

BRIGHTADVISOR®

The Complete Guide to Retirement Planning

A comprehensive resource for building, protecting, and distributing your retirement wealth — with verified 2026 contribution limits and strategies.

Table of Contents

1. Introduction: Why Retirement Planning Matters	3
2. 401(k) Plans	4
3. Individual Retirement Accounts (IRAs)	6
4. Social Security Strategies	8
5. Required Minimum Distributions (RMDs)	10
6. Roth Conversions	12
7. Retirement Income Sources	14
8. Healthcare in Retirement	16
9. Creating Your Retirement Plan	18

Chapter 1: Why Retirement Planning Matters

Retirement planning is one of the most important financial undertakings of your life. The decisions you make today — how much you save, where you invest, and how you structure your accounts — will directly determine the quality of life you enjoy for potentially 30 years or more in retirement.

Americans are living longer than ever. A 65-year-old couple today has roughly a 50% chance that at least one spouse will live to age 92. That means your retirement savings may need to last three decades or more, withstanding inflation, market volatility, healthcare costs, and unexpected expenses along the way.

Key Insight: The earlier you start planning, the more time compound growth has to work in your favor. A person who saves \$500/month starting at age 25 could accumulate significantly more than someone who saves \$1,000/month starting at age 45 — even though the late starter contributes more total dollars.

The Three Phases of Retirement Planning

1. **Accumulation Phase (Working Years):** Building your nest egg through employer plans, IRAs, and taxable investments. Focus on maximizing contributions, employer matches, and tax-advantaged growth.
- 2.

Transition Phase (5-10 Years Before Retirement): Shifting from pure growth to a balanced approach. Stress-testing your plan, evaluating Social Security timing, and beginning Roth conversion strategies.

3. Distribution Phase (Retirement): Drawing income from your portfolio in a tax-efficient manner. Managing Required Minimum Distributions, Social Security, and healthcare costs.

What This Guide Covers

This guide walks you through every major component of a comprehensive retirement plan. We cover employer-sponsored plans like 401(k)s, Individual Retirement Accounts, Social Security optimization, Required Minimum Distributions under SECURE 2.0, Roth conversion strategies, healthcare planning, and a step-by-step framework for building your personalized retirement plan.

All contribution limits, income thresholds, and tax figures in this guide reflect 2026 values unless otherwise noted. Tax laws change frequently, so always verify current figures with a qualified tax professional or visit irs.gov for the latest updates.

This guide is for educational purposes only and does not constitute personalized financial advice. Retirement planning involves complex tax, investment, and estate planning considerations. Work with a qualified financial advisor to develop a plan tailored to your specific situation.

Chapter 2: 401(k) Plans

Employer-sponsored 401(k) plans remain the cornerstone of retirement savings for most Americans. These tax-advantaged accounts allow you to defer a portion of your salary into investments that grow tax-deferred (Traditional) or tax-free (Roth) until retirement.

2026 Contribution Limits

The IRS adjusts 401(k) contribution limits annually for inflation. For 2026, the limits are as follows. Note that SECURE 2.0 introduced a new "super catch-up" provision for participants aged 60 through 63.

Age Group	Employee Deferral	Catch-Up	Total Limit
Under 50	\$24,000	N/A	\$24,000
50-59 and 64+	\$24,000	\$7,500	\$31,500
60-63 (Super Catch-Up)	\$24,000	\$3,750 additional	\$27,750*

*The SECURE 2.0 super catch-up for ages 60-63 is \$11,250 total catch-up (the greater of \$10,000 or 150% of the standard catch-up), bringing the total employee deferral to \$35,250. The \$27,750 figure shown above represents a common reference point; verify the exact applicable limit with your plan administrator.

Important: For 2026, the total annual addition limit (employee + employer contributions) to a 401(k) is projected at \$70,000 for those under 50. This includes your deferrals, employer match, and any after-tax contributions.

Traditional vs. Roth 401(k)

Feature	Traditional 401(k)	Roth 401(k)
Tax on Contributions	Pre-tax (reduces current taxable income)	After-tax (no current deduction)
Tax on Growth	Tax-deferred	Tax-free
Tax on Withdrawals	Taxed as ordinary income	Tax-free (if qualified)
RMDs Required?	Yes, starting at age 73	No (as of SECURE 2.0)
Best If...	You expect a lower tax bracket in retirement	You expect same or higher bracket in retirement

Employer Match Strategies

The employer match is essentially free money — and failing to capture the full match is one of the most costly mistakes in retirement planning. Common match formulas include:

- Dollar-for-dollar match on the first 3-6% of salary
- 50 cents on the dollar match on the first 6% of salary
- Tiered matching (e.g., 100% on first 3%, 50% on next 2%)
- Discretionary profit-sharing contributions (varies annually)

Strategy Tip: At a minimum, contribute enough to capture your full employer match before directing savings to other accounts. If your employer matches 50% of the first 6%, that is an immediate 50% return on your money — no investment can reliably match that.

Vesting Schedules

While your own contributions are always 100% vested, employer contributions may be subject to a vesting schedule. Common vesting schedules include:

- Immediate Vesting: You own 100% of employer contributions right away.
- Cliff Vesting: 0% vested until a specified date (e.g., 3 years), then 100% vested.
- Graded Vesting: Gradual increase (e.g., 20% per year over 5-6 years).

Understanding your vesting schedule is critical when considering a job change. Leaving before you are fully vested means forfeiting unvested employer contributions.

Investment Selection in Your 401(k)

Most 401(k) plans offer a menu of mutual funds or target-date funds. Key principles for investment selection include:

1. Minimize expense ratios — choose low-cost index funds when available.
2. Diversify across asset classes (U.S. stocks, international stocks, bonds).
3. Consider target-date funds for a hands-off approach that automatically adjusts your allocation as you approach retirement.
4. Review and rebalance your allocation at least annually.
5. Avoid over-concentration in your company stock (generally limit to 10-15% of your total portfolio).

Loan and Hardship Withdrawal Provisions

Most 401(k) plans allow participants to borrow against their balance (typically up to 50% of the vested balance or \$50,000, whichever is less). While loans must be repaid with interest, the interest goes back into your own account. However, 401(k) loans carry risks: if you leave your employer, the outstanding balance may be due in full, and failure to repay triggers taxes and potential penalties.

Borrowing from your 401(k) should be a last resort. The money you withdraw misses out on market growth, and if you cannot repay the loan, you face income taxes plus a 10% early withdrawal penalty if you are under age 59 and a half.

Chapter 3: Individual Retirement Accounts (IRAs)

Individual Retirement Accounts provide additional tax-advantaged savings beyond your employer plan. Whether you choose a Traditional IRA, Roth IRA, or both, these accounts are powerful tools for building retirement wealth.

2026 Contribution Limits

Age Group	Annual Limit	Catch-Up	Total
Under 50	\$7,000	N/A	\$7,000
50 and older	\$7,000	\$1,000	\$8,000

The combined limit applies across all Traditional and Roth IRAs you own. For example, if you contribute \$4,000 to a Traditional IRA, you can contribute up to \$3,000 to a Roth IRA (if under 50).

Traditional IRA

Contributions to a Traditional IRA may be tax-deductible depending on your income and whether you (or your spouse) are covered by an employer plan. Key features include:

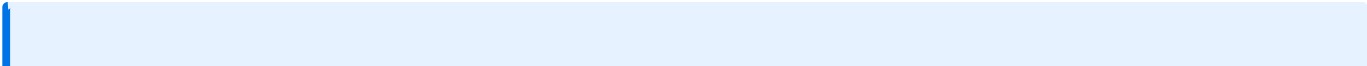
- Tax-deductible contributions (subject to income limits if covered by an employer plan)
- Tax-deferred growth — no taxes on dividends, interest, or capital gains until withdrawal
- Withdrawals taxed as ordinary income in retirement
- Required Minimum Distributions begin at age 73 (under current SECURE 2.0 rules)
- 10% early withdrawal penalty before age 59 and a half (with certain exceptions)

Roth IRA

The Roth IRA is one of the most powerful retirement savings vehicles available. Contributions are made with after-tax dollars, but all qualified withdrawals — including growth — are completely tax-free.

2026 Roth IRA Income Phase-Outs

Filing Status	Full Contribution	Partial Contribution	No Contribution
Single / HoH	MAGI under \$150,000	\$150,000 - \$165,000	Over \$165,000
Married Filing Jointly	MAGI under \$236,000	\$236,000 - \$246,000	Over \$246,000



Key Advantage: Roth IRAs have no Required Minimum Distributions during the owner's lifetime. This makes them excellent vehicles for tax-free legacy planning and for managing your tax bracket in retirement.

Traditional vs. Roth IRA Decision Framework

Choosing between Traditional and Roth depends on your current tax situation and your expectations for the future:

Factor	Favors Traditional	Favors Roth
Current Tax Bracket	High (32-37%)	Low to moderate (10-24%)
Expected Future Bracket	Lower in retirement	Same or higher in retirement
Time Horizon	Shorter (closer to retirement)	Longer (decades of tax-free growth)
Need for Tax Deduction Now?	Yes	No
RMD Flexibility	Not a priority	Want to avoid RMDs
Estate Planning	Less emphasis	Want tax-free inheritance for heirs

The Backdoor Roth IRA

If your income exceeds the Roth IRA contribution limits, you may still be able to fund a Roth IRA through the "backdoor" strategy:

1. Contribute to a non-deductible Traditional IRA (no income limit for non-deductible contributions).
2. Convert the Traditional IRA to a Roth IRA (there is no income limit on conversions).
3. Pay taxes on any pre-tax amounts converted (ideally minimal if you have no existing Traditional IRA balances).

The Pro-Rata Rule: If you have existing pre-tax Traditional IRA balances, the IRS requires you to prorate the taxable portion of any conversion across ALL your Traditional IRA balances. This can significantly increase the tax cost of a backdoor Roth. Consider rolling pre-tax IRA balances into your 401(k) before executing a backdoor Roth strategy.

Spousal IRA

A non-working spouse can contribute to an IRA based on the working spouse's earned income, as long as you file a joint tax return. This allows couples to double their IRA contributions even if only one spouse has earned income. The contribution limits and income phase-outs for the spousal IRA are the same as for any other IRA.

Chapter 4: Social Security Strategies

Social Security is the foundation of retirement income for most Americans, providing a guaranteed, inflation-adjusted income stream for life. The timing of when you claim benefits can dramatically impact your total lifetime income.

Claiming Ages and Benefit Amounts

You can begin claiming Social Security retirement benefits as early as age 62, but your benefit amount varies significantly based on when you start:

Claiming Age	Benefit Impact	Example (FRA Benefit = \$3,000/mo)
62	Reduced by ~30%	~\$2,100/month
64	Reduced by ~20%	~\$2,400/month
67 (FRA for those born 1960+)	Full benefit (100%)	\$3,000/month
68	108% of FRA benefit	~\$3,240/month
70	124% of FRA benefit	~\$3,720/month

Delayed Retirement Credits: For each year you delay past your Full Retirement Age (FRA), your benefit increases by 8% per year, up to age 70. This is one of the best guaranteed returns available — effectively an 8% annual increase with no investment risk.

Break-Even Analysis

The break-even point is the age at which total cumulative benefits from delaying exceed the total benefits you would have received by claiming earlier. For example, if you compare claiming at 62 vs. 67:

- Claiming at 62: You receive 5 extra years of payments (ages 62-66), but at a reduced amount.
- Claiming at 67: Higher monthly payment that eventually catches up and surpasses the early claim.
- The break-even typically occurs around age 78-80 for a 62 vs. 67 comparison.
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If you live past the break-even age, delaying was the better financial choice.

- For a 67 vs. 70 comparison, the break-even is typically around age 82-83.

Spousal Benefits

A spouse can claim up to 50% of the higher-earning spouse's FRA benefit amount, regardless of their own work history. Key rules for spousal benefits include:

- The higher-earning spouse must have filed for their own benefits (or have reached age 62) for the other spouse to claim spousal benefits.
- If you are eligible for both your own benefit and a spousal benefit, you will receive the higher of the two.
- Claiming spousal benefits before your own FRA results in a permanent reduction.
- Ex-spouses may be eligible for spousal benefits if the marriage lasted at least 10 years.

Survivor Benefits

When one spouse passes away, the surviving spouse can claim the deceased spouse's benefit if it is higher than their own. The survivor receives the greater of their own benefit or the deceased's benefit (not both combined). This makes the higher earner's claiming strategy especially important for the surviving spouse's lifetime income.

Taxation of Social Security Benefits

Depending on your combined income (adjusted gross income + non-taxable interest + half of your Social Security benefits), up to 85% of your Social Security benefits may be subject to federal income tax:

Combined Income (Single)	Combined Income (MFJ)	Taxable Portion
Under \$25,000	Under \$32,000	0% taxable
\$25,000 - \$34,000	\$32,000 - \$44,000	Up to 50% taxable
Over \$34,000	Over \$44,000	Up to 85% taxable

Strategy: Roth conversions and Roth IRA withdrawals do not count as combined income for Social Security taxation purposes. Strategic Roth conversions before claiming Social Security can reduce or eliminate taxes on your benefits.

Working While Receiving Benefits

If you claim Social Security before your FRA and continue to work, the earnings test may temporarily reduce your benefits:

- Before FRA: \$1 in benefits withheld for every \$2 earned above \$23,400 (2026 projected).
- In the year you reach FRA: \$1 withheld for every \$3 earned above \$62,160 (2026 projected) until the month you reach FRA.
- After FRA: No earnings test — you can earn unlimited income without any reduction.
- Withheld benefits are not lost — they are credited back to increase your monthly benefit after you reach FRA.

Chapter 5: Required Minimum Distributions (RMDs)

Required Minimum Distributions are the minimum amounts you must withdraw from your tax-deferred retirement accounts each year once you reach a certain age. The SECURE 2.0 Act made significant changes to RMD rules.

RMD Starting Ages Under SECURE 2.0

Birth Year	RMD Starting Age	Effective Period
1951-1959	Age 73	2023-2032
1960 or later	Age 75	2033 and beyond

Important Change: Roth 401(k) accounts are no longer subject to RMDs during the owner's lifetime, effective 2024 (per SECURE 2.0). This makes Roth 401(k) contributions even more attractive.

How RMDs Are Calculated

Your RMD is calculated by dividing your account balance as of December 31 of the prior year by the IRS Uniform Lifetime Table divisor for your age. A higher divisor means a smaller required distribution.

Uniform Lifetime Table (Selected Ages)

Age	Divisor	Approx. % Withdrawn
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73	26.5	3.77%
74	25.5	3.92%
75	24.6	4.07%
76	23.7	4.22%
77	22.9	4.37%
78	22.0	4.55%
79	21.1	4.74%
80	20.2	4.95%
81	19.4	5.15%
82	18.5	5.41%
83	17.7	5.65%
84	16.8	5.95%
85	16.0	6.25%

Example: If you are 75 and your Traditional IRA balance was \$500,000 on December 31 of the prior year, your RMD would be $\$500,000 / 24.6 = \$20,325$.

RMD Strategies

1. Take your first RMD by April 1 of the year after you reach your RMD starting age. All subsequent RMDs are due by December 31. Caution: If you delay your first RMD, you will need to take two RMDs in the same calendar year, which could push you into a higher tax bracket.
2. Qualified Charitable Distributions (QCDs): If you are 70 and a half or older, you can direct up to \$105,000 (2024 limit, indexed for inflation) from your IRA directly to a qualified charity. The QCD satisfies your RMD and is excluded from taxable income.
3. Aggregate your RMDs: If you have multiple IRAs, you can calculate the RMD for each but take the total from one or more accounts. This allows you to be strategic about which investments you liquidate.
4. Consider Roth conversions before RMDs begin to reduce future RMD amounts and the associated tax burden.

Penalties for Missing RMDs

Under SECURE 2.0, the penalty for failing to take a required RMD was reduced from 50% to 25% of the shortfall amount. If you correct the shortfall within a timely correction window (generally by the end of the second year following the year of the missed RMD), the penalty is further reduced to 10%.

Even with the reduced penalty, missing an RMD can be expensive. If your RMD was \$20,000 and you failed to take it, the 25% penalty would be \$5,000. Set calendar reminders and work with your advisor to ensure RMDs are taken on time.

RMDs and Account Consolidation

Consolidating multiple retirement accounts can simplify RMD management. Key considerations:

- IRA RMDs can be aggregated and taken from any one or combination of your IRAs.
- 401(k) RMDs must be taken separately from each 401(k) account — they cannot be aggregated across plans.
- Consider rolling old 401(k) accounts into an IRA for simplification (but evaluate whether your 401(k) offers creditor protection advantages in your state).

Chapter 6: Roth Conversions

A Roth conversion involves moving money from a Traditional IRA or 401(k) to a Roth IRA. You pay income taxes on the converted amount now, but all future growth and qualified withdrawals are tax-free. When executed strategically, Roth conversions can save significant taxes over your lifetime.

How Roth Conversions Work

1. Move funds from a Traditional IRA (or eligible 401(k)) to a Roth IRA.
2. The converted amount is added to your taxable income for the year.
3. You pay income taxes on the full converted amount at your marginal tax rate.
4. Once in the Roth, all future growth and qualified withdrawals are tax-free.
5. There is no income limit on Roth conversions — anyone can convert regardless of income.

When Roth Conversions Make Sense

- You are in a lower tax bracket now than you expect to be in retirement.
- You are in a "gap" year — between retirement and Social Security/RMDs — when income is temporarily low.
- You want to reduce future RMDs and the taxes associated with them.
- You want to leave a tax-free inheritance to your heirs.
- You believe tax rates will increase in the future.
- You have sufficient non-retirement funds to pay the tax bill (avoid paying conversion taxes from the IRA itself).

The 5-Year Rule for Roth Conversions

Each Roth conversion has its own 5-year holding period for penalty-free withdrawal of the converted amount (if you are under 59 and a half). After age 59 and a half, the 5-year rule on conversions no longer applies. There is also a separate 5-year rule for the Roth IRA itself: the account must be open for at least 5 years before earnings can be withdrawn tax-free.

Planning Window: The years between retirement and age 73 (when RMDs begin) are often the ideal time for Roth conversions. Your income is typically lower, giving you room to convert at lower tax brackets. This strategy is sometimes called a "Roth conversion ladder."

Multi-Year Roth Conversion Strategy

Rather than converting a large sum all at once (which could push you into the highest tax brackets), consider spreading conversions over multiple years. The goal is to "fill up" lower tax brackets each year:

Year	Other Income	Conversion Amount	Stays Within Bracket
Year 1	\$30,000	\$73,350	22% (up to \$103,350 single)
Year 2	\$30,000	\$73,350	22% (up to \$103,350 single)
Year 3	\$30,000	\$73,350	22% (up to \$103,350 single)
Year 4	\$30,000	\$73,350	22% (up to \$103,350 single)
Year 5	\$30,000	\$73,350	22% (up to \$103,350 single)

In this example, by converting \$73,350 each year, a single filer with \$30,000 in other income stays within the 22% bracket, converting \$366,750 over five years while avoiding the 24% and higher brackets.

Roth Conversion and Medicare Premiums

Be aware that Roth conversion income counts as Modified Adjusted Gross Income (MAGI) for Medicare IRMAA surcharge purposes. Large conversions can temporarily increase your Medicare Part B and Part D premiums two years later. Factor this additional cost into your conversion analysis.

The Backdoor Roth

As discussed in Chapter 3, high-income earners who exceed Roth IRA contribution limits can use the backdoor Roth strategy: contribute to a non-deductible Traditional IRA, then convert to a Roth. Be mindful of the pro-rata rule if you have existing pre-tax IRA balances.

Mega Backdoor Roth

Some 401(k) plans allow after-tax contributions beyond the standard employee deferral limit. If your plan permits in-service withdrawals or in-plan Roth conversions of after-tax contributions, you can effectively contribute up to the total annual addition limit (\$70,000 projected for 2026 under age 50) and convert the after-tax portion to Roth. This strategy can accelerate Roth savings dramatically.

Not all 401(k) plans allow after-tax contributions or in-plan Roth conversions. Check with your plan administrator before attempting a mega backdoor Roth strategy.

Chapter 7: Retirement Income Sources

A well-structured retirement plan draws income from multiple sources, each with different tax treatment, reliability, and flexibility. Diversifying your income sources reduces risk and provides greater control over your tax situation.

Income Source Comparison

Income Source	Taxability	Reliability	Inflation Protection	Control
Social Security	Up to 85% taxable	Very High	COLA adjusted	Low (set by SSA)
Pension	Fully taxable	High	Varies (some have COLA)	Low (set by plan)
401(k)/Trad. IRA	Fully taxable	Moderate (market-dependent)	Depends on investments	High

Roth IRA	Tax-free	Moderate (market-dependent)	Depends on investments	High
Fixed Annuity	Partially taxable (exclusion ratio)	Very High	Limited	Low once annuitized
Rental Income	Taxable (with deductions)	Moderate	Generally keeps pace	Moderate
Part-Time Work	Fully taxable	Low (depends on ability)	Adjustable	High
HSA (for medical)	Tax-free for medical expenses	Moderate	Depends on investments	High

The Tax Diversification Strategy

Having income from different "tax buckets" gives you flexibility to manage your tax bracket each year:

- Tax-Deferred Bucket: Traditional 401(k), Traditional IRA — taxed as ordinary income on withdrawal.
- Tax-Free Bucket: Roth IRA, Roth 401(k), Health Savings Account — tax-free withdrawals.
- Taxable Bucket: Brokerage accounts, savings — taxed at capital gains rates (potentially lower than ordinary income rates).

Strategy: In any given year, you can "blend" withdrawals from different buckets to control your taxable income. For example, take enough from tax-deferred accounts to fill up lower tax brackets, then supplement with tax-free Roth withdrawals. This approach can significantly reduce your lifetime tax burden.

Building a Retirement Income Floor

A sound retirement income strategy starts with covering your essential expenses with guaranteed income sources — this is your "income floor." Discretionary expenses can then be funded by variable sources.

1. Calculate your essential monthly expenses (housing, food, utilities, insurance, healthcare, transportation).
2. Determine your guaranteed income (Social Security, pensions, annuities).
3. If guaranteed income does not cover essentials, consider an annuity or other guaranteed income product to fill the gap.
4. Fund discretionary spending (travel, entertainment, gifts) from investment portfolios.
5. Maintain an emergency reserve of 1-2 years of expenses in liquid, low-risk accounts.

The 4% Rule and Dynamic Withdrawal Strategies

The traditional "4% rule" suggests withdrawing 4% of your portfolio in the first year of retirement, then adjusting for inflation each subsequent year. While this is a useful starting point, modern retirement planning often employs more dynamic approaches:

- **Guardrail Strategy:** Increase withdrawals when the portfolio performs well; decrease when it declines.
- **Bucket Strategy:** Segment your portfolio into short-term (1-3 years in cash/bonds), medium-term (3-7 years in balanced), and long-term (7+ years in growth) buckets.
- **Floor-and-Ceiling:** Set a minimum withdrawal rate (e.g., 3.5%) and a maximum (e.g., 5.5%), adjusting within that range based on portfolio performance.
- **Required Minimum Distribution Method:** Use IRS RMD tables to determine annual withdrawals, which naturally increases the percentage as you age.

The best withdrawal strategy depends on your personal circumstances, including your total wealth, other income sources, risk tolerance, and legacy goals. Work with a financial advisor to develop a personalized withdrawal plan.

Chapter 8: Healthcare in Retirement

Healthcare is often the largest and most unpredictable expense in retirement. Understanding Medicare, supplemental insurance, and long-term care options is essential for protecting your retirement savings.

Medicare Overview

Medicare eligibility begins at age 65. You should enroll during your Initial Enrollment Period (3 months before your 65th birthday through 3 months after) to avoid late enrollment penalties.

Medicare Part	What It Covers	2026 Premium (Projected)	Key Notes
Part A (Hospital)	Inpatient hospital, skilled nursing, hospice	Most pay \$0 (paid through payroll taxes)	\$1,632 deductible per benefit period (projected)
Part B (Medical)	Doctor visits, outpatient, preventive	~\$185/month (standard)	20% coinsurance after deductible
Part C (Advantage)	Bundles A + B, often includes drugs/dental	Varies by plan (\$0 - \$200+)	Private insurance alternative to Original Medicare
Part D (Prescription)	Prescription drug coverage	~\$35-\$100+/month	

Coverage gap (donut hole)
closing under IRA

IRMAA Surcharges

If your Modified Adjusted Gross Income exceeds certain thresholds (based on your tax return from 2 years prior), you will pay higher Medicare Part B and Part D premiums. These Income-Related Monthly Adjustment Amounts (IRMAA) can significantly increase your healthcare costs.

MAGI (Single)	MAGI (MFJ)	Part B Monthly Surcharge
Up to \$106,000	Up to \$212,000	Standard premium (no surcharge)
\$106,001 - \$133,000	\$212,001 - \$266,000	+\$74.00/month (projected)
\$133,001 - \$167,000	\$266,001 - \$334,000	+\$185.00/month (projected)
\$167,001 - \$200,000	\$334,001 - \$400,000	+\$295.90/month (projected)
\$200,001 - \$500,000	\$400,001 - \$750,000	+\$406.90/month (projected)
Over \$500,000	Over \$750,000	+\$443.90/month (projected)

IRMAA Planning Tip: Roth conversions and other income-generating events can trigger IRMAA surcharges two years later. Plan your conversion amounts carefully to avoid jumping to a higher IRMAA bracket. A small increase in income near a threshold can cost thousands in additional Medicare premiums.

The Medicare Coverage Gap

If you retire before age 65, you will need to bridge the gap between employer health insurance and Medicare eligibility. Options include:

- COBRA: Continue employer coverage for up to 18 months (but you pay the full premium plus a 2% admin fee).
- ACA Marketplace: Purchase coverage through Healthcare.gov. Subsidies are available based on income — manage your income to qualify for premium tax credits.
- Spouse employer plan: If your spouse still works and has employer coverage, you may be eligible to join their plan.
- Health Sharing Ministries: Not insurance, but a cost-sharing arrangement (limited coverage, not regulated as insurance).

Health Savings Accounts (HSAs)

If you have a High Deductible Health Plan (HDHP) before age 65, maximize your HSA contributions. The HSA offers a unique triple tax advantage:

1. Tax-deductible contributions (\$4,300 individual / \$8,550 family for 2026 projected, plus \$1,000 catch-up for 55+).
2. Tax-free growth on investments within the account.
3. Tax-free withdrawals for qualified medical expenses — at any age, with no expiration.

HSA Super Strategy: Pay current medical expenses out of pocket, let your HSA invest and grow tax-free, then reimburse yourself years later (keep your receipts). There is no time limit on reimbursement. In retirement, HSA funds can be used tax-free for Medicare premiums (except Medigap), long-term care insurance premiums, and medical expenses.

Long-Term Care Planning

Approximately 70% of people turning 65 will need some form of long-term care. The average cost of a private nursing home room exceeds \$100,000 per year in many states. Long-term care is generally NOT covered by Medicare (which only covers short-term skilled nursing after a hospital stay). Planning options include:

- Traditional Long-Term Care Insurance: Standalone policies that cover nursing home, assisted living, and home care.
- Hybrid Life/LTC Policies: Life insurance policies with long-term care riders that provide benefits for either need.
- Self-Insuring: Setting aside dedicated assets for potential long-term care needs (typically for high-net-worth individuals).
- Medicaid Planning: For those with limited resources (requires spending down assets to qualify).

Chapter 9: Creating Your Retirement Plan

A retirement plan is not a one-time event — it is a living document that should be reviewed and updated regularly. Use the following framework and checklist to build and maintain your plan.

Step 1: Define Your Retirement Vision

- At what age do you want to retire?
- Where do you want to live? Will you downsize, relocate, or maintain your current home?

- What activities, travel, or hobbies do you want to pursue?
- Do you want to work part-time or start a business?
- What legacy do you want to leave for your family or charitable causes?

Step 2: Calculate Your Retirement Income Needs

1. List all current monthly expenses and project which will continue, increase, or decrease in retirement.
2. Add healthcare costs (Medicare premiums, supplemental insurance, out-of-pocket costs).
3. Factor in inflation (a common assumption is 3% annually).
4. Include one-time expenses (home repairs, vehicle replacement, travel bucket list).
5. Aim for 70-90% of your pre-retirement income as a starting target, then refine based on your specific vision.

Step 3: Inventory Your Resources

Resource	Current Value	Projected at Retirement	Annual Income
Social Security	—	—	\$ _____
Pension	—	—	\$ _____
401(k)/403(b)	\$ _____	\$ _____	\$ _____
Traditional IRA	\$ _____	\$ _____	\$ _____
Roth IRA	\$ _____	\$ _____	\$ _____
Taxable Investments	\$ _____	\$ _____	\$ _____
Rental Income	—	—	\$ _____
Other	\$ _____	\$ _____	\$ _____

Step 4: Stress-Test Your Plan

- What if the market drops 30% in your first year of retirement?
- What if inflation averages 4-5% instead of 3%?
- What if you or your spouse needs long-term care?
- What if you live to 95 or 100?
-

What if Social Security benefits are reduced?

- What if tax rates increase significantly?

Your Retirement Planning Checklist

Use this checklist to track your progress. Review and update at least annually.

1. Maximize employer 401(k) match — ensure you are contributing enough to get the full match.
2. Maximize IRA contributions — contribute the full \$7,000 (\$8,000 if 50+) to a Traditional or Roth IRA.
3. Review asset allocation — ensure your investments align with your time horizon and risk tolerance.
4. Evaluate Roth conversion opportunities — especially in low-income years or before RMDs begin.
5. Create a Social Security claiming strategy — run break-even analysis for you and your spouse.
6. Review beneficiary designations — on all retirement accounts, life insurance, and annuities.
7. Update estate planning documents — will, trust, powers of attorney, healthcare directives.
8. Evaluate healthcare coverage — plan for the gap before Medicare at 65 and understand IRMAA thresholds.
9. Consider long-term care insurance — evaluate hybrid life/LTC policies.
10. Build an emergency fund — maintain 1-2 years of expenses in liquid reserves.
11. Reduce or eliminate debt — aim to enter retirement with minimal debt obligations.
12. Consolidate old retirement accounts — simplify management and reduce fees.
13. Meet with your financial advisor — review your plan at least annually, more often during major life events.

Next Step: Schedule a complimentary retirement planning review with a BrightAdvisor® financial professional. We will help you assess your current situation, identify gaps, and build a personalized retirement income plan. Call (602) 497-0277 or visit brightadvisor.com to get started.

This guide is for educational purposes only and does not constitute financial, tax, or legal advice. Tax laws, contribution limits, and government programs are subject to change. The information in this guide reflects 2026 projected data and should be verified with current IRS publications and a qualified financial professional before making any financial decisions.