centers for Medicare & Medicaid Services (CMS), or any of their various programs like Medicare.

May 2026



CARDINAL ADVISORS FINANCIAL PLAN

YOUR ADVISOR TEAM:



Hans E. Scheil, CFP®



Thomas Griffith, CFP®



Drew Sumallo, ChFC®



CARDINAL ADVISORS

Mr. and Mrs. Thomas & Susan Smith

2530 Meridian Parkway Suite 100
Durham, NC 27713

April 2, 2026

Dear Thomas and Susan,

It has been a pleasure working with you while preparing your financial plan. This commentary is intended to help you review the enclosed financial plan, made for you by Hans Scheil, using RightCapital's software. This plan will give you a better idea of what you can expect as you age and transition into retirement. After reviewing your bank and investment statements, as well as other important documents, we have developed a plan that focuses on the following areas:

- Income planning: What is the best way to produce income in retirement?
- Healthcare: What does insurance look like in retirement?
- Long-Term Care Planning: What can I do to prepare for the risk?
- Investment Allocation: How much risk is appropriate?
- Tax Planning: Are Roth conversions advisable?

The following commentary is designed to help you make the transition to retirement. We cannot cover every scenario in this text, so we have focused on items we have been discussing.

It is our recommendation to continue to update your financial plan and take opportunistic withdrawals annually. This will also help you stay on top of changes in the economy, tax laws, and more.

Kind regards,

Hans Scheil, CFP®



Retirement Income Planning

SOCIAL SECURITY - OVERVIEW

Social Security retirement income benefits are payable as early as age 62. If benefits are elected early, they are permanently reduced. Delaying the benefit past your full retirement age will increase the benefit above your primary insurance amount (PIA), or the benefit amount at full retirement age (FRA).

- **SPOUSAL NOTE:** At the death of the first spouse, the lower Social Security check will stop, and the surviving spouse will receive the higher of the two checks. When determining when to take Social Security, it is important to keep the survivor benefit in mind.

YOUR CASE

Thomas Smith	
Monthly benefits if begun at 68	\$4,298
Monthly benefits if begun at 69	\$4,657
Monthly benefits if begun at 70	\$5,176
Susan Smith	
Monthly benefits if begun at 66.10 (FRA)	\$874
Spousal Benefit if begun at 66.10 (FRA)	\$1,996

OUR RECOMMENDATION

Throughout the planning process, we focused on two primary Social Security claiming strategies: Thomas delaying benefits until age 70 to maximize lifetime and survivor income, or Thomas delaying until Susan reaches her full retirement age in August 2026 to optimize her spousal benefit. Each option involves tradeoffs between higher long-term income, increased survivor protection, and the timing of when income begins to reduce reliance on portfolio withdrawals.

After weighing both the financial impact and personal preferences, we recommend that Thomas begin claiming his Social Security benefit in August 2026, when Susan reaches her full retirement age. This approach maximizes Susan’s spousal benefit while still providing a meaningful increase in lifetime income.

Although Thomas plans to continue working while receiving Social Security, his benefit will not be reduced due to earned income. However, up to 85% of his benefit may be subject to income tax depending on their total income.



Based on their projected guaranteed income sources in retirement - including both Social Security benefits - we anticipate a shortfall between income and expenses once Thomas retires. While this gap could be covered by drawing from investment assets, doing so would increase exposure to market volatility and sequence-of-returns risk, particularly in the early years of retirement.

To address this, we recommend allocating a portion of their portfolio to annuities to create additional guaranteed income. This strategy helps bridge the projected income gap, reduces reliance on market-based withdrawals, and allows the remainder of their portfolio to stay invested for long-term growth. Additional details on these solutions are outlined on the following pages.



Retirement Income Planning - Recommendation

Income Planning Annuity by Midland National



Single Premium Immediate Annuity

AMERICAN NATIONAL INSURANCE COMPANY

Thomas Smith, North Carolina
Male, Issue Age 68
Qualified
Presented on: 3/19/2026

Single Premium Immediate Annuity

The illustrated Single Premium Immediate Annuity was issued by American National Insurance Company ("Company"). **This quote was made on March 19, 2026 based on a date of birth of July 02, 1958 and is valid through March 26, 2026.**

Payment Option: 5 Years Period Certain (Non-Life Contingent)

Single Premium	Monthly Income
\$316,431	\$6,000.00

Annuity Benefit Option: 5 Years Period Certain (Non-Life Contingent)

Monthly payments of \$6,000.00 will be paid beginning October 01, 2026. Guaranteed income will be paid for 5 years; income will cease after the end of the guaranteed period. Should death occur before the end of the guaranteed period chosen, the guaranteed income will be paid to the Beneficiary of your choice for the number of years remaining in the guarantee period.

Policy Details:

- One-time Premium of \$316,431.00 in Qualified (Pre-Tax) funds
- Guaranteed monthly payments of \$6,000 (\$72,000 annually) for 5 years - through September 2031.
- Internal Rate of Return: 4.49%



Retirement Income Planning - Recommendation

Income Planning Annuity by Midland National

END OF YEAR	Youngest Covered Person Start Age/End Age	Premium	Annual Withdrawals ² (Beginning of Year)	Accumulation Value/Death Benefit	Death Benefit	Minimum Guaranteed Surrender Value	Credited Interest Rate ¹	GLWB Features			
								Net Premium	Level Lifetime Payment Amount [#]	LPA Multiplier [□]	
At Issue	66	\$620,155		\$620,155				\$620,155	\$40,682	\$0	
1	66 / 67	-	\$0	\$612,403	\$612,403	\$555,659	0.00%	\$620,155	\$44,713	\$0	
2	67 / 68	\$0	\$0	\$604,651	\$604,651	\$568,995	0.00%	\$620,155	\$49,178	\$98,357	
3	68 / 69	\$0	\$0	\$596,899	\$596,899	\$582,651	0.00%	\$620,155	\$54,140	\$108,279	
4	69 / 70	\$0	\$0	\$589,147	\$596,634	\$596,634	0.00%	\$620,155	\$59,535	\$119,070	
5	70 / 71	\$0	\$0	\$581,395	\$610,953	\$610,953	0.00%	\$620,155	\$65,488	\$130,977	
6	71 / 72	\$0	\$0	\$573,643	\$625,616	\$625,616	0.00%	\$620,155	\$72,000	\$144,000	
7	72 / 73	\$0	\$72,000	\$493,891	\$566,903	\$566,903	0.00%	-	\$72,000	\$144,000	
8	73 / 74	\$0	\$72,000	\$414,140	\$506,781	\$506,781	0.00%	-	\$72,000	\$144,000	
9	74 / 75	\$0	\$72,000	\$334,388	\$445,216	\$445,216	0.00%	-	\$72,000	\$144,000	
10	75 / 76	\$0	\$72,000	\$254,636	\$382,173	\$382,173	0.00%	-	\$72,000	\$144,000	
11	76 / 77	\$0	\$72,000	\$174,884	\$317,617	\$317,617	0.00%	-	\$72,000	\$144,000	
12	77 / 78	\$0	\$72,000	\$95,132	\$251,512	\$251,512	0.00%	-	\$72,000	\$144,000	
13	78 / 79	\$0	\$72,000	\$15,380	\$183,820	\$183,820	0.00%	-	\$72,000	\$144,000	
14	79 / 80	\$0	\$72,000	\$0	\$0	\$0	0.00%	-	\$72,000	\$0	
15	80 / 81	\$0	\$72,000	\$0	\$0	\$0	0.00%	-	\$72,000	\$0	
16	81 / 82	\$0	\$72,000	\$0	\$0	\$0	0.00%	-	\$72,000	\$0	
17	82 / 83	\$0	\$72,000	\$0	\$0	\$0	0.00%	-	\$72,000	\$0	
18	83 / 84	\$0	\$72,000	\$0	\$0	\$0	0.00%	-	\$72,000	\$0	
19	84 / 85	\$0	\$72,000	\$0	\$0	\$0	0.00%	-	\$72,000	\$0	
20	85 / 86	\$0	\$72,000	\$0	\$0	\$0	0.00%	-	\$72,000	\$0	
30	95 / 96	\$0	\$72,000	\$0	\$0	\$0	0.00%	-	\$72,000	\$0	
48	113 / 114	\$0	\$72,000	\$0	\$0	\$0	0.00%	-	\$72,000	\$0	
Total Withdrawals:		First 30 Yrs: Cumulative:	\$1,728,000 \$3,024,000					0.00%+			

Policy Details:

- One-time Premium of \$620,155 in Qualified (Pre-Tax) funds
- Thomas and Susan can activate their Guaranteed Lifetime Income Benefit at any time and they will receive their corresponding Lifetime Payment Amount for the rest of their lives.
- Guaranteed Lifetime Income payments of \$72,000/year beginning after Susan turns 72 and continuing for the remainder of both her and Thomas' lives.
- If Thomas and Susan were to pass away before depleting the Account Balance, then the remaining Account Balance would be passed on to their beneficiaries.



Medicare & Health Insurance Planning

OVERVIEW - Medicare

Eligibility for Original Medicare starts at age 65. Original Medicare is made up of two parts: Part A and Part B. These two parts are designed to work together and cover about 80% of Medicare-approved charges. The remaining 20%, made up of deductibles, co-insurance, and co-payments, are your responsibility. There is no maximum out-of-pocket for Original Medicare.

There are two main options for additional coverage to Original Medicare:

- **Medicare Supplements** are secondary insurance policies designed to work with Original Medicare. The various plans help pay deductibles, co-payments, and co-insurance requirements.
- **Medicare Advantage Plans** are administered by private insurance companies. These plans are distinct from Original Medicare and Supplemental plans. These plans have networks and vary greatly depending on where you live.

YOUR CASE

Thomas is currently enrolled in a Medicare Supplement Plan G through UnitedHealthcare at a monthly premium of \$146.50.

Susan is currently enrolled in a Medicare Supplement Plan G through UnitedHealthcare at a monthly premium of \$129.76.

OUR RECOMMENDATION

We recommend that both Thomas and Susan transition their current Plan G coverage from UnitedHealthcare to Medico, where comparable coverage is available at lower monthly premiums of \$129.10 for Thomas and \$112.26 for Susan.

Because Medicare Supplement plans are standardized, this change allows them to maintain identical benefits while reducing their overall cost. In our experience, rates with a given carrier often become less competitive after several years, making periodic review important.

For Part D prescription drug coverage, we recommend reviewing their plans annually during the Annual Election Period (October 15 through December 7). Unlike Medicare Supplements, Part D plans are not standardized and can change significantly from year to year. We suggest that Thomas and Susan connect with Cardinal each year during this window to ensure they remain in the most appropriate plan for the upcoming year.



Medicare & Health Insurance Planning - IRMAA

OVERVIEW - IRMAA

The Income-Related Monthly Adjustment Amount (or “IRMAA”) is a surcharge for Medicare Part B and Part D, which applies only to those who earn income that exceeds specified limits.

Medicare reviews your Modified Adjusted Gross Income (or “MAGI”) for the tax year 2 years prior (For example: in 2026, Medicare will base IRMAA determinations on 2024’s MAGI) to determine whether you will be required to pay IRMAA charges.

Medicare allows you to appeal your IRMAA determination based on a “Life-Changing Event”, such as a retirement or a reduction in working hours, provided that the event will (or has) significantly reduce(d) your Taxable Income in the following years.

2026 IRMAA Brackets & Total Costs					
Single Filer	Married Filing Jointly	Part B	Part D	Total IRMAA	Yearly Cost
<\$109,000	<\$218,000	\$202.90	Premium Only	\$0	\$0
\$109,000-\$137,000	\$218,000-\$274,000	\$284.10	\$14.50	\$95.70/Mo.	\$1,148.40
\$137,000-\$171,000	\$274,000-\$342,000	\$405.80	\$37.50	\$240.40/Mo.	\$2,884.80
\$171,000-\$205,000	\$342,000-\$410,000	\$527.50	\$60.40	\$385.00/Mo.	\$4,620.00
\$205,000-\$500,000	\$410,000-\$750,000	\$649.20	\$83.30	\$529.60/Mo.	\$6,355.20
>\$500,000	>\$750,000	\$689.00	\$91.00	\$578.00/Mo.	\$6,936.00

YOUR CASE

Based on their 2024 tax return, Thomas and Susan are currently subject to IRMAA, resulting in elevated Medicare premiums. Each is paying \$649.20 per month for Part B (versus the standard \$202.90), along with an additional \$83.30 per month added to their Part D prescription drug coverage.

Given Thomas’s expected earnings for the partial year in 2026, filing an appeal upon his retirement in 2026 is unlikely to provide any benefit. However, based on their projected reduction in income for 2027, we recommend that Thomas and Susan file an IRMAA appeal due to Thomas’ work stoppage.



Long-Term Care Planning

OVERVIEW

Long Term Care is one of the most significant financial risks for the average American retiree. According to the U.S. Department of Health and Human Services Long-Term Care website, about 70% of people turning 65 will require some form of long-term care services and support during their lifetimes. The average length of care is 3 years.

Unlike medically necessary care, “custodial care” helps with the six activities of daily living and is not covered by Medicare nor most major medical insurance policies. The cost of custodial care can be covered in the following ways:

- Self-Insuring (Paying out of pocket)
- Qualifying for government assistance (i.e. Medicaid)
- Private Insurance policies designed for Long-Term Care expenses

There are many ways to insure Long-Term Care costs. The most common ways are Traditional Long-Term Care insurance, Hybrid Life/Long-Term Care insurance, and Self Insurance plans using annuities or life insurance. Most Long-Term Care policies require medical underwriting, and traditional long-term care insurance typically has the strictest requirements.

LTC Benefit Triggers

Activities of Daily Living		Cognitive Impairment
1) Transferring	4) Eating	<ul style="list-style-type: none"> ● “Deterioration or loss in mental capacity that requires supervision to protect oneself or others” <ul style="list-style-type: none"> ○ Alzheimer’s Disease ○ Dementia
2) Dressing	5) Toileting	
3) Bathing	6) Continence	

YOUR CASE

Thomas and Susan currently do not have any Long-Term Care Insurance. Should they face a LTC event, the default approach would be to self-fund their care.

OUR RECOMMENDATION

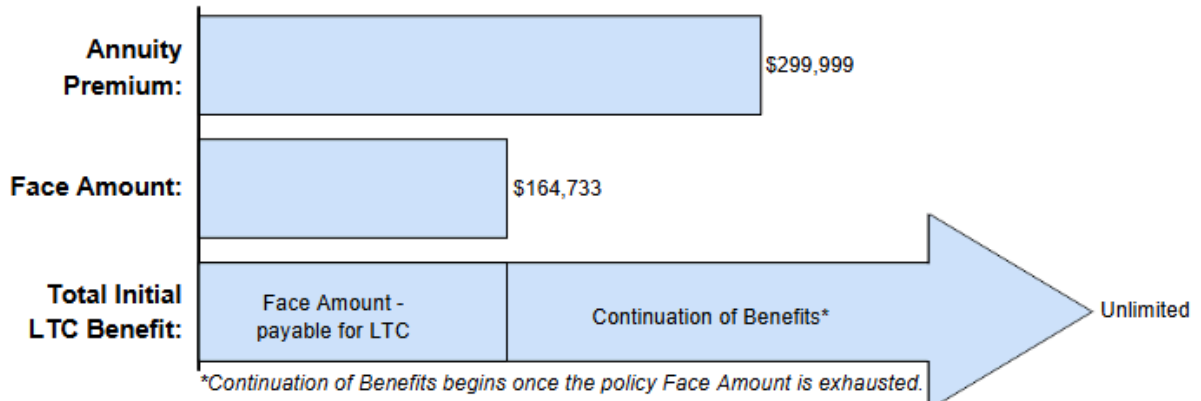
Thomas and Susan are carrying the entire LTC risk at this time. The primary risk that they face with self-funding care is spending their assets down at a rapid pace, impacting their portfolio’s health. Insurance can transfer part of the LTC risk to an insurance company. On the following pages, we have detailed a Hybrid Life/Long-Term Care policy that we are recommending Thomas and Susan purchase.



Long-term Care Planning - Recommendation

AssetCare by OneAmerica

State: North Carolina
Prepared for: Thomas Smith, Male, 67, Preferred Non-Tobacco
 Susan Smith, Female, 66, Preferred Non-Tobacco



Initial LTC Benefit Limit:	\$6,864 Monthly (\$13,728 Jointly) \$82,367 Annually (\$164,733 Jointly)
-----------------------------------	---

Premiums:

Single Pay Annuity Premium - \$299,999
 10-Pay Life Premium*** - \$10,116
 10-Pay LTC Premium*** - \$27,384

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

Features and Benefits:

Benefit Period - 2 Years AOB¹ / Lifetime COB²
 Inflation Option - 3% AOB¹ / 3% COB²
 Inflation Duration - 20 Years
 Guaranteed Cash Value
 Waiver of Premium

¹ Acceleration of Benefits
² Continuation of Benefits

Policy Details:

- One-time Premium payment of \$299,999 in Qualified (Pre-Tax) Funds
- Life Insurance Death Benefit of \$164,733 if both Thomas and Susan were to pass away without needing long-term care services.
- Monthly Long-Term Care benefits of up to \$6,864 per month, per person
 - Benefit increases by 3% compounded inflation, annually.
- Benefits are payable for an unlimited number of months (Lifetime Benefits)



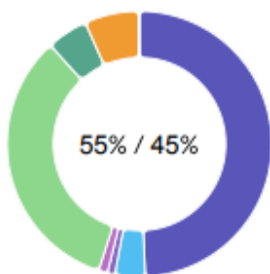
Investment Planning - Asset Allocation

OVERVIEW - Asset Allocation

Asset Allocation is the mix of stocks and bonds in your portfolio and is one of the most significant factors in determining your portfolio returns over time.

Current allocation

All accounts



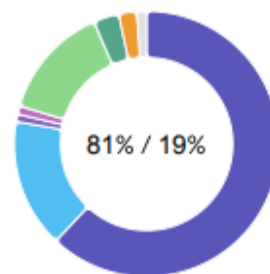
Equity / Fixed Income

Annual return: 4.3%
Standard deviation: 9.5%

49.3%	● U.S. Equities	62%
3.7%	● International Equities	15.7%
0.9%	● Emerging Markets	0.9%
1.1%	● Real Estate	1%
33.3%	● U.S. Bonds	13.9%
5%	● International Bonds	3.1%
6.6%	● Cash	2.2%
0.1%	● Other	1.2%

Target allocation

Cardinal LIFT v3 80/20



Equity / Fixed Income

Annual return: 5.6%
Standard deviation: 12.7%

YOUR CASE

Thomas and Susan's portfolio is currently allocated approximately 55% to equities and 45% to fixed income, with a notable concentration in U.S. markets and limited exposure to international investments.

OUR RECOMMENDATION

If Thomas and Susan move forward with the annuity recommendations outlined earlier, we recommend allocating the remaining portion of their portfolio to an 80/20 equity-to-fixed income allocation. This approach is intended to complement their guaranteed income sources, including Social Security and annuities. When factoring in the annuities, their overall portfolio effectively results in a 53/47 equity-to-fixed income allocation.

While their current 55/45 allocation appears similar on the surface, it requires the portfolio to fulfill two competing roles: generating income and supporting long-term growth. This dual responsibility can create pressure to take withdrawals during periods



of market volatility, increasing exposure to sequence-of-returns risk, particularly in the early years of retirement.

Our recommended approach separates these objectives. With a reliable income floor provided by Social Security and annuities, a substantial portion of their essential expenses is covered by guaranteed sources. This allows the remaining investment portfolio to focus on long-term growth, rather than being constrained by near-term cash flow needs, which improves the likelihood of sustaining withdrawals and keeping pace with inflation over time.

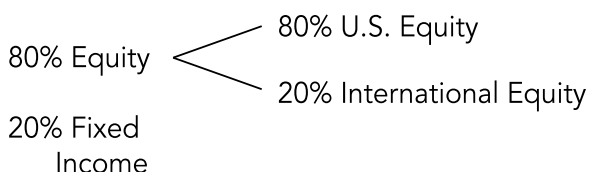
We also recommend maintaining a disciplined rebalancing strategy and conducting regular reviews with an Investment Advisor to ensure the allocation continues to align with their goals, risk tolerance, and evolving market conditions.



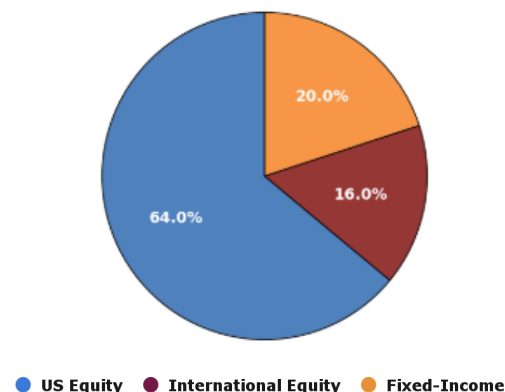
Cardinal's Investment Philosophy

Strategic Asset Allocation

The first step in the portfolio design process is to select an appropriate Asset Allocation, which involves determining the most appropriate weighting for broad categories of Assets for your Goals, Risk Tolerance, and Risk Capacity.



Strategic Asset Allocation



Factors & Factor Tilting

Equity "Factors" are themes of equities that share common characteristics, and which tend to move similarly relative to the market. The first factors were discovered in 1992 by Eugene Fama and Kenneth French, and Factor research has expanded significantly over the past 30+ years.

- **Quality** - The Quality factor examines a company's fundamentals, specifically measures of Profitability and Stability, and targets companies which have durable business models and sustainable competitive advantages.
- **Value** - We utilize the Value factor, in tandem with the Growth factor, to replicate the S&P 500 as part of our Strategic Asset Allocation. Additionally, we target the Yield factor as a secondary approach to high-quality, high-value investments.
- **Size** - We target the size factor using Mid-Cap funds, rather than small-cap equities which have experienced poor performance in the past 20+ years.

Cost-Effective Implementation

Once we have fully developed a framework for the target Asset Allocation and Factor Tilting of a client's portfolio, we then examine all the available investment vehicles to determine the most cost-effective way to achieve the necessary exposures.

Updates, Monitoring, and Rebalancing

Cardinal periodically updates client portfolios in response to economic conditions and market expectations. Additionally, we meet with our clients at least twice per year to ensure that their investment accounts reflect their goals and potential liquidity needs.



Investment Planning - Portfolio Proposal

PORTFOLIO COMPARISON

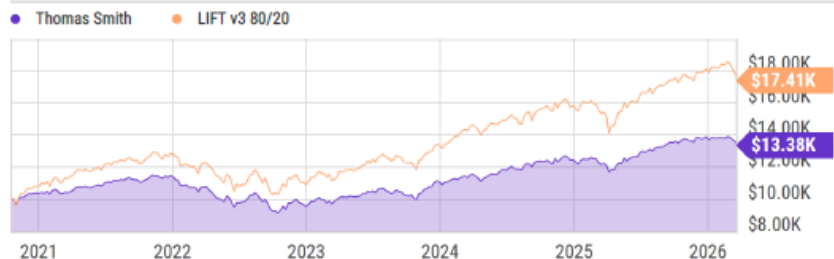
Thomas Smith Comprehensive Overview



CARDINAL ADVISORS

Cumulative Return & Basic Info

June 10, 2018 through March 20, 2026



Basic Info

No description given

Benchmark

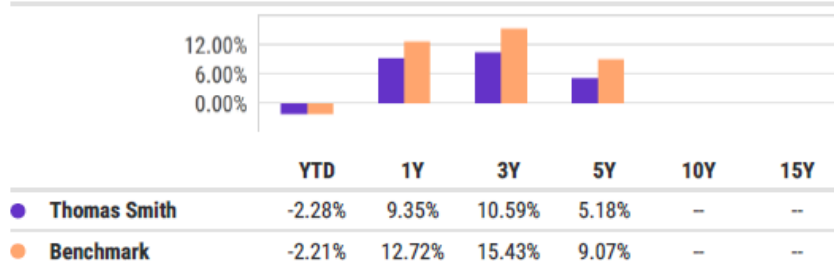
LIFT v3 80/20

Advisory Fee

0.80%

Periodic Return

Data as of: Mar. 20, 2026



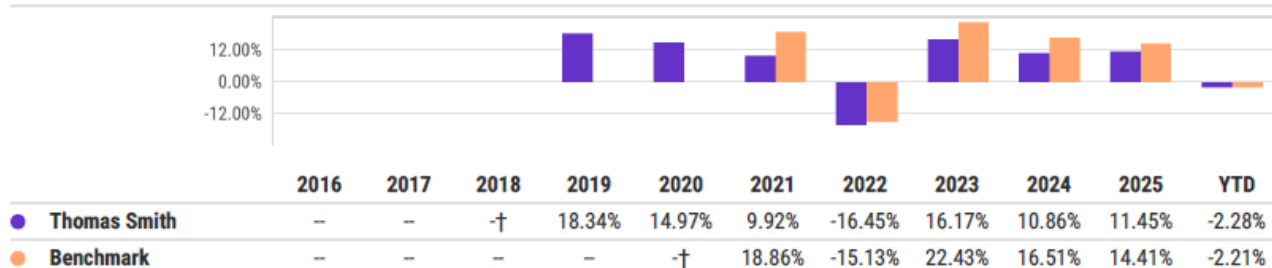
Key Stats

Net Expense Ratio	0.07%	Bond Net Allocation	47.94%
Distribution Yield	2.78%	Alpha (5Y)	-3.195
Stock Net Allocation	43.93%	Beta (5Y)	0.7711

Annual Return

Data as of: Mar. 20, 2026

†Partial year data not shown



PORTFOLIO DETAILS

- In the graphic above, we have shown a performance comparison of Thomas' IRA portfolio with Cardinal's LIFT v3 80/20 portfolio.
- Net of fees it Cardinal's LIFT v3 80/20 portfolio has outperformed Thomas' IRA portfolio



Retirement Account Distribution Planning

OVERVIEW - Required Minimum Distributions (RMDs)

The IRS mandates that distributions from traditional IRAs begin, at the latest, by April 1st the year following your 73rd birthday for those born prior to 1960. For those born in 1960 or after, distributions must begin no later than April 1st of the year following your 75th birthday.

YOUR CASE

Thomas turns 73 in July of 2031 and will be required to take his first RMD by April 1st of 2032. All following RMDs will need to be taken by December 31st of the year they are due. This means Thomas's second RMD will be due on December 31st of 2032.

Susan turns 73 in October of 2032 and will be required to take her first RMD by April 1st of 2033. All following RMDs will need to be taken by December 31st of the year they are due. This means Susan's second RMD will be due on December 31st of 2033.

Your RMD Calendar: Thomas Smith	
Your Birthday: July 2, 1958	1st RMD due: April 1, 2032
You're 73: July 2, 2031	Next RMD due: December 31, 2032
<ul style="list-style-type: none"> You must take your first RMD by April 1 of the calendar year after you turn 73. Thereafter, you must take your RMDs by December 31. 	

Your RMD Calendar: Susan Smith	
Your Birthday: October 14, 1959	1st RMD due: April 1, 2033
You're 73: October 14, 2032	Next RMD due: December 31, 2033
<ul style="list-style-type: none"> You must take your first RMD by April 1 of the calendar year after you turn 73. Thereafter, you must take your RMDs by December 31. 	

OUR RECOMMENDATION

We recommend that Thomas and Susan each take their first RMD in the year they each turn 73 to avoid having to take two distributions in the following year.

One benefit of delaying Social Security and doing Roth Conversions is you will be drawing down your IRA account balances, resulting in lower RMDs.



Retirement Account Distribution Planning

OVERVIEW - Qualified Charitable Distributions (QCDs)

Qualified Charitable Distributions (also known as “QCD’s”) are distributions from an IRA, which are donated directly to a qualified charity. Because these funds were not taxed when you initially contributed them to the tax-qualified account, and because qualified charities do not pay income tax, this allows you to effectively donate tax-free money to the charitable organization.

There are very specific requirements around how to complete Qualified Charitable Distributions, so we recommend that you work with a financial planner to complete these QCD’s each year. These requirements include the following:

- 1) You must be at least age 70.5
- 2) The Qualified Charitable Distribution must be the first distribution of the year.
- 3) The maximum annual amount that may qualify for a QCD is \$111,000 each year.

YOUR CASE

If Thomas and Susan are charitably inclined, they may want to take advantage of QCDs once they turn 70.5.

OUR RECOMMENDATION

We recommend that Thomas and Susan do their charitable giving from their retirement accounts in order to give in a more tax-efficient manner. Thomas and Susan can start donating from their retirement accounts as early as 70.5 years old and need to start making Required Minimum Distributions by age 73.

When Required Minimum Distributions start, we recommend that Thomas and Susan make their Qualified Charitable Distributions at the beginning of the year to reduce the taxable portion of their RMD.



Tax Planning - Roth Conversions

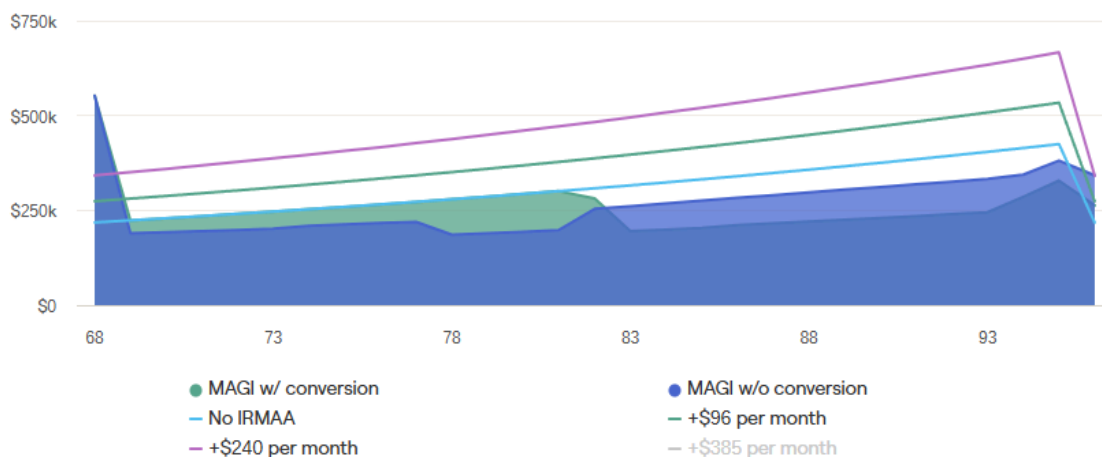
OVERVIEW

Roth IRA funds have been taxed before entering the Roth IRA. All growth is tax-free; any distribution out of the Roth IRA is not taxed.

YOUR CASE

Thomas and Susan have approximately \$1,900,000 in tax-deferred assets. The nice thing about this money is they haven't had to pay taxes on the growth up to this point. The problem is, when they begin making withdrawals, every dollar coming out of these accounts is considered taxable income.

Medicare premium tax bracket - Proposed Plan



Proposed strategy results in

\$587,256 more

tax adjusted ending assets
than the Reference strategy

OUR RECOMMENDATION

Thomas and Susan have expressed a desire to implement a Roth conversion strategy to reduce their future tax burden and shift a meaningful portion of their pre-tax assets into Roth accounts prior to required minimum distributions (RMDs) beginning in 2031.

During our discussions, two primary strategies were considered: converting up to the No IRMAA threshold each year or converting more aggressively up to the top of the 24% tax bracket.

The 24% tax bracket strategy allows for faster Roth conversions, maximizing the amount of assets shifted into a tax-free environment earlier and shortening the overall conversion timeline. This approach reduces exposure to future tax rate increases and provides more time for Roth accounts to grow tax-free. However, it also has notable



drawbacks: it pushes Thomas and Susan into higher taxable income, which can trigger increased Medicare premiums (IRMAA) through 2031 and creates a larger near-term tax liability.

In contrast, the No IRMAA strategy spreads conversions over a longer period - through approximately 2040 - keeping taxable income below the Medicare surcharge thresholds. This method minimizes short-term tax impact, preserves favorable Medicare premiums, and maintains their long-term tax bracket in the 22% range (assuming no changes in tax law). It also allows for portions of their retirement accounts to remain available for Qualified Charitable Distributions (QCDs) beginning at age 70½. While this approach is slower and could limit the time Roth assets benefit from tax-free growth, it better balances income taxes, Medicare premiums, and cash flow stability.

Given Thomas and Susan's priorities - minimizing taxes, controlling Medicare premiums, and managing income exposure - we recommend pursuing Roth conversions up to the No IRMAA threshold annually. This strategy captures most of the benefits of Roth conversions while avoiding the Medicare premium penalties and significant short-term tax increases that would result from more aggressive conversions to the 24% bracket.

We also recommend reviewing this strategy each year with a fiduciary advisor to determine optimal conversion amounts based on actual income, tax law changes, and their overall retirement planning goals.



Estate Planning - Legal Documents and Beneficiaries

OVERVIEW

- Durable Powers of Attorney

You can designate a trusted person as your representative and empower them to help you manage your financials, real estate, and other concerns. Having a durable power of attorney should allow your representative to act on your behalf even if you lose your cognitive abilities due to a disease or another condition.

- Durable Health Care Powers of Attorney

Similar to the document above, but you can designate someone as your representative explicitly for health care decisions. This can be important should you become incapacitated or unable to communicate your health care wishes.

- Advanced Directive or Living Will

Many lawyers recommend this document as a supplement to a Health Care Power of Attorney because it clearly states your wishes, especially regarding life support and other medical procedures to lengthen or extend life.

- Last Will & Testament

Though many of your accounts have beneficiaries that can allow for inheritances to transfer without the need for probate, a Will can outline your wishes for how property should be transferred when a beneficiary is not listed.

- Revocable Living Trust

A revocable living trust allows you to manage and maintain control of your assets during your lifetime while providing for a smooth transition of those assets upon death. Assets held in the trust can avoid probate, helping reduce delays and maintain privacy. Additionally, the trust can provide continuity in the event of incapacity by allowing a successor trustee to step in and manage assets on your behalf.

OUR RECOMMENDATION

We recommend that Thomas and Susan work with an elder law attorney to review and, if necessary, establish the appropriate legal documents outlined above. In addition, they should ensure their estate plan is properly coordinated by reviewing beneficiary designations, utilizing transfer-on-death (TOD) or payable-on-death (POD) designations



where applicable, and confirming that joint accounts are titled appropriately with rights of survivorship. These steps help ensure assets transfer efficiently and in alignment with their overall estate plan.

Given their concerns regarding their son's financial behavior, we strongly recommend that Thomas and Susan work with an attorney to establish a revocable living trust to receive their non-qualified assets at death. This structure not only helps those assets avoid probate, but also allows for meaningful control of the assets even after death, depending on how the trust is drafted. Through proper trust design, they can implement safeguards - such as staged distributions, trustee oversight, or other conditions - to help ensure assets are managed responsibly, aligned with their long-term intentions, and not distributed outright in a way that could create risk or mismanagement.



Summary

Thomas and Susan, thank you again for allowing us to help you plan for retirement. Below is a summary of action items to implement following this financial plan:

Income Planning	<ul style="list-style-type: none">• Thomas should delay filing for his Social Security benefit until August 2026 in order to maximize Susan's Spousal Benefit.• Thomas and Susan should purchase the American National SPIA and the Midland National Deferred Annuity to provide guaranteed income and reduce reliance on investments, helping protect against sequence-of-returns risk.
Medicare & Health Insurance Planning	<ul style="list-style-type: none">• Thomas and Susan should each transition their current Medicare Supplement Plan G coverage from UnitedHealthcare to Medico.
Long-Term Care Planning	<ul style="list-style-type: none">• Thomas and Susan should invest in a Hybrid Life/LTC policy from OneAmerica, which they should utilize if either of them was to need Long-Term Care services.
Investment Planning	<ul style="list-style-type: none">• Rebalance to Cardinal's LIFT v3 80/20 asset allocation across your investment accounts.• Consider hiring Cardinal Advisors to manage your investment accounts.
RMD Planning	<ul style="list-style-type: none">• Thomas and Susan should each take their first RMD in the year that they turn 73.• Qualified Charitable Distributions (QCDs) can be used to offset RMD tax liability using direct charitable contributions from Qualified funds.
Tax Planning	<ul style="list-style-type: none">• Consider performing opportunistic Roth Conversions up to the top of No IRMAA bracket.
Estate Planning	<ul style="list-style-type: none">• Review your estate documents periodically to ensure your wishes are always documented properly.• Meet with an attorney to establish a revocable living trust.