MOULTON WEALTH MANAGEMENT INC.

MOULTON HOT MINUTES

SPECIALIZING IN RETIREMENT AND TAX PLANNING

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We know it's everyone's favorite time of year… ***TAX TIME!*** Since we're all in the "mood" to consider our tax bills, let's review a major change in inherited IRAs that could impact how much of it goes to you and your family, and how much goes to the IRS.

First, consider that our national debt is currently over ***$36 trillion***, and growing at a pace not seen in our history. Economists agree, the only way to slow down the accelerating growth is through BOTH lower spending and higher taxes. Although there may not currently be the political will to make these hard choices, eventually the bond market will force them upon us.

With that said, do you think it likely taxes will remain low, as they are today, or rise back to the much higher levels we saw in the 1950s, 1960s and 1970s? We think there's a decent chance our tax rates go higher.

The "SECURE ACT 2.0", which went into effect in 2020, dramatically changed how families can pass on wealth. Before the SECURE Act, a person who inherited an IRA, 401k, 403b, Roth IRA, etc. could stretch out required minimum distributions (RMDs) over their entire lifetime. This allowed them to take out smaller amounts each year, keeping their tax bill lower, and letting the remaining balance continue to grow tax-deferred or tax-free.

For example, if a 50-year-old inherited a $1,000,000 IRA, they could use the IRS life expectancy table to spread out withdrawals over about 36.2 years. That meant they would have had to take out roughly $27,624 (or just under 3%) in the first year. Since only the withdrawn amount is taxed, their total tax burden remained lower, and the account could continue growing.

However, the SECURE Act changed everything. Now, most non-spouse beneficiaries must empty the entire account within 10 years. Using the same example, instead of spreading withdrawals over three plus decades, the 50-year-old beneficiary would need to withdraw and pay taxes on the full $1,000,000 within 10 years. This could mean taking out $100,000 a year, which would be taxed on top of their regular earnings, pushing them into a higher tax bracket, significantly increasing their tax liability.

If the inherited IRA is a Roth IRA, there is still a 10-year rule, but since Roth withdrawals are tax-free, the tax hit isn't a concern.

This is particularly important for families with high earning heirs. Consider the previous 50-year-old, who with their spouse, earns $250,000. In 2024 their federal tax bill without any interest, dividends, etc., would total about $39,000. If they decide to take $100,000 in year one from the inherited IRA, it increases their tax bill to over $63,000. If that pace continues (i.e., no tax hikes) over $240,000 will ultimately be spent by politicians instead of your family. Of course, state taxes may also take an even bigger bite out of the inheritance.

If you have an IRA, 401k, 403b, Roth IRA, etc., and you may not spend it all before you pass away, do you want more, or less, to go to the IRS and elected politicians?

How can this be avoided, or at least mitigated? We call it ***Family Tax Planning***. It's a process of creating, and executing, a multi-generational plan to reduce how much of your hard-earned retirement accounts ultimately end up spent by greedy politicians.

The SECURE Act changes highlight the importance of combining investment planning with tax and estate planning. While IRAs can provide a tax-efficient way to transfer wealth over generations, the new rules mean that families need to be more proactive.

Ultimately, inherited IRAs require much more careful planning than in the past. The old "stretch IRA" strategy is largely gone, and without planning, many heirs could face unexpectedly high tax bills. By understanding the new rules and exploring options, families can take steps to preserve wealth across generations, while minimizing unnecessary taxes.

Come to a free, no obligation seminar to consider strategies that could help improve your entire retirement finances.

We review…

- How to protect yourself from lawsuits and disasters.
- How to make sure your estate plan is in good order.
- Considerations for changing tax laws.
- How to find your Family Index, giving you a high probability of financial success in retirement.
- Investing with a defense.

What is your plan?

We find that most professionals don't have the breadth of expertise to help across all areas.

Does yours?

Attend a free seminar or call the office to hear about your options.

Yours truly,

Rial R. Moulton, CFP®, CPA / PFS, RFC
Certified Financial Planner™ professional

Donald J. Moulton, CFP®, RFC
Certified Financial Planner™ professional

P.S. Please feel free to forward this commentary to family, friends, or colleagues. If you would like us to add them to the list, please ask them to send an email with their information and permission to be added.

Family Tax Planning!

Who Will Inherit Your IRA?

Weekly Radio Show Saturday Morning:

8:00 AM KXLY 920 AM
Spokane and Area

9:30 AM KFLD 870 AM
Tri-Cities and Area

Moultonwealth.com

SPOKANE

Hampton Inn—Valley
Breakfast
16418 E. Indiana —Spokane
March 19th @ 9:30 AM

TRI-CITIES

Hampton Inn
Breakfast
486 Bradley Blvd—Richland
March 26th @ 11:00 AM

- **How employing and consistently following a defensive system could help you to a better retirement.**
- The "Widow's Tax" could be a major drain on the survivor's spendable income!
- What happens when an economic downturn makes it difficult for companies to pay back their massive debt?
- Why Buy and Hold Investing was right for the 80's and 90's yet very wrong for today.
- Will inflation eat up your assets?
- How to potentially decrease taxes on your hard earned Social Security Income
- To Roth or not to Roth?

And so much more!

COMPLIMENTARY SEMINAR

For those 50 years old and older

MOULTON WEALTH MANAGEMENT Inc.

420 N. Evergreen Rd. #100; Spokane Valley, WA 99216

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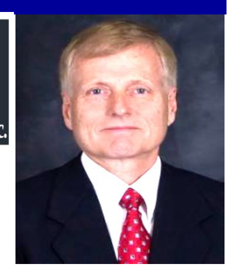

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Call to reserve a spot: 509-922-3110

Advisory services through Moulton Wealth Management, Inc., an independent Registered Investment Advisor registered with the SEC

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Family Tax Planning!

Who will get the most from your IRA?

Spokane **March 19th** **@** **9:30 AM** ***Details Inside***	*No Cost Seminars for Retirees and those close to Retirement*	**Richland** **March 26th** **@** **11:00 AM** ***Details Inside***