TENON FINANCIAL
RETIREMENT PLANNING & INVESTMENT MANAGEMENT

Retirement Planning Insights

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Up Front

Tenon Financial is one year old!

I consider November 1, 2019 the official start date of my retirement planning & investment management business, Tenon Financial. The groundwork behind the actual launch of the business happened months before that. However, it wasn't until I left my previous job on November 1st that I officially flipped on the switch and considered myself in business.

With that said, HAPPY FIRST ANNIVERSARY, TENON FINANCIAL!

I started planning Tenon Financial in 2016 and decided 2019 would be when I would make it come to life. Since then, it's been a wild year…to say the least.

While I financially and emotionally planned on it being a multi-year journey to build the company to what I knew it could be, I did not plan on their being a global pandemic that would make it practically impossible to meet with people face-to-face. In a relationship business, it's kind of hard to do anything if you can't be around people.

However, thanks to the Internet, Zoom and a flourishing **Facebook group**, I'm happy to share that Tenon Financial was much more successful in its first year than I had originally planned, even before COVID-19 was a thing. Yay!

I want to extend a sincere thank you to all my clients for helping make Tenon Financial what it is and what it will be. I greatly appreciate your continued friendship, confidence and trust. Thank you!!!

-Andy

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Retirement Planning News

Proposed IRA and retirement plan changes

On October 26, 2020, Congressmen Richard Neal (D-Massachusetts) and Kevin Brady (R-Texas) proposed legislative changes that would impact Individual Retirement Accounts ("IRAs") and employer retirement plans. The bill is called the ***Securing a Strong Retirement Act of 2020.***

While the bill is only a proposal at this point and it's unknown if it will eventually become law, I feel it's worth discussing.

The bill proposes more than 40 changes, almost all of which are related to IRAs and employer retirement plans like 401(k)'s, 403(b)'s and 457's. Many of the changes are related to how employers administer their retirement plans and therefore likely won't directly impact you in your personal retirement planning.

However, there are a handful of wider-reaching proposals that are worth bringing to attention:

- The age at which you must start taking Required Minimum Distributions ("RMDs") from your tax-deferred accounts would increase from 72 to 75
- RMDs would not be required for persons whose aggregate tax-deferred account balances are less than $100,000
- The "catch-up" contribution to employer retirement plans for persons age 60 or older would increase from $6,500 to $10,000 per year. The catch-up contribution for persons 50 to 59 would remain $6,500. In both cases, there would start to be annual inflation increases to the catch-up amount
- The "catch-up" contribution to IRAs for persons age 50 or older would remain at $1,000. However, there would start to be annual inflation increases
- The penalty for failing to take an RMD would decrease from 50% to 25% of the RMD amount. Additionally, if the missed RMD is rectified within two years, the penalty would be further reduced to 10%
- The limit on making Qualified Charitable Distributions ("QCDs") from tax-deferred accounts would increase from $100,000 to $130,000 per year
- QCDs would also be allowed from employer retirement plans; no longer just from IRAs
- The creation of the "Office of Retirement Savings Lost and Found" that would make it easier for people to track down old or forgotten employer retirement plan accounts

While none of these proposed changes are monumental, they're worth at least being aware of. Stay tuned to see how the bill progresses, if at all.

Practical Retirement Planning

Who is IRMAA and why does she want you to pay more for Medicare?

Medicare Part A (i.e. inpatient hospital coverage) is premium-free for most people. As of 2020, the base premium for Part B (i.e. outpatient primary care and specialist doctor coverage) is $144.60 per month. 2021 Part B premium has not yet been announced but is expected to be a few dollars more per month. The premium for Part D (i.e. prescription drug coverage) varies based on which plan you choose, if any.

In addition to having to pay the base premium amounts for Parts B and D, you may also have to pay an additional monthly premium surcharge if your reported gross income is above certain thresholds. These surcharges are known as *Income-Related Monthly Adjustment Amounts, or IRMAA.*

The measure of gross income used for purposes of IRMAA is your Modified Adjusted Gross Income ("MAGI"), which is your tax return's Adjusted Gross Income PLUS any non-taxable interest you had.

As of 2020, you'll have to start paying IRMAA surcharges if your MAGI is over $87k if you're single, or $174k if you're married and filed a joint return.

The amount of the IRMAA surcharge is tiered based on your MAGI. As of 2020, Part B IRMAA surcharges range from $57.80 to $347.00 per month, per person, and Part D IRMAA surcharges range from $12.20 to $76.40 per month, per person.

The sneaky thing about IRMAA is that there's a two-year lag between the year of your reported MAGI and the year you have to pay the surcharges, if any. For example, 2020 surcharges are based on 2018 MAGI. Therefore, assuming you'll start Medicare at age 65, you need to start paying attention to your MAGI in the year you turn 63.

This means there could be some valuable tax-planning opportunities to help you avoid or minimize IRMAA surcharges. As an example, if you are trying to do multiple years of Roth conversions, you may want to front-load them a bit - before turning 63 - as Roth conversions count toward your MAGI. And if you have any deferred compensation arrangements, you may want to try realizing the income before you turn 63, if possible.

For further information about IRMAA and related tax-planning opportunities, check out my recent video:

If you have questions about how to manage your income to avoid or minimize IRMAA, **Contact Us.**