D3 Financial Counselors

Long Term Tax Planning & Portfolio Withdrawal Strategies Example

Tax Projection: You are projected to be in the following tax brackets throughout your lifetime:

Year(s)	2017	2018-2022	2024 & Beyond
Tax Bracket	25%	10-15%	25-28% [1]

[1]Required Minimum Distributions begin

Retirement Drawdown Strategy:
At retirement, you are projected to have a portfolio withdrawal need of about $120,000. We recommend "replacing your paycheck" with a $10,000/month withdrawal from your taxable account to fill this cash flow gap.

For the 2017 tax year, we project you will be in the 25% marginal tax bracket. Therefore, we recommend drawing from your taxable assets while in this higher tax bracket to meet your spending needs for 2017 after Bob retires.

Beginning in 2018, we project you will be in the 15% income tax bracket until Bob begins required minimum distributions and Social Security at age 70. This time period presents an excellent opportunity to accelerate income subject to the 15% tax rate to avoid having capital gains and retirement plan distributions taxed at a higher rate later on in retirement. Note that while you are in the 15% tax bracket, long term capital gains and qualified dividends are taxed at the 0% rate under current law. We project that you will be able to realize about $35,000 of income while remaining in the 15% income tax bracket.

We recommend realizing $35,000/year of income in order to maximize income in the 15% income tax bracket during the first few years of retirement:

a. *Realize long term capital gains* – If you are in the 15% income tax bracket, these gains will be taxed at 0% under current law.
b. *IRA Distributions or Roth Conversions* – Realize income through either IRA distributions or Roth conversions to take your taxable income to the top of the 15% tax bracket.

Donor Advised Fund: We recommend considering frontloading up to 5 years' worth of charitable contributions this year to a donor advised fund, which is explained in further detail below. Because we project you will be in the 25% marginal tax bracket in 2017, this presents an opportunity to maximize your deductions while you are in a higher tax bracket than we project you will be in for the next few years.

There are three main benefits of donating to a donor advised fund while you are working:

a. You will be able to donate appreciated assets without realizing capital gains on these assets, which will eliminate your future capital gains taxes for these assets.
b. You will also receive a full charitable deduction for the value of the assets you put into the fund in the year of contribution (while you are in a high tax bracket).
c. Because these are irrevocable gifts, you are reducing your taxable estate and protecting these assets from creditors. By donating to a donor advised fund while you are working, you are effectively frontloading a "ready reserve" of charitable dollars, which can be invested for potential future growth. That "ready reserve" can be used over time to support any 501 (c) (3) charitable organizations.

There are two potential downsides to a donor advised fund:

a. The contribution you make is irrevocable.
b. You do not receive a charitable deduction when funds are distributed from the fund.

We believe for your situation, however, the benefits of a donor advised fund outweigh the downsides.

These examples are for illustrative purposes only and should not be construed as individual advice.