The 2025 Robert Keebler Chart Bundle

PREVIEW ALL SEVENTEEN CHARTS

Below you will find a preview of each of the 17 charts included in the 2025 Robert Keebler Chart Bundle.

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Section 199A Chart 2025

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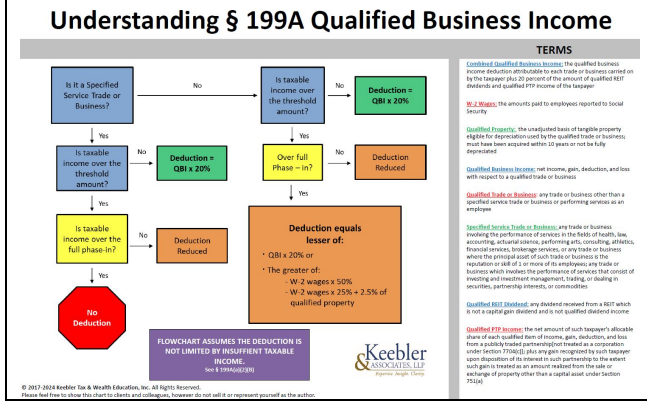

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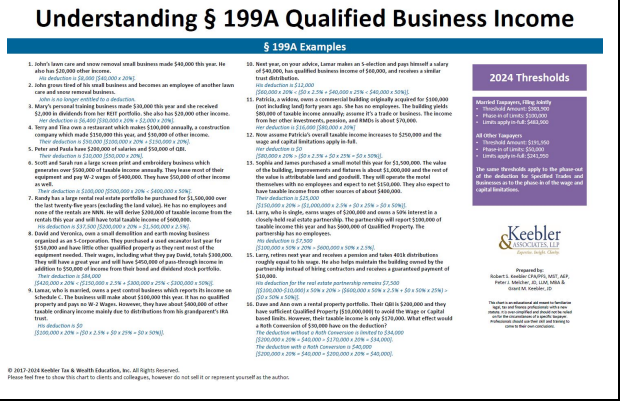

Top 10 Tax Planning Ideas for 2025 Chart

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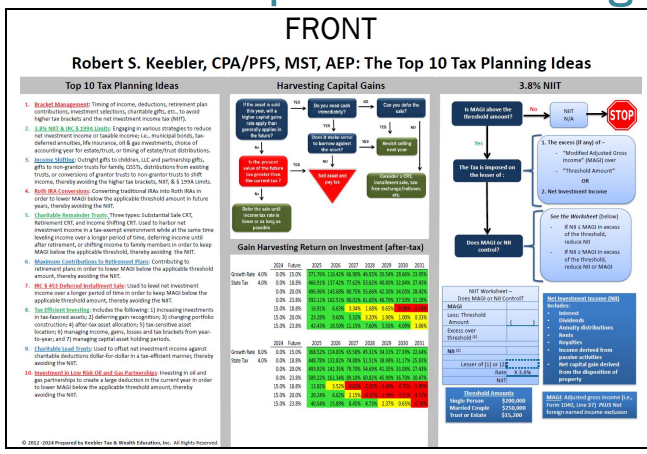

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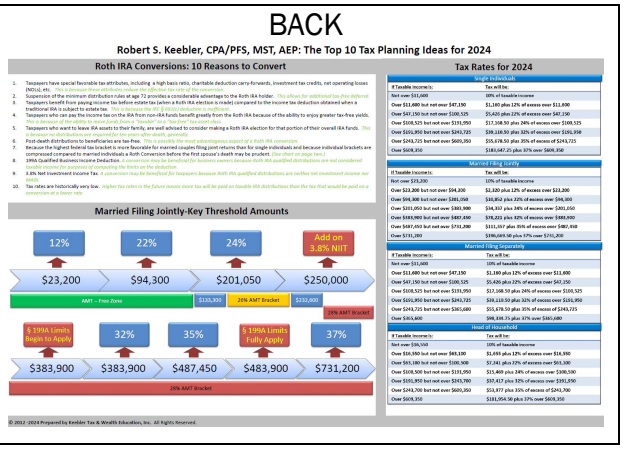

75 Best Income Tax Strategies in 2025 Chart

FRONT

Robert S. Keebler, CPA/PFS, MST, AEP

75 BEST INCOME TAX STRATEGIES IN 2024 FOR FINANCIAL PROFESSIONALS TO GENERATE TAX ALPHA™

There are currently seven different ordinary income tax brackets – 10%, 12%, 22%, 24%, 32%, 35%, and 37%, and three different capital gains tax brackets – 0%, 15%, and 20%. Furthermore, 3.8% NIIT, further complicates the situation. For example, high income taxpayers will be subject to a 40.8% tax rate on ordinary investment income and a 23.8% tax rate on long-term capital gains.

The increased value created by using the tax saving strategies we'll refer to as "Tax Alpha." Put another way, it is your after-tax excess return minus your pre-tax excess return based on the appropriate benchmarks. Research indicates that many portfolios don't consistently beat their benchmarks on a pre-tax basis, often producing negative alpha on an after-tax basis. That is why creating Tax Alpha is important.

IRA AND ROTH IRA STRATEGIES

1. Roth IRA conversions to "fill-up brackets"
2. Roth IRA conversions by asset class
3. Roth IRA conversions when basis exists
4. Roth 401(k) bracket analysis
5. Roth IRA fees paid from "outside" broker accounts
6. Asset location with Roth IRAs and Traditional IRAs
7. Taking IRA and Roth IRA distributions in December rather than January
8. Making IRA and Roth IRA contributions in January rather than December
9. IRA Distributions to "fill-up brackets"
10. Carefully planning for pre-age 59½ distributions

CAPITAL GAIN/LOSS STRATEGIES

11. Harvest capital gains to the extent the 0% capital gain rate applies
12. Harvest capital losses to offset taxable capital gains and to reduce NII
13. Harvest capital gains when higher future tax rates are a greater concern than loss of deferral
14. Engage in capital gain and loss planning on a separate lot basis
15. Consider Charitable Remainder Trusts to diversify on a tax efficient basis
16. Consider "low-turnover" strategies to defer capital gain income

BOND INCOME STRATEGIES

17. Consider tax deferred annuities to "leap-frog" over high income years
18. Consider life insurance to replace a portion of the bond portfolio
19. Consider tax-exempt, double exempt, and private activity bonds
20. Consider a higher asset allocation to low risk / low volatile high dividend yield stocks to obtain "qualified dividends rather than interest"
21. Consider an immediate annuity to defer taxable income while recovering basis

DIVIDEND INCOME STRATEGIES

22. Avoid margin status for stocks with qualified dividends because the dividends will be taxed as ordinary income
23. Consider utilizing only "qualified dividend stocks" to obtain low tax yield
24. Avoid acquiring stocks immediately prior to the payment of dividends

OPTION TRANSACTION STRATEGIES

25. Consider that most protective puts result in "tolling" the holding period for stocks
26. Consider that most protective puts result in qualified dividends to be treated as ordinary dividends
27. Consider that the loss on covered calls, except for "qualified covered calls," results in a straddle and suspension of capital losses until the underlying stock is sold

QUALIFIED RETIREMENT PLAN DISTRIBUTION STRATEGIES

28. Consider stock distributions that take advantage of net unrealized appreciation strategies
29. Consider basis and "after-tax" amounts when analyzing distribution options
30. Carefully plan for pre-age 59½ distributions

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STOCK OPTION STRATEGIES

31. Consider the AMT Impact of Incentive stock options
32. Balance deferral of stock option income with "one-stock" portfolio risks

CHARITABLE PLANNING STRATEGIES

33. Consider gifting appreciated securities
34. Consider gifting conservation or façade easements
35. Consider the impact of the 60%, 30%, and 20% deduction limitations
36. Consider Qualified Charitable Distributions (QCDs)
37. Fulfill charitable gifts with IRA assets at death

SPECIALIZED INVESTMENT STRATEGIES

38. Consider oil and gas partnerships for high income sophisticated clients
39. Consider master limited partnerships for high income sophisticated clients
40. Consider that master limited partnerships for Traditional IRAs and Roth IRAs will generate unrelated business taxable income
41. Consider REITs to add cash flow to a portfolio with some tax shelter
42. Consider real estate partnerships to add cash flow with a "depreciation tax shield"

STRATEGIC TAX ALPHA STRATEGIES

43. Consider maximizing IRAs, 401(k)s, and deferred compensation
44. Utilize low-turnover strategies for taxable portfolios
45. Focus on deferral strategies for "Bond-type" investments utilizing IRAs, annuities, and life insurance
46. Consider "locating" bonds in pre-tax qualified plans and stock to Roth and taxable accounts
47. Consider bracket management strategies to smooth out income and avoid the 3.8% NIIT and the highest margin rates
48. Fully utilize the latest drawdown strategies to efficiently manage tax brackets
49. Defer capital gains for older clients to obtain a step-up in basis at death
50. Hold high turnover, small cap equity funds in Roth IRAs

TACTICAL TAX STRATEGIES

51. Develop a 10-15 year projection to determine a permanent tax bracket before and after the required beginning date
52. Consider "IRA Relocation," i.e., shifting assets from an IRA account to life insurance
53. Manage the taxation of social security benefits with deferral and timing strategies
54. Manage Medicare insurance premiums with deferral and timing strategies
55. Consider income generation strategies when the AMT is imposed to engage in low tax rate Roth conversions and taxable withdrawals
56. Time income for purposes of the 20% small business deduction
57. Utilize Defined Benefit & Defined Contribution plans to reduce taxable income to better qualify for the 20% small business deduction
58. Consider the Substantial Sale CRT strategy
59. Consider the Retirement CRT strategy
60. Consider the Income Shifting CRT strategy
61. Consider incomplete gift non-grantor trusts to avoid state income taxes
62. Consider shifting capital gain property to adult children prior to sale
63. Consider Qualified Tuition Programs (529 plans) for college savings
64. Consider Coverdell ESAs for education savings
65. Consider low-turnover index funds to manage AGI and avoid phase-outs
66. Consider that the kiddie tax does not necessarily include the NIIT
67. Consider defined benefit pension plans for select clients
68. Consider private placement partnerships that generate passive income for clients with passive loss carryforwards
69. Consider LLCs or limited partnerships to shift income to younger family members
70. Consider IRC §42, §47, or §48 partnerships for clients with sufficient income tax from passive activities to utilize the credits

TRUSTS AND ESTATES

71. Consider harvesting losses on securities in a post-mortem setting following a step-up in basis
72. Consider life insurance and annuities to avoid the 3.7% + 3.8% combined tax
73. Consider the choice of assets to leave to charity at death
74. Consider all available options for post-mortem IRA planning, including spousal rollovers and life expectancy distributions
75. Consider, with the client's other advisors, trust and estate distributions to shift income into the lower tax brackets

Taxes are the most important drag on investment return - greater than inflation, transaction costs or management fees. Studies performed ten to fifteen years ago showed that taxes reduced returns by an average of one to three percentage points. Recent tax increases should increase these percentages significantly, making it more important than ever to manage tax drag and create positive Tax Alpha for clients. Given the growing realization of the power of Tax Alpha, more and more investors will demand it from their advisors.

With the focus of investment strategies changing rapidly, in order for financial advisors to add value for their clients, they will need to add Tax Alpha; or, in other words, alpha by virtue of reducing the effective tax rate on investment returns. The heart of Tax Alpha is understanding and utilizing the statutory tax shelters provided within the Internal Revenue Code.

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Generation Skipping Transfer Tax 2025 Chart

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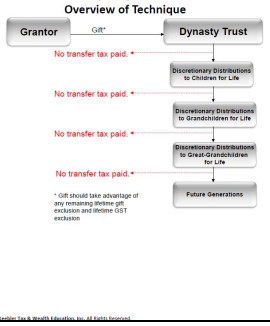
Generation Skipping Transfer (GST) Tax

Dynasty Trust Overview of Technique



A Dynasty Trust is a type of trust which benefits multiple generations where none of the assets held by the trust are included in either the grantor's taxable estate or any of the beneficiaries' taxable estates. If the grantor allocates all or a portion of his/her GST exemption ($13.61 million in 2024) to the entire transfer, none of the transfer will be subject to GST tax either in the current year or future years.

Erosion of Estate at Each Generation Level

Wealth of Parents	$ 10,000,000	$ 10,000,000	$ 10,000,000
Estate Tax Rate	40.0%	40.0%	40.0%
Estate Tax	$ 4,000,000	$ 4,000,000	$ 4,000,000
Wealth of Children	$ 6,000,000	$ -	$ -
Estate Tax Rate	40.0%	40.0%	40.0%
Estate Tax	$ 2,400,000	$ -	$ -
Wealth of Grandchildren	$ 3,600,000	$ 6,000,000	$ -
Estate Tax Rate	40.0%	40.0%	40.0%
Estate Tax	$ 1,440,000	$ 2,400,000	$ -
Wealth of Great-Grandchildren	$ 2,160,000	$ 3,600,000	$ 6,000,000
% of Original Wealth Passing to Great-Grandchildren	*22%*	*36%*	*60%*

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Quick Guide to Generation Skipping Transfer (GST) Tax

GST Issues

- $13.61 million exemption in 2024.
- 40% tax rate in 2024.
- Portability of unified credit between spouses does not apply to unused GST exemption amount.
- Important to file gift tax returns to make proper elections under the automatic allocation rules.
- $18,000 annual GST exclusion available (if certain conditions are met).
- Filing Dates:

Return Reports:	Filing Dates:
Direct skip for GST purposes	Due before due date of estate or gift tax return
Other GST Transfers	Due before the 15th day of 4th month after close of taxable year.
Taxable Termination to which elections is made under IRC Sec. 2632(c) to value property in accordance with IRC Sec. 2032	The Latter of: • Due before the 15th day of the 4th month after close of calendar year • Due before the 15th month following the month of death that resulted in taxable termination

- Three types of taxable transfers triggering GST tax:
  - Direct skip – a transfer subject to a tax imposed by Chapter 11 or 12 of an interest in property to a "skip person."
  - Taxable Termination – the termination (by death, lapse of time, release of power, or otherwise) of an interest in property held in a trust unless:
    - Immediately after such termination, a "non-skip person" has an interest in such property, or
    - Such a termination, distribution, or termination may a distribution (including distributions on termination) be made from such trust to a "non-skip person."

  If, upon the termination of an interest in property held in trust by reason of death of a lineal descendant of transferor, a specified portion of the trust's assets are distributed to one or more "skip persons" (or one or more trusts for the exclusive benefit of such persons), such termination shall constitute a taxable termination with respect to such portion of the trust property.
  - Taxable Distribution – Any distribution from a trust to a "skip person" (other than the taxable termination or a direct skip).
- Skip person – a natural person assigned to a generation which is two or more generations below the generation assigned to the transferor, or
  - A trust
    If all interests in such trust are held by "skip persons," or
    If:
    - There is no person holding an interest in such trust, and
    - At a time reasonably expected, more distributions (including distributions on termination) be made from such trust to a non-skip person.
- Non-skip person – any person not a "skip person."

Automatic Allocation Rules

- Under the current law, certain trusts, known as "GST Trusts," have GST exemption automatically allocated to them.
- Automatic allocation can cause an automatic allocation of GST exemption to take place in circumstances where it is not appropriate considering a person's estate plan. In other cases, the law allocates GST exemption to be automatically allocated to a trust for which such allocation is appropriate.
- An individual may elect out of this automatic allocation and may also elect to treat any trust as a GST trust, thereby qualifying it for automatic allocation. Such elections are to be made on a gift tax return for the year in which the gift is made to the trust.
- "GST trust" means a trust that could have a generation-skipping transfer with respect to the transferor unless:
  - the trust instrument provides that more than 25 percent of the trust corpus must be distributed to or may be withdrawn by one or more individuals who are non-skip persons
    - before the date that the individual attains age 46
    - on or before one or more dates specified in the trust instrument that will occur before the date that such individual attains age 46, or
    - upon the occurrence of an event that, in accordance with regulations prescribed by the Secretary, may reasonably be expected to occur before the date that such individual attains age 46
  - the trust instrument provides that more than 25 percent of the trust corpus must be distributed to or may be withdrawn by one or more individuals who are non-skip persons and who are living on the date of death of another person identified in the instrument (by name or by class) who is more than 10 years older than such individuals
  - the trust instrument provides that, if one or more individuals who are non-skip persons die on or before the date that the individual attains age 46, or on or before one or more dates specified in the trust instrument that will occur before the date that such individual attains age 46 or upon the occurrence of an event that can reasonably be anticipated to occur before the date that such individual attains age 46, such property will be distributed to the estate or estates of one or more of such individuals or is subject to a general power of appointment exercisable by one or more of such individuals
  - the trust is a trust any portion of which would be included in the gross estate of a non-skip person (other than the transferor) if such person died immediately after the transfer
  - the trust is a charitable lead annuity trust (within the meaning of section 2642(e)(3)(A)) or a charitable remainder annuity trust or a charitable remainder unitrust (within the meaning of section 664(d)), or
  - the trust is a trust with respect to which a deduction was allowed under section 2522 for the amount of an interest in the form of the right to receive annual payments of a fixed percentage of the net fair market value of the trust property (determined yearly) and which is required to pay income beginning with the year in which such person is alive when the yearly payments for which the deduction was allowed terminates.
- For purposes of determining if a trust is a "GST Trust," the value of transferred property shall not be considered to be includible in the gross estate of a non-skip person or subject to a right of withdrawal by reason of such person holding a right to withdraw so much of such property as does not exceed the amount referred to in section 2503(b) with respect to any transferor, and it shall be assumed that powers of appointment held by non-skip persons will not be exercised.

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DrawDown Strategies 2025 Chart

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Robert S. Keebler, CPA/PFS, MST, AEP: Tax-Efficient DrawDown Strategies

2024 Income Tax Brackets

	Single	Married Filing Jointly	Married Filing Separately	Head of Household
10%	$11,600	$23,200	$11,600	$16,550
12%	$47,150	$94,300	$47,150	$63,100
22%	$100,525	$201,050	$100,525	$100,500
24%	$191,950	$383,900	$191,950	$191,950
32%	$243,725	$487,450	$243,725	$243,700
35%	$609,350	$731,200	$365,600	$609,350
37%	>$609,350	>$731,200	>$365,600	>$609,350

Three Main Types of Retirement Investment Accounts

1. *Taxable investment accounts* – Income generated within the account (i.e. interest, dividends, capital gains, etc.) is taxed each year to the account owner.
2. *Tax-deferred investment accounts (e.g. traditional IRAs, traditional qualified retirement plans, non-qualified annuities)* – Income generated within the account is **not taxed** until distributions are taken from the account.
3. *Tax-free investment accounts (e.g. Roth IRAs, life insurance)* – Income generated within the account is **never taxed**, even when distributions are made (provided certain qualifications are met).

Top Ten Tax-Efficient Retirement Portfolio Strategies

1. Capital loss harvesting
2. Tactical asset sales/specific identification method
3. Tax-exempt interest
4. Tax-deferred annuities
5. Life insurance
6. Oil & gas investments
7. Leveraged real estate investments
8. Net Unrealized Appreciation (NUA)
9. Tax-efficient DrawDown
10. Roth IRA conversions

Key DrawDown Concepts

1. **Tax structure** – Determining the "optimum" mix of taxable investments, tax-deferred investments and tax-free investments (i.e. where should retirement savings be invested?)
2. **Tax-sensitive asset allocation** – Asset allocation done on an after-tax basis
3. **Asset location** – How investors distribute assets across taxable accounts, tax-deferred accounts and tax-exempt accounts to create tax advantages
4. **Tax bracket management** – Short-term timing of income and expenses on a year-by-year basis so as to minimize overall income taxes over the long-term
5. **Tax Alpha** – The improvement in portfolio returns produced by efficient income tax management

Tax Structure Overview

Key factors impacting the tax structure

- Age
- Other sources of income (e.g. pension, Social Security, deferred compensation)
- Retirement cash flow needs
- Future tax rates

Tax-Efficient DrawDown Decision Matrix

Future income taxed at same or lower tax rate	Future income taxed at higher tax rate
1) Taxable account 2) Tax-deferred account 3) Tax-free account	1) Tax-deferred account 2) Taxable account 3) Tax-free account

Basis Recovery of Retirement Accounts

Accounts which need to be aggregated for basis recovery

- *Roth IRAs* – basis out first
- *Traditional IRAs* – basis pro-rated

Accounts which do not need to be aggregated for basis recovery

- *Life insurance* – basis out first
- *Qualified retirement plans (e.g. 401(k) plan)* – basis pro-rated
- *Non-qualified deferred annuities (annuitized)* – basis pro-rated
- *Non-qualified deferred annuities (not annuitized)* – basis out last

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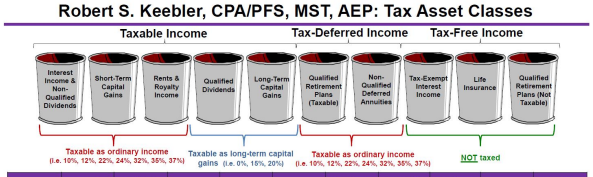
Robert S. Keebler, CPA/PFS, MST, AEP: Tax Asset Classes



	Interest Income & Non-Qualified Dividends	Short-Term Capital Gains	Rents & Royalty Income	Qualified Dividends	Long-Term Capital Gains
Examples	• Bank interest • Money market interest • Corporate bond interest • Corporate dividends (which do not meet specific qualifications)	• Gains from investment assets which are held 1 year or less at the time of sale	• Yearly real estate income • Limited partnership income • Income from patents, copyrights, etc • Oil & gas income	• Corporate dividends (domestic and foreign) which meet specific qualifications	• Gains from investment assets which are held more than 1 year from the time of sale
Losses offset other ordinary income	No	Yes, but only up to $3,000 losses (in excess of capital gains)	Yes, but losses may be limited under the passive activity rules	No	Yes, but only up to $3,000 losses (in excess of capital gains)
Deferral of income taxation	No	Yes, until the asset is sold	No	No	Yes, until the asset is sold
Other considerations	• May include income subject to the 3.8% (NIIT) or the Original Issue Discount (OID) rules	• Reduced by short-term capital losses • Excess long-term capital losses may offset short-term capital gains	• Depreciation • Depletion • Amortization • Intangible drilling costs (IDC) • IRC §1031 exchanges • IRC § 199A deduction	• Qualified dividend treatment is preserved for stocks that are hedged (e.g. a "collar")	• Special tax rates apply to collectibles, recapture, collectibles gains and qualified small business stock

	Qualified Retirement Plans (Taxable)	Non-Qualified Deferred Annuities	Tax-Exempt Interest Income	Life Insurance	Qualified Retirement Plans (Not Taxable)
Examples	• Traditional 401(k) plans • 403(b) annuities • 457 plans • Traditional IRA plans • Traditional IRAs	• Annuities which do not meet specific requirements	• Interest from state and local government bonds • Interest from U.S. Government bonds (e.g. Puerto Rico, Guam, USVI)	• Whole life insurance • Universal life insurance • Term life insurance	• Designated Roth accounts within a qualified retirement plan • Roth IRAs
Losses offset other ordinary income	Yes, but losses are miscellaneous itemized deductions subject to the 2% AGI floor	Yes, but losses are miscellaneous itemized deductions subject to the 2% AGI floor	No	No	Yes, but losses are miscellaneous itemized deductions subject to the 2% AGI floor
Deferral of income taxation	Yes, until distributions are made	Yes, until distributions are made	Yes, until distributions are made	Yes	Yes
Other considerations	• Required minimum distributions (RMDs) at age 73 • 10% early withdrawal penalty on pre-59½ distributions	• If annuity is not annuitized, only taxable income comes out first before non-taxable basis	• Must to compare taxable yield to tax-exempt after-tax rate of return on taxable bonds	• Once income does not exceed the exemption • Taxable income could occur if there is a "transfer for value"	• No required minimum distributions (RMDs) – Roth IRAs only • Need to meet certain criteria to be tax-free

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Tax Asset Classes Chart 2025 (one-sided)

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TAX ASSET CLASSES

- Money market
- Corporate bonds
- US Treasury bonds

Attributes
- Annual income tax on interest
- Taxed at highest marginal rates

- Equity securities

Attributes
- Qualified dividends at LTCG rate
- Return of capital dividend
- Capital gain dividends

- Equity securities

Attributes
- Deferral until sale
- Reduced capital gains rate
- Step-up basis at death

- Bonds issued by state and local governmental entities

Attributes
- Federal tax exempt
- State tax exempt

- Pension plans
- Profit sharing plans
- Annuities

Attributes
- Growth during lifetime
- RMD for IRA and qualified plans
- No step-up

Real Estate
- Depreciation tax shield
- 199A tax shield
- 1031 exchanges
- Deferral on growth until sale

Oil & Gas
- Large up front IDC deductions
- Depletion allowances

Roth IRA
- Tax-free growth during lifetime
- No 72 -RMD
- Tax-free distributions out to beneficiaries life expectancy

Life Insurance
- Tax-deferred growth
- Tax-exempt payout at death

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Bracket Management 2025 Chart

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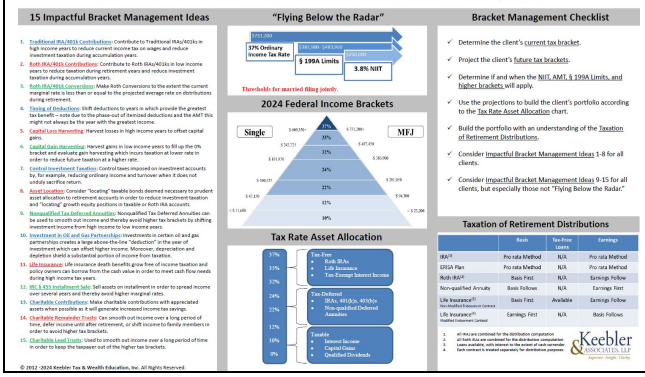
Robert S. Keebler, CPA/PFS, MST, AEP: Bracket Management



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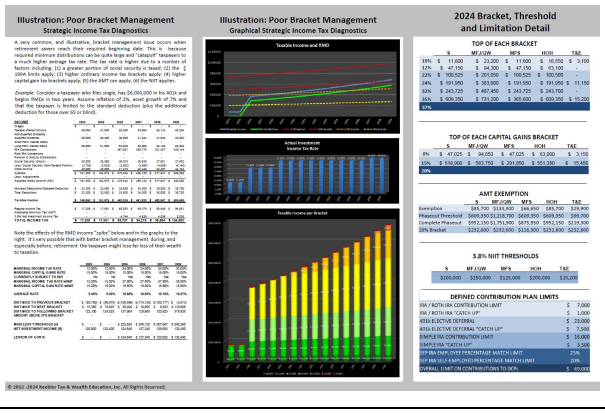

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Capital Gains Harvesting 2025 Chart

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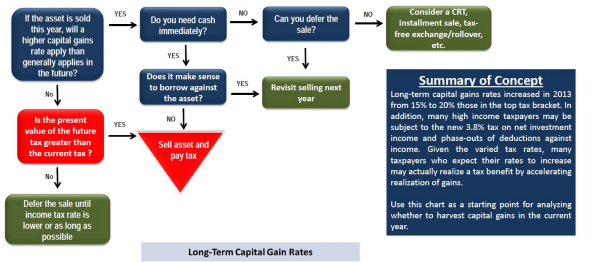
Robert S. Keebler, CPA/PFS, MST, AEP: Capital Gains Harvesting Chart



Summary of Concept

Long-term capital gains rates increased in 2013 from 15% to 20% those in the top tax bracket. In addition, many high income taxpayers may be subject to the new 3.8% tax on net investment income and phase-outs of deductions against income. Given the varied tax rates, many taxpayers who expect their rates to increase may actually realize a tax benefit by accelerating realization of gains.

Use this chart as a starting point for analyzing whether to harvest capital gains in the current year.

Long-Term Capital Gain Rates

	Single	Married	Trusts
0%	$0 – $47,025	$0 – $94,050	$0 – $3,150
15%	$47,026 – $518,900	$94,051 – $583,750	$3,151 – $15,450
20%	>$518,900	>$583,750	>$15,450

Important Thresholds

	Single	Married	Trusts
3.8% NIIT (MAGI)	$200,000	$250,000	$15,200
§199A Limits (Taxable Income)	$191,950	$383,900	$191,950

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Robert S. Keebler, CPA/PFS, MST, AEP: Capital Gains Harvesting Chart

Gain Harvesting Scenarios:

John purchased a stock in XYZ last November, but will need to sell part of the position to raise cash this summer.

- From a tax perspective, John should not sell. Since the stock was purchased recently (<1yr), selling now would generate a short-term capital gain, taxed as ordinary income.

Steve and Katie have combined taxable income of $50,000. They will have a need to sell assets for cash.

- Steve and Katie should take gains at least up to the top of the 0% bracket ($80,000 for married couples) and pay $0 in tax on the gains.

Jim and Mary are retired, but are not yet collecting Social Security. The taxable portion of their Social Security income will bump them into the 22% tax bracket.

- Jim and Mary should sell assets to "fill up" the 0% tax bracket and get a "free" basis increase.

Patrick does not plan to retire for another seven years. He has no cash needs beyond what his current salary provides. He is in the 24% tax bracket, so he would pay 15% capital gains tax this.

- Patrick should not sell any assets in his investment account as there may be no bracket arbitrage (he's already in low bracket pre-retirement) and because he does not need to raise cash for many years.

Linda has just over $200,000 in wage income and would like to sell stock with a low basis. However, she plans to retire this year.

- Linda likely should wait to sell. This year, Linda's rate will be 18.8% (15% capital gains rate plus 3.8% net investment income tax). However, if her pre-retirement income only nominally exceeds the NIIT threshold, she may be able to avoid the tax by waiting until next year. If the converse was true (i.e. no NIIT this year and NIIT applies next year) selling may be prudent.

Gain Harvesting Return on Investment (after-tax)

		2024	Future	2025	2026	2027	2028	2029	2030	2031
Growth Rate	4.0%	0.0%	15.0%	371.76%	116.42%	66.90%	46.55%	35.54%	28.66%	23.95%
State Tax	4.0%	0.0%	18.8%	466.91%	137.42%	77.62%	53.62%	40.80%	32.84%	27.43%
		0.0%	20.0%	496.96%	143.68%	80.75%	55.66%	42.30%	34.03%	28.42%
		0.0%	23.8%	592.11%	162.51%	90.01%	61.65%	46.70%	37.50%	31.28%
		15.0%	18.8%	16.91%	6.67%	3.34%	1.68%	0.65%	-0.08%	-0.54%
		15.0%	20.0%	21.28%	9.60%	5.32%	3.20%	1.90%	1.00%	0.33%
		15.0%	23.8%	43.43%	18.50%	11.15%	7.60%	5.50%	4.09%	3.06%

		2024	Future	2025	2026	2027	2028	2029	2030	2031
Growth Rate	8.0%	0.0%	15.0%	368.52%	114.80%	65.58%	45.31%	34.31%	27.59%	22.84%
State Tax	4.0%	0.0%	18.8%	448.78%	132.82%	74.88%	51.51%	38.98%	31.17%	25.83%
		0.0%	20.0%	493.92%	142.35%	79.70%	54.69%	41.35%	33.08%	27.45%
		0.0%	23.8%	589.22%	161.34%	89.10%	60.82%	45.90%	36.70%	30.47%
		15.0%	18.8%	13.82%	5.52%	2.60%	1.02%	-0.14%	-0.75%	-1.09%
		15.0%	20.0%	20.24%	6.62%	2.15%	0.27%	-1.24%	-1.91%	-2.37%
		15.0%	23.8%	40.54%	15.89%	8.45%	4.73%	2.37%	0.65%	-0.76%

The Gain Harvesting strategy involves selling a security in the current year and reinvesting the proceeds in the same stock or a similar asset class. This strategy does not call for a "move to cash." From a financial perspective, nothing changes except that stock is sold and a gain is triggered at the current tax rate.

The results show the return on investment (ROI) if you harvest a gain in the current year and then sell again in subsequent years versus doing nothing now and selling in the later year when cash is needed. Essentially, you're buying a future savings in taxes by taking the gain in the current year. This illustrates the rate of return on the tax savings that you have "purchased." The ROI numbers for years beyond next year are a Compound Annual Growth Rate (CAGR) taking yearly compounding into consideration.

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Applying the 3.8% Net Investment Income Tax Chart

FRONT

Robert S. Keebler, CPA/PFS, MST, AEP: The 3.8% NIIT

Threshold Amounts

Single Person	$200,000
Married Couple	$250,000
Trust or Estate – 2024	$ 15,200

MAGI:
Adjusted gross income (Form 1040, Line 11)
PLUS Net foreign earned income exclusion

Net Investment Income (NII)
- Interest
- Dividends
- Annuity Distributions
- Rents
- Royalties
- Income derived from passive activities
- Net capital gain derived from the disposition of property

Strategies for Reducing MAGI
- Roth IRAs
- Charitable Remainder Trusts (CRTs)
- Non-grantor Charitable Lead Trusts (CLTs)
- Installment Sales
- Change filing status

Is MAGI above the threshold amount? → No → The NIIT does not apply. → STOP

Yes → The Tax is imposed on the lesser of :
1. The excess of –
   - MAGI exceeding the Threshold Amount
   -OR-
2. Net Investment Income

→ See Worksheet

Does MAGI or NII control?
See the Worksheet
- If NII ≤ MAGI in excess of the threshold, reduce NII
- If NII ≥ MAGI in excess of the threshold, reduce NII or MAGI

NIIT Worksheet – Does MAGI or NII Control?

MAGI	
Less: Threshold Amount	( )
Excess over threshold (1)	
NII (2)	
Lesser of (1) or (2)	
Rate	X 3.8%
NIIT	

Strategies to Reduce NII & MAGI
- Low-turnover strategies
- Municipal bonds
- Tax-deferred annuities
- Life insurance
- Rental real estate (see §1411 Regs.)
- Oil & gas investments
- Choice of accounting year for estate/trust
- Timing of estate/trust distributions

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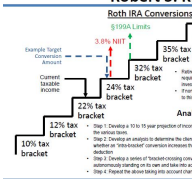
Roth IRA Conversions



Explanation
- Retirement savers often encounter "bracket spike" when required minimum distributions begin which exposes investment income to the NIIT
- If non-RMD income cannot be reduced, the best solution to this problem is carefully targeted Roth Conversions

Analysis
- Step 1: Develop a 10 to 15 year projection of income and deductions and compare these projections to the annual taxes
- Step 2: Develop an analysis to determine the client's "permanent tax bracket." Analysis will test whether an "intra-bracket" conversion increases the 3.8% NIIT, the AMT, or impacts the §199A deduction
- Step 3: Develop a series of "bracket-crossing conversions" analysis. Each analysis must be reviewed autonomously standing on its own and take into account the various taxes
- Step 4: Repeat the above taking into account changes in value and the opportunity to recharacterize.

Charitable Remainder Trusts

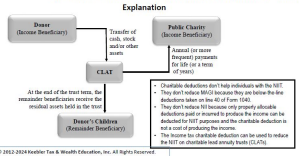
Explanation
- Charitable remainder trusts are also exempt from the NIIT (Reg. § 1.1411-3(b)).
- Trust beneficiaries may be subject to the NIIT when they receive annuity or unitrust distributions, though
- One of two methods may be used to calculate the beneficiary's NIIT as distributions are received:
  1. Simplified method: Reg. Reg. § 1.1411-3(c)(2)(ii) of the 2012 Prop. Regs.: Distributions from a CRT to a beneficiary for a taxable year consist of NII in an amount equal to the lesser of the total amount of the distributions for that year, or the current and accumulated NII of the CRT.
  2. Section 664 Method – Reg. §1.1411-3(d)(2): Categorize and distribute NII based on the existing section 664 category and class system
- Reg. §1.1411-3(d)(6): Reserved for a rule allowing the CRT to elect between the two methods

Types of CRT Strategies
1. Substantial Sale CRT (Standard CRT)
   CRT is eliminate or reduce/defer the 3.8% NIIT and 5% incremental capital gains tax upon sale of a property, security, or business interest. The CRT will smooth out gain to avoid the 3.8% NIIT or the incremental capital gains tax.
2. Retirement CRT (Flip-CRT)
   CRT is funned annual real estate and securities gains while harvesting losses in your outside account. "Flip" trust upon retirement when distributions will not be subject to the 3.8% NIIT or the incremental capital gains tax.
3. Income Shifting CRT (Standard CRT for children)
   CRT to eliminate or reduce/defer the 3.8% NIIT and 5% incremental capital gains tax while shifting the incidence of taxation to children and grandchildren.

Non-Grantor Charitable Lead Trusts

A Charitable Lead Trust (CLT) is a split interest trust consisting of an income interest and a remainder interest. During the term of the trust, the income interest is paid out to a named charity. At the end of the trust term, the remainder beneficiary (which is left in the trust) is paid to non-charitable beneficiaries (e.g. children of the donor) that have been designated in the trust document.

Explanation



- Charitable deductions don't help individuals with the NIIT.
- They don't reduce MAGI because they are below the line deductions taken on line 40 of Form 1040.
- They don't reduce NII because only properly allocable deductions paid or incurred to produce the income can be deducted for NIIT purposes and the charitable deduction is not a cost of producing the income.
- The Income tax charitable deduction can be used to reduce the NIIT on charitable lead annuity trusts (CLATs).

Example

Individual IRC §170 Deduction		Trust - §642(c) Deduction	
Wage Income	$260,000	Interest Income	$100,000
Interest Income	$100,000	Dividend Income	$50,000
Dividend Income	$50,000	MAGI	$150,000
MAGI	$410,000	Less: Charitable Deduction	($150,000)
Less: Threshold Exemption	($250,000)	AGI	$0
Subtotal	$160,000		
Lesser of Excess over Threshold or NII	$150,000		
NII Tax at 3.8%	$5,700	NII Tax at 3.8%	$0

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Understanding the Net Investment Income Tax 2025 Chart

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Robert S. Keebler, CPA/PFS, MST: Understanding the Net Investment Income Tax

Statutory Overview

I. **OVERVIEW OF NEW TAX EFFECTIVE JANUARY 1, 2013**
   A. A new 3.8% NIIT is assessed on the lesser of:
      1. "Net investment income" OR
      2. "The excess of "Modified Adjusted Gross Income" (MAGI) over the "Threshold amount"
   B. "Net investment income" – is the sum of gross investment income over properly allocable deductions.
      1. "Investment income" (for purposes of the 3.8% NIIT) includes:
         a. Interest
         b. Dividends
         c. Annuities
         d. Royalties
         e. Rents
         f. Passive activity income
      2. "Investment income" does not include:
         a. Active trade and/or business income
         b. Gain or loss from disposition of income in "B1" above (e.g. interest, dividends, capital gains, etc.) to the extent it is derived in an active trade and/or business
         c. Distributions from IRAs or other qualified retirement plans
         d. Any income taken into account for self-employment tax purposes
   C. "Modified Adjusted Gross Income" (MAGI) – is the sum of adjusted gross income (i.e. Form 1040, line 37) plus the net foreign income exclusion amount.
   D. "Threshold amount":
      1. Married taxpayers filing jointly – $250,000
      2. Married taxpayers filing separately – $125,000
      3. All other individual taxpayers – $200,000
      4. Trusts and estates - $14,450

II. **WHO DOES THE NEW TAX AFFECT?**
   A. MAGI ≤ "threshold amount" = No application of 3.8% NIT
   B. Excess of MAGI > "threshold amount" = Application of 3.8% NIIT to lesser of net investment income or excess over MAGI

Married Filing Jointly Table

Taxable Income	2025	With NIIT 2026
$0 – $9,200	10%	10%
$23,201 – $94,300	12%	12%
$94,301 – $201,050	22%	22%
$201,051 – $383,900	24%	24%
$383,901 – $487,450	32%	32%
$487,451 – $731,200	35%	35%
Over $731,200	37%	40.8%

Estates and Trusts

I. The threshold for Trusts and Estates is $12,200 (top tax bracket amount in 2024).
II. Distributions to beneficiaries will carry out DNI.
III. Charitable remainder trusts can be used to "smooth out" income.
IV. Non-grantor charitable lead trusts allow an "above the line" charitable deduction – IRC § 642(c) offsetting NIIT income.

Investment Income and MAGI Strategies

III. **PLANNING CONSIDERATIONS**
   A. Qualified annuities – reduce MAGI
      1. Contributions to 401(k) plans, 403(b) plans, 457 plans, IRAs, etc.
      2. Creation of "alternative" qualified retirement plans (e.g. defined-benefit plans)
      3. Roth conversions in years where income is lower
   B. Tax-exempt investments – reduce both MAGI and investment income
      1. Municipal bonds – remain tax-exempt
         a. Critical for trusts
         b. 41.4% effective rate on taxable bonds
      2. Tax-deferred non-qualified annuities (during deferral period)
         a. Part of MAGI and investment income
         b. Part of MAGI and investment income during distribution period
      3. Non-Qualified Deferred Compensation (NQDC)
         a. Reduces investment income
      4. Life insurance
         a. Modified Endowment Contract (MEC) policies
            i. Earnings withdrawal first
            ii. No policy loans
         b. Non-MEC policies
            i. Basis is withdrawn first
            ii. Policy loans are tax-free
         c. No taxable income at death
      5. Oil and gas
         a. Immediate deduction of up to 95% of initial investment
         b. Depletion allowances
      6. Real estate investments
         a. Depreciation tax shield reduces income
      7. Security sales
         a. Accelerate gains in years with low income
         b. Collars
         c. Merger shorts to generate capital losses
      8. Dividend income
         a. Timing of dividends
         b. Timing of capital dividends
      9. Investment sales
         a. Defer recognition of income over a period of time (to get under the MAGI threshold)
   C. Roth IRA conversions
      1. Roth IRA contributions will not count towards MAGI
      2. Roth IRA conversion income does count towards MAGI
      3. Payment of income tax using non-qualified accounts (i.e. "outside assets") will generally result in lower future "net investment income"
      4. The "NIIT Bubble" is a key concern
         a. RMDs from Qualified Plans
            i. Exempt from the NIIT
            ii. Increase MAGI
            iii. Creates a 41.4% effective tax rate on IRA distributions
   D. Charitable trusts
      1. Charitable remainder trusts (CRTs)
         a. Defer recognition of income over a period of time (to get under the MAGI threshold)
         b. Smooth out spikes in income
         c. Exempt from the NIIT
      2. Non-grantor charitable lead trusts (CLTs)
         a. Shift income away from grantor to trust – reduce MAGI
         b. More tax efficient under the MAGI computation formula
         c. Charitable deduction is "above" the line
         d. No percentage limitations on charitable deductions

"NIIT Bubble"
Roth Conversions

Converting to a Roth today will reduce MAGI tomorrow – the "NIIT Bubble"

Example: Tom and Sue age 69 have "investment income" of $249,000. Next year they are required to begin required minimum distributions. If they take an RMD of $100,000 their MAGI will increase to $349,000 and $99,000 is subject to the NIIT.

YEAR 1	
Investment Income	$ 249,000
IRA Distribution (i.e. RMD)	
MAGI	$ 249,000
Less: Threshold	(250,000)
(2) Excess Over Threshold	$ -
Amount Subject to the NIIT (Lesser of: 1 or 2 above)	$ -
NIIT (3.8%)	**$ -**

YEAR 2	
Investment Income	$ 249,000
IRA Distribution (i.e. RMD)	100,000
MAGI	$ 349,000
Less: Threshold	(250,000)
(2) Excess Over Threshold	$ 99,000
Amount Subject to NIIT (Lesser of: 1 or 2 above)	$ 99,000
NIIT (3.8%)	**$ 3,762**

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Robert S. Keebler, CPA/PFS, MST: Understanding the Net Investment Income Tax

Net Investment Income Tax Examples

1. **John, single, has $106,000 of salary and $90,000 of net investment income.**
   The 3.8% NIIT would not apply (MAGI <$200,000).
2. **Mary, single has $225,000 of net investment income and no other income.**
   The 3.8% NIIT would apply to the lesser of: (1) Net investment income of $225,000 MAGI over $200,000 "threshold amount".
3. **Terry and Tina, married filing jointly, have $300,000 of salaries and no other income.**
   The 3.8% NIIT would not apply (no net investment income).
4. **Peter and Paula, married filing jointly, have $400,000 of salaries and $50,000 of net investment income.**
   The 3.8% NIIT would apply to $50,000 of net investment income (lesser of: (1) or (2)).
5. **Scott and Sarah, married filing jointly, have $200,000 of salaries and $150,000 of net investment income.**
   The 3.8% NIIT would apply to $100,000 of income (lesser of rule excess of $300,000 MAGI over $250,000 "threshold amount").
6. **Randy, a single taxpayer, age 69, has investment income of $200,000 and is not subject to the NIIT. In the following year, Randy has an RMD from his IRA of $125,000. In this case, $325,000 MAGI exceeds the $200,000 threshold and $125,000 is subject to the 3.8% NIIT.**
   This is called the "NIIT bubble".

Investment Income	Regular IRA	Roth IRA
	$ 200,000	$ 200,000
IRA Income	$ 125,000	$ 0
MAGI	$ 325,000	$ 200,000
Less Threshold Amount	$(200,000)	$(200,000)
Amount Subject to NIIT	$ 125,000	$ 0
NIIT @ 3.8%	$ 4,750	$ 0
NIIT over 10 years	$ 47,500	$ 0

7. **The John Smith Trust has investment income of $95,200 and no distributions.**
   240,000 of income ($10,200 - $10,200 top bracket amount) will be subject to the 3.8% NIIT.
8. **David and Veronica, age 75, have pension and IRA income of $290,000, $25,000 of tax-exempt income and no taxable investment income. The 3.8% NIIT does not apply. Roth conversions are important to them because they have no net investment income.**
   Roth conversion will be NIIT neutral.
9. **Bill, age 60, has wages and pensions of $280,000 and interest income from CDs of $300,000. He moves half of her investments into an annuity and purchases a life insurance policy with the remaining CDs.**
   All of her interest is sheltered in either the annuity or the life insurance policy and she is not subject to the 3.8% NIIT.
10. **Eliot, a widower, earns wages of $175,000 and owns an interest in a publicly traded real estate partnership which generates taxable income of $50,000.**
    $225,000 (excess of $225,000 MAGI over $200,000 "threshold amount") will be subject to 3.8% NIIT.
11. **Larry, a widower, earns wages of $175,000 and owns an interest in a closely-held real estate partnership which generates taxable passive income of $75,000.**
    MAGI is $250,000 and $50,000 will be subject to the NIIT (lesser of rule).
12. **Bruno, a single person, earns wages of $200,000 and receives royalties of $60,000 from an oil and gas limited partnership.**
    $60,000 will be subject to the NIIT (excess of $260,000 MAGI over $200,000 "threshold amount").
13. **Mary and David earn wages of $260,000 and receive a trust distribution of $90,000 (ordinary dividends).**
    $100,000 (net investment income) will be subject to the 3.8% NIIT
14. **The estate of Jane Smith earned $325,200 of dividends and made no distributions.**
    Assuming a threshold exemption of $15,200, $310,000 will be subject to the 3.8% NIIT.
15. **The estate of Jane Smith earned $325,200 of interest and made a distribution of 100% of income.**
    The income will be reported by the beneficiaries and the estate will not be subject to the NIIT.
16. **Rob and Rhonda have inherited income of $248,000 and no other income. They convert Bob's $300,000 IRA to a Roth IRA which increases AGI to $548,000.**
    Under the lesser of rule, $248,000 will be subject to the 3.8% NIIT. this is the lesser of $298,000 of excess MAGI ($548,000 -$250,000) or $248,000 of investment income.
17. **Randy converts a $1,000,000 IRA to a Roth IRA incurring $490,000 of state and federal income tax. Randy pays the income taxes from his outside/taxable investment funds.**
    Payment of the investment income from the outside funds will no longer exist and avoid the 3.8% NIIT.
18. **Daniel and Donna have wages of $250,000 and investment income of $45,000. Their employer creates a new deferred compensation plan allowing a contribution of up to 20% of income (i.e. $50,000).**

	Without Planning	With Planning
Wages	$ 250,000	$ 200,000
Investment Income	$ 45,000	$ 45,000
MAGI	$ 295,000	$ 245,000
Threshold	$ 250,000	$ 250,000
Amount Subject to NIIT	$ 45,000	$ 0
NIIT @ 3.8%	$ 1,710	$ 0
NIIT over 10 years	$ 17,100	$ 0
NIIT Savings		$ 17,100

19. **Gary and Barb, age 69, have pension income of $130,000 and investment income of $115,000 for a total MAGI of $245,000, just below the threshold amount. Their Roth IRA withdrawal is $50,000.**
    $245,000 MAGI is below the threshold because the $50,000 Roth IRA distribution does not count towards MAGI.
20. **Thor and Kristen, age 69, have pension income of $100,000 and net investment income of $75,000 for a total MAGI of $175,000, well below the $250,000 threshold amount.**
    This year, their RMDs will be $50,000 bringing MAGI to $225,000, which is still below the threshold amount.
21. **Art and Ann, age 69, have pension income of $130,000 and net investment income of $115,000 for a total MAGI of $245,000, just below the threshold amount. This year, their RMDs from their IRAs will be $50,000, which brings their MAGI to $295,000.**
    MAGI is $45,000 above the threshold amount ($295,000 less $250,000). The NIIT will be imposed on the lesser of $45,000 or their net investment income of $115,000. (i.e. $45,000).
22. **Same facts, except they do a Roth Conversion and their pension is $50,000. The conversion would be added to MAGI of $195,000 and their entire net investment income of $115,000 will be subject to the NIIT.**

	Without Conversion	With Conversion
Pension Income	80,000	80,000
IRA Income (i.e. RMD)	50,000	50,000
Roth IRA Conversion		200,000
Investment Income	115,000	115,000
MAGI	$ 245,000	$ 445,000
Less: Threshold	(250,000)	(250,000)
(2) Excess Over Threshold	$ 245,000	$ 195,000
Amount Subject to Medicare Surtax: Lesser of: 1 or 2 above	$ -	$ 115,000
Medicare Surtax (3.8%)	$ -	$ 4,370

23. **Brian and Betty, age 69, have annual pension income of $260,000 and net investment income of $115,000 for a total gross income and MAGI of $375,000. However, their RMDs begin and adds $90,000 to their MAGI bringing it to $425,000.**
    Because their "fixed" non-investment income of $260,000 (e.g. pensions) is over the $250,000 threshold amount, their NIIT reduction planning must focus on reducing net investment income, not on reducing MAGI.

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IRA Payable to Trusts After the Secure Act 2025 (one-sided)

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IRA Payable to Trusts

After the Secure Act

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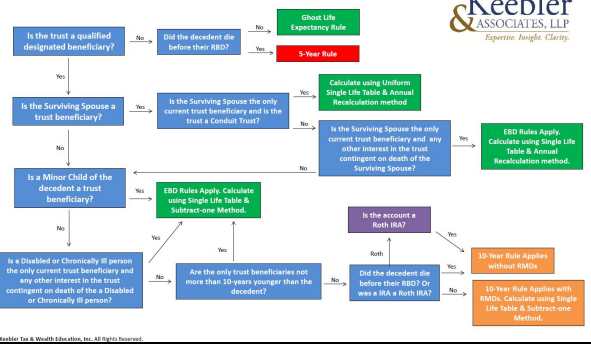

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Roth IRA Distribution Flowchart 2025

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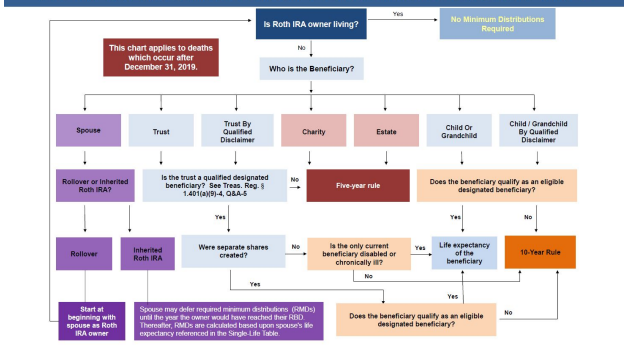
Robert S. Keebler, CPA/PFS, MST, AEP:
ROTH IRA DISTRIBUTION PLANNING DECISION-TREE



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ROTH IRA SUMMARY

Inherited Spousal Beneficiary

Spouse may defer required minimum distributions (MRDs) until the year the owner would have reached their RBD. Thereafter, RMDs are calculated based upon spouse's life expectancy by referencing her attained age for the year of distribution on the Single Life Table in A-1 of Treas. Reg. § 1.401(a)(9)-9. For each succeeding year, this process is repeated. (Recalculated)

Non-Designated Beneficiary

Entire balance must be distributed no later than December 31st of the fifth anniversary year of the decedent's death. However, consider (if possible) the potential to cash out non-individual beneficiaries, or segregate interests. PLR required.

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A-1 Treas. Reg. § 1.401(a)(9)-9
Single Life Table

Age	Multiple	Age	Multiple	Age	Multiple
0	84.6	37	48.6	74	15.6
1	83.7	38	47.7	75	14.8
2	82.8	39	46.7	76	14.1
3	81.8	40	45.7	77	13.3
4	80.8	41	44.8	78	12.6
5	79.8	42	43.8	79	11.9
6	78.8	43	42.9	80	11.2
7	77.9	44	41.9	81	10.5
8	76.9	45	41.0	82	9.9
9	75.9	46	40.0	83	9.3
10	74.9	47	39.0	84	8.7
11	73.9	48	38.1	85	8.1
12	72.9	49	37.1	86	7.6
13	71.9	50	36.2	87	7.1
14	70.9	51	35.3	88	6.6
15	69.9	52	34.3	89	6.1
16	69.0	53	33.4	90	5.7
17	68.0	54	32.5	91	5.3
18	67.0	55	31.6	92	4.9
19	66.0	56	30.6	93	4.6
20	65.0	57	29.8	94	4.3
21	64.1	58	28.9	95	4.0
22	63.1	59	28.0	96	3.7
23	62.1	60	27.1	97	3.4
24	61.1	61	26.2	98	3.2
25	60.2	62	25.4	99	3.0
26	59.2	63	24.5	100	2.8
27	58.2	64	23.7	101	2.6
28	57.3	65	22.9	102	2.5
29	56.3	66	22.0	103	2.3
30	55.3	67	21.2	104	2.2
31	54.4	68	20.4	105	2.1
32	53.4	69	19.6	106	2.1
33	52.5	70	18.8	107	2.1
34	51.5	71	18.0	108	2.0
35	50.5	72	17.2	109	2.0
36	49.6	73	16.4	110	2.0
				111	2.0

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The Roth IRA Quadrants Chart 2025

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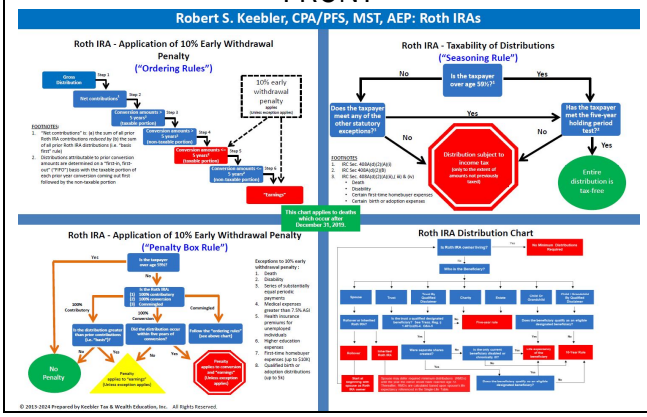
Robert S. Keebler, CPA/PFS, MST, AEP: Roth IRAs



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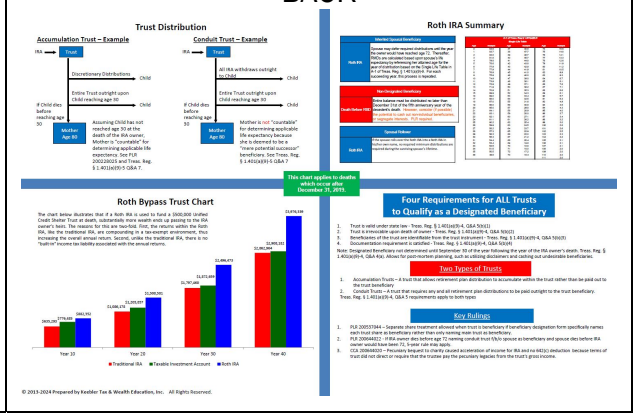

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Roth IRA Conversion Decision Chart 2025

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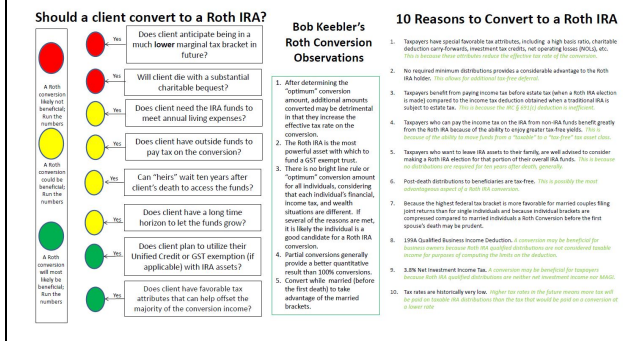
Robert S. Keebler, CPA/PFS, MST, AEP: The Roth IRA Conversion Decision



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Important Tax Law Considerations	Important Financial Considerations	Important Estate Planning and Asset Protection Considerations
CPA's Checklist	Financial Advisor's Checklist	Lawyer's Checklist

CPA's Checklist

- Analyze Tax Rates
- Consider Tax Attributes
- Determine Amount to Convert
- Convert by Asset Class
- Determine Tax Estimates
- 3.8% NIT Planning
- Consider Oil and Gas Investments
- Monitor AMT
- Monitor Taxation of Social Security Benefits and Increases in Medicare Premiums
- Consider the new post-mortem 10-year rule does not require distributions until year 10

Death & Married Rates

- If death of a married taxpayer is imminent, it may be more advantageous to convert to a Roth IRA while the taxpayer is still alive in order to avoid the compressed brackets for single individuals.
- Post-death distributions are tax-free.

Alternative Minimum Tax

- If the taxpayer is close to being exposed to AMT prior to the implementation of a Roth conversion, the practitioner must be aware of the effects of state and local taxes.
- Although federal income taxes may be offset by an applicable deduction, state and local taxes that typically big-ding are not deductible for AMT purposes under §56(b)(1)(A)(ii).

State Taxes

- Roth conversions may be treated differently from state to state.
- Consider local tax implications.

Recent Acts

- *Pension Protection Act of 2006:* Non-spousal beneficiaries are permitted to roll over a qualified retirement plan (e.g. 401(k) plan), via trustee-to-trustee transfer, into an inherited IRA effective for tax years beginning after December 31, 2006.
- The Small Business Jobs and Credit Act of 2010: Allows the conversion of 401(k), 403(b) and governmental 457(b) plans to Roth accounts. Keeping the retirement funds in a Roth 401(k) rather than converting to a Roth IRA can be beneficial from an asset protection standpoint. However, the recharacterization option is not available under this provision as it would be if account were converted to a Roth IRA.
- *The American Taxpayer Relief Act of 2012:* A plan can now allow a participant to move the 401(k) to a Roth 401(k) while working. Previously, a triggering event such as severance from service was required.
- *The Tax Cuts and Jobs Act of 2017:* Repealed the ability to recharacterize a Roth conversion.
- *The Secure Act of 2019:* Repealed post-mortem distributions based on the beneficiary's lifetime ("stretch IRA") and instead generally requires IRAs to be fully distributed within ten years of death.

Financial Advisor's Checklist

- Assess overall market conditions/factors to determine if a Roth IRA conversion is prudent
- Determine asset class and/or group of assets to convert
  - Consider converting the Roth IRA more of a "long-term investment" or an "income-producer"
  - Growth-oriented investments should generally be used instead of income-oriented investments.
  - Need to consider investment volatility.
  - Now that recharacterizations are no longer allowed, care must be taken to choose an asset class/group of assets that has decent long-term appreciation potential but not a lot of volatility (e.g., FTSE).
- Work with CPA to determine the amount to convert
  - Smaller conversions are usually going to be better than larger conversions due to "tax bracket creep."
  - Need to address how soon the Roth IRA may be needed to cover the client's annual cash flow needs.
  - If the Roth IRA will be needed within the next five to ten years, then a Roth IRA conversion most likely will not make sense.
  - This can be determined by doing a discounted cash flow needs analysis to arrive at "convertible capital" (i.e., traditional IRA balance not needed to meet future annual cash flow needs).
- Determine source(s) for which to pay the income tax on the conversion
  - Cash/cash equivalents should be used to the greatest extent possible (due to low opportunity cost).
  - Non-qualified investments should be considered next.
  - Need to consider impact of additional income tax on asset liquidations to pay the income tax on the conversion.
  - Traditional IRAs should be considered only to the extent cash/cash equivalents and/or non-qualified investments are not available to pay the income tax on the conversion.
  - Need to consider impact of additional income tax of additional IRA withdrawals.
  - Roth IRAs should be considered last.
- Assess the need for life insurance and/or annuities
  - Life insurance should be compared as an alternative to Roth IRA conversions, the value which contains passes more after-tax assets to beneficiaries.
  - Life insurance should be considered as a potential "bail-out" of large traditional IRAs (until the large traditional IRAs can be pared down through periodic Roth IRA conversions).
  - Annuities should be considered as a "cash flow hedge" during the IRA owner's lifetime so that the Roth IRA doesn't need to be tapped into as much.

Estate Planning Considerations

- Ensure that beneficiary designation forms are updated to seamlessly integrate the Roth IRA into the overall estate plan.
- Consider that post-death qualified distributions are tax free.
- Consider utilizing a Roth IRA to fund a qualified credit trust and/or a generation skipping transfer tax exempt trust (if applicable).
- Ensure that appropriate tax apportionment clauses are addressed in planning documents. Estate taxes should generally be apportioned away from the Roth IRA asset thereby enabling the Roth IRA to continue to grow on an income tax-free basis.
- Consider utilizing a charitable split interest trust as a tool in minimizing income tax in the year of a Roth IRA conversion.
- Ensure that an individual's durable power of attorney will provide the attorney-in-fact with the right to make any and all tax elections, including an election to recharacterize the Roth IRA.
- **Asset Protection Considerations**
  - Consider implications on bankruptcy and creditor protection under federal and applicable state law before converting a qualified plan or traditional IRA to a Roth IRA.
  - Consider utilizing a standalone IRA Trust to be beneficiary of the Roth IRA for asset protection purposes.

Applies to Deaths on or after January 1, 2020

DISTRIBUTIONS TO BENEFICIARY UNDER IRC § 401(a)(9) ROTH IRAS

Beneficiary	Beneficiary
Spouse Inherited IRA (Re-titleed)	Non-spouse Inherited IRA
Spouse Rollover	Eligible Designated Beneficiary

Spouse may defer required distributions until the year the owner would have reached their RBD. Thereafter, RMDs are calculated each year, the FMD is calculated based upon spouse's life expectancy by referencing her attained age for the year of distribution based on the Single Life Table.

The RMDs required during spouse's life.

FMD's calculated based upon corresponding life expectancy factor for the beneficiary's age in the year of the first distribution by reference to the Single Life Table. For succeeding years, the factor is reduced by one.

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2025 Individual Tax Rate Threshold “Cheat Sheet”

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Robert S. Keebler, CPA/PFS, MST, AEP

2024 Individual Tax Rate Threshold “Cheat Sheet”

2024 Ordinary Income Tax Brackets

Single Taxpayer

If Taxable Income is:	Tax will be:
Not over $11,600	10% of taxable income
Over $11,600 but not over $47,150	$1,160 plus 12% of excess over $11,600
Over $47,150 but not over $100,525	$5,426 plus 22% of excess over $47,150
Over $100,525 but not over $191,950	$17,168.50 plus 24% of excess over $100,525
Over $191,950 but not over $243,725	$39,110.50 plus 32% of excess over $191,950
Over $243,725 but not over $609,350	$52,678.50 plus 35% of excess of $243,725
Over $609,350	$169,647.25 plus 37% over $609,350

Married Filing Separately Taxpayer

If Taxable Income is:	Tax will be:
Not over $11,600	10% of taxable income
Over $11,600 but not over $47,150	$1,160 plus 12% of excess over $11,600
Over $47,150 but not over $100,525	$5,426 plus 22% of excess over $47,150
Over $100,525 but not over $191,950	$17,168.50 plus 24% of excess over $100,525
Over $191,950 but not over $243,725	$39,110.50 plus 32% of excess over $191,950
Over $243,725 but not over $365,600	$55,678.50 plus 35% of excess of $243,725
Over $365,600	$98,334.75 plus 37% over $365,600

Married Filing Jointly Taxpayer

If Taxable Income is:	Tax will be:
Not over $23,200	10% of taxable income
Over $23,200 but not over $94,300	$2,320 plus 12% of excess over $23,200
Over $94,300 but not over $201,050	$10,852 plus 22% of excess over $94,300
Over $201,050 but not over $383,900	$34,337 plus 24% of excess over $201,050
Over $383,900 but not over $487,450	$78,221 plus 32% of excess over $383,900
Over $487,450 but not over $731,200	$111,357 plus 35% of excess over $487,450
Over $731,200	$196,669.50 plus 37% over $731,200

Head of Household Taxpayer

If Taxable Income is:	Tax will be:
Not over $16,550	10% of taxable income
Over $16,550 but not over $63,100	$1,655 plus 12% of excess over $16,550
Over $63,100 but not over $100,500	$7,241 plus 22% of excess over $63,100
Over $100,500 but not over $191,950	$15,469 plus 24% of excess over $100,500
Over $191,950 but not over $243,700	$37,417 plus 32% of excess over $191,950
Over $243,700 but not over $609,350	$53,977 plus 35% of excess of $243,700
Over $609,350	$181,954.50 plus 37% over $609,350

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2024 Individual Tax Rate Threshold “Cheat Sheet”

Long-Term Capital Gains Thresholds

Married Filing Jointly Taxpayer

If Taxable Income is:	Tax Rate will be:
Not over $94,050	0%
Over $94,050 but not over $583,750	15%
Over $583,750	20%

Married Filing Separately Taxpayer

If Taxable Income is:	Tax Rate will be:
Not over $47,025	0%
Over $47,025 but not over $291,850	15%
Over $291,850	20%

Single Taxpayer

If Taxable Income is:	Tax Rate will be:
Not over $47,025	0%
Over $47,025 but not over $518,900	15%
Over $518,900	20%

Head of Household Taxpayer

If Taxable Income is:	Tax Rate will be:
Not over $63,000	0%
Over $63,000 but not over $551,350	15%
Over $551,350	20%

Net Investment Income Tax & Additional Medicare Tax Threshold — NOT Indexed for Inflation

Filing Status	Applicable Threshold Amount
Married Filing Jointly	$250,000
Married Filing Separately	$125,000
All Others	$200,000

The Alternative Minimum Tax

Exemption Amounts

Filing Status	Exemption Amount
Married Filing Jointly	$137,300
Married Filing Separately	$68,650
All Others	$85,700

Phaseout

Filing Status	Phaseout Amount
Married Filing Jointly	$1,218,700
All Others	$609,350

Threshold Amounts

Filing Status	Where the 26% bracket ends and the 28% bracket begins
Married Filing Separately	$116,300
All Others	$232,600

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2024 Individual Tax Rate Threshold “Cheat Sheet”

Estate and Gift Tax

2024 Gift, Estate and GST Tax Rate

2024 Gift, Estate and GST Tax Rate:	40%

2024 Ordinary Income Tax Brackets for Estates & Trusts

If Taxable Income is:	Tax will be:
Not over $3,100	10% of taxable income
Over $3,100 but not over $11,150	$310 plus 24% of excess over $3,100
Over $11,150 but not over $15,200	$2,242 plus 35% of excess over $11,150
Over $15,200	$3,659.50 plus 37% of excess over $15,200

2024 Long-Term Capital Gains Tax Brackets for Estates & Trusts

If Taxable Income is:	Tax Rate will be:
Not over $3,150	0%
Over $3,150 but not over $15,450	15%
Over $15,450	20%

2024 Marital Deduction Limits

Donee:	Limit:
U.S. Citizen-Spouse – Outright	Unlimited
U.S. Citizen-Sosse – Trust with QTIP Election	Unlimited
Non-U.S. Citizen Spouse	$185,000

2024 Gift, Estate and GST Tax Exemption Amount

Donee:	Amount
Individual	$13,850,000
Married (may combine)	$27,220,000

2024 Annual Exclusion Amount

Status:	Amount
Individual	$18,000
Married (may combine)	$36,000

2024 Section 2032A Special Use Valuation

	Amount
If the executor elects to use the special use valuation method under § 2032A for qualified real property, the aggregate decrease in the value of qualified property resulting from election to use § 2032A for purposes of the estate tax cannot exceed	$1,360,000

Standard Deduction

Filing Status	Standard Deduction
Married Filing Jointly	$29,200
Married Filing Separately	$14,600
Head of Households	$21,900
Single	$14,600

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IRA Trust Client Summary Chart 2025

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Robert S. Keebler, CPA/PFS, MST, AEP: IRA Trust Client Summary

New 10-Year Payout Rule

Under the SECURE Act, post-death required minimum distributions (RMDs) to a “designated beneficiary” (e.g. children) can no longer be “stretched” over that beneficiary’s life expectancy.

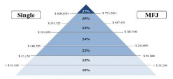
Instead, the designated beneficiary’s “inherited” IRA (and/or “inherited” qualified plan) must be completely distributed out to the beneficiary as of December 31st following the tenth anniversary of the IRA/qualified plan owner’s death (e.g. 12/31/2033 for an IRA/qualified plan owner dying in 2023).

This is a significant change and presents a new income tax trap for the unwary. Therefore, most families will benefit from carefully re-considering their beneficiary designations and taking steps to assure their IRAs are prudently managed after their death.

Should My IRA be Payable to a Trust?

1. Asset Protection: Consider whether your beneficiaries are ready for the amount of money you have in mind. If not, a trust may be advisable. Some of the issues to consider are maturity, spending-habits, investment experience, divorce protection, and other creditors which could arise.
2. Dead-Hand Control: You also may be interested in exercising control of the assets after your death. For example, you might think receiving a large sum would interfere with a beneficiary’s career development or have concern that your surviving spouse may divert assets from your family.
3. Eligible Designated Beneficiary: If your beneficiary is, or may be at your death, disabled or chronically ill, a trust will almost certainly be advisable. Such persons may have difficult managing the funds and may be able to remain eligible for government benefits if the funds are in trust.
4. Bracket Arbitrage: Prudent management post-mortem IRA now requires the beneficiary to understand the tax consequences of distributions. Imprudent distributions or imprudently skipping distributions can easily and realistically cause up to 20% of the IRA to be lost to unnecessary taxation. A competent trustee can help beneficiaries effectively manage this and for some families the value of savings will more than offsets the cost of using a trust.

Tax Rates & Thresholds



TOP OF EACH BRACKET

	$	MF JOint	MFS	HOH	T&E
10%	$ 11,600	$ 23,200	$ 11,600	$ 16,550	$ 3,100
12%	$ 47,150	$ 94,300	$ 47,150	$ 63,100	-
22%	$ 100,525	$ 201,050	$ 100,525	$ 100,500	-
24%	$ 191,950	$ 383,900	$ 191,950	$ 191,950	$ 11,150
32%	$ 243,725	$ 487,450	$ 243,725	$ 243,700	-
35%	$ 609,350	$ 731,200	$ 365,600	$ 609,350	$ 15,200
37%					

TOP OF EACH CAPITAL GAINS BRACKET

	$	MF JOint	MFS	HOH	T&E
0%	$ 47,025	$ 94,050	$ 47,025	$ 63,000	$ 3,150
15%	$ 518,900	$ 583,750	$ 291,850	$ 551,350	$ 15,450
20%					

3.8% NIIT THRESHOLDS

$	MF JOint	MFS	HOH
$ 200,000	$ 250,000	$ 125,000	$ 200,000

“Flying Below the Radar”

Thresholds for married filing jointly.

Eligible Designated Beneficiary

Notwithstanding the above, there is a new class of beneficiaries, referred to as “eligible designated beneficiaries” (“EDBs”), who are still permitted to take post-death RMDs over their calculated life expectancy.

Below is a list of EDBs:

1. The surviving spouse of the IRA/qualified plan owner
2. The IRA/qualified plan owner’s children who are under the “age of majority” at the time of the IRA/qualified plan owner’s death
   - A child may be treated as not reaching the “age of majority” if he/she has not completed a “specified course of education” and is under the age of 26
   - Once a child has reach the “age of majority”, the IRA (and/or qualified plan) must be completed distributed out to the beneficiary within ten years after reaching the “age of majority”
3. Disabled persons
4. Chronically ill persons
5. An individual not more than ten years younger than the IRA owner

It is important to note that upon an EDB’s death, the successor beneficiary must withdraw the remaining IRA (and/or qualified plan) balance by December 31st following the tenth anniversary of the EDB’s death (e.g. 12/31/2038 for an EDB who dies in 2028).

Moreover, in order to effectively take advantage of most of these strategies additional planning beyond a beneficiary designation will be required.

Multigenerational Trust Bracket Arbitrage

Bracket arbitrage savings are both easy and difficult to compute, depending on your perspective. It difficult to compute precisely because the future is uncertain. Consider that the value of your IRA assets will change from when you undertake planning, to your death, and to when the beneficiaries take distributions. Second, knowing the tax rate your beneficiary will be subject to, in say a decade, is extremely difficult. However, inaction is equally problematic. First, recognize that assets in an IRA grow tax-deferred, which provides an incentive to avoid unnecessary early distributions. Second, tax rate progressivity is a feature of the tax code no one expects to change. Consider the tax rate you are subject to, compared to children and then compared to your grandchildren. Therefore, for almost everyone, small distributions will be subject to a lower rate than a large distribution and preventing large imprudent distributions is valuable.

Tax Rate Difference	Size of IRA at Death			
	$ 400,000	$ 600,000	$ 800,000	$1,000,000
10.0%	$ 40,000	$ 60,000	$ 80,000	$ 100,000
12.5%	$ 50,000	$ 75,000	$ 100,000	$ 125,000
15.0%	$ 60,000	$ 90,000	$ 120,000	$ 150,000

To determine your potential tax savings, you must determine the difference in tax rates the distributions would be subject to without the trust. For example, your children may find it advisable for the grandchildren to recognize the IRA income at low rate. Such later considerations would be impossible without a trust. You may also need to consider that your beneficiaries could mismanage the distributions and unnecessarily incur additional taxation.

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Traditional IRA RMD Flowchart Chart 2025

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TRADITIONAL IRA RMD FLOWCHART

For Deaths <u>After</u> 2019, the Effective Date of SECURE Act

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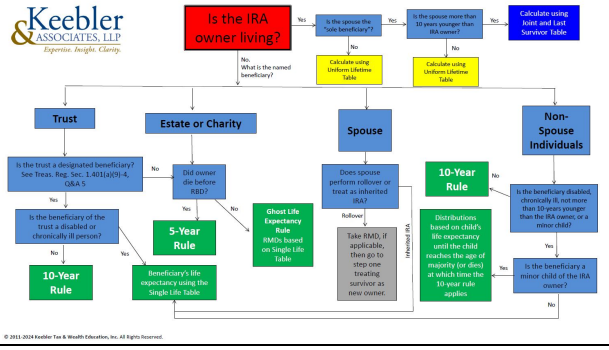

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Inherited Spousal Beneficiary

Owner Dies *Before* RBD

Spouse may defer RMDs until the year the IRA owner would have reached their RBD. Thereafter, RMDs are calculated based upon spouse's life expectancy by referencing her attained age for the year of distribution under the Single Life Table. For each succeeding year, this process is repeated. (RECALCT)

Owner Dies *After* RBD

RMD for year of death must be taken based upon IRA owner's life expectancy factor under the Uniform Lifetime Table if not taken during life. Thereafter, the applicable distribution period is the longer of: (1) the surviving spouse's life expectancy based on the Single Life Table using the surviving spouse's birthday for each distribution calendar year after the calendar year of the IRA owner's death up through the calendar year of the spouse's death. (RECALCT); or (2) the life expectancy of the deceased spouse under the Single Life Table using the age of the deceased spouse as of his or her birthday in the year of death. In subsequent years, this initial factor is reduced by one.

Non-Designated Beneficiary

Death *Before* RBD

Entire balance must be distributed no later than December 31st of the fifth anniversary year of the decedent's death. However, consider (if possible) the potential to cash out non-individual beneficiaries, or segregate interests. PLR required.

Death *After* RBD

RMD must be taken for year of decedent's death based upon decedent's age in year of death using the Uniform Lifetime Table if not taken during owner's life. For the year after the year of death, determine factor by referencing the owner's age in year of death and reduce by one. This factor is reduced by one for each succeeding year.

UNIFORM LIFETIME TABLE*

Attained Age in year of distribution	Divisor	Attained Age in year of distribution	Divisor
70	26.5	97	7.8
71	25.5	98	7.3
72	24.6	99	6.8
73	23.7	100	6.4
74	22.9	101	6.0
75	22.0	102	5.6
76	21.1	103	5.2
77	20.2	104	4.9
78	19.4	105	4.6
79	18.5	106	4.3
80	17.7	107	4.1
81	16.8	108	3.9
82	16.0	109	3.7
83	15.2	110	3.5
84	14.4	111	3.4
85	13.7	112	3.3
86	12.9	113	3.1
87	12.2	114	3.0
88	11.5	115	2.9
89	10.8	116	2.8
90	10.1	117	2.7
91	9.5	118	2.5
92	8.9	119	2.4
93	8.4	120+	2.0

Single Life Table*

Age	Divisor	Age	Divisor	Age	Divisor
0	84.6	40	45.7	80	11.2
1	83.7	41	44.8	81	10.5
2	82.8	42	43.8	82	9.9
3	81.8	43	42.9	83	9.3
4	80.8	44	41.9	84	8.7
5	79.8	45	41.0	85	8.1
6	78.8	46	40.0	86	7.6
7	77.9	47	39.0	87	7.1
8	76.9	48	38.1	88	6.6
9	75.9	49	37.1	89	6.1
10	74.9	50	36.2	90	5.7
11	73.9	51	35.3	91	5.3
12	72.9	52	34.3	92	4.9
13	71.9	53	33.4	93	4.6
14	70.9	54	32.5	94	4.3
15	69.9	55	31.6	95	4.0
16	69.0	56	30.6	96	3.7
17	68.0	57	29.8	97	3.4
18	67.0	58	28.9	98	3.2
19	66.0	59	28.0	99	3.0
20	65.0	60	27.1	100	2.8
21	64.1	61	26.2	101	2.6
22	63.1	62	25.4	102	2.5
23	62.1	63	24.5	103	2.3
24	61.1	64	23.7	104	2.2
25	60.2	65	22.9	105	2.1
26	59.2	66	22.0	106	2.1
27	58.2	67	21.2	107	2.1
28	57.3	68	20.4	108	2.0
29	56.3	69	19.6	109	2.0
30	55.3	70	18.8	110	2.0
31	54.4	71	18.0	111	2.0
32	53.4	72	17.2	112	2.0
33	52.5	73	16.4	113	1.9
34	51.5	74	15.6	114	1.9
35	50.5	75	14.8	115	1.8
36	49.6	76	14.1	116	1.8
37	48.6	77	13.3	117	1.6
38	47.7	78	12.6	118	1.4
39	46.7	79	11.9	119	1.1
				120+	1.0

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