

T.RowePrice

Solving the Retirement Income Puzzle

From uncertainty to strategy

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Today we will discuss...



What we're **really** solving for



The **key** puzzle pieces



Tools to solve the retirement income puzzle

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What preretirees want to know

- When should I claim Social Security?
- Do I have enough money to retire?
- How much money will I need each year?
- How do I make my money last?

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Where confidence falls short

2/3

of preretirees don’t know how much to withdraw each month from their retirement savings

43%

of preretirees are unsure how to withdraw money from accounts tax-efficiently

Source: T. Rowe Price, 2023 Retirement Savings and Spending Study. Based on total workers age 50+ or retirees.

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Only

20%

of workers say they understand Social Security very well

Source: EBRI Retirement Confidence Survey, 2024.

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What is your focus?



Spending

Cash flow analysis planning

Social Security

Claiming strategies

Withdrawal strategy

Tax efficiency

Pop quiz

Which is important to **clients**?

All three.

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Retirement Income

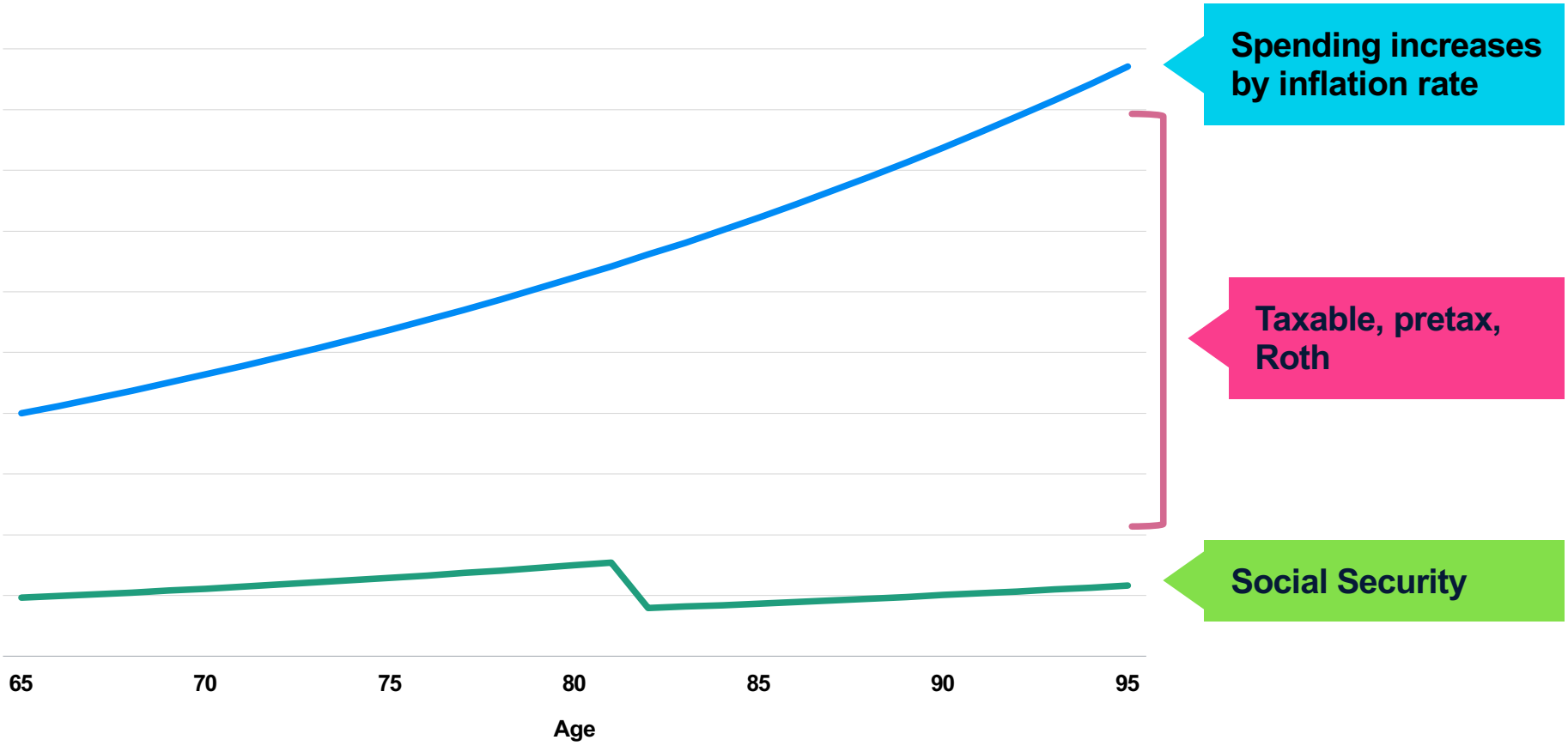
The key puzzle pieces

- Spending guidance
- Social Security strategies
- Withdrawal strategies



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“Conventional wisdom” gives us the answers

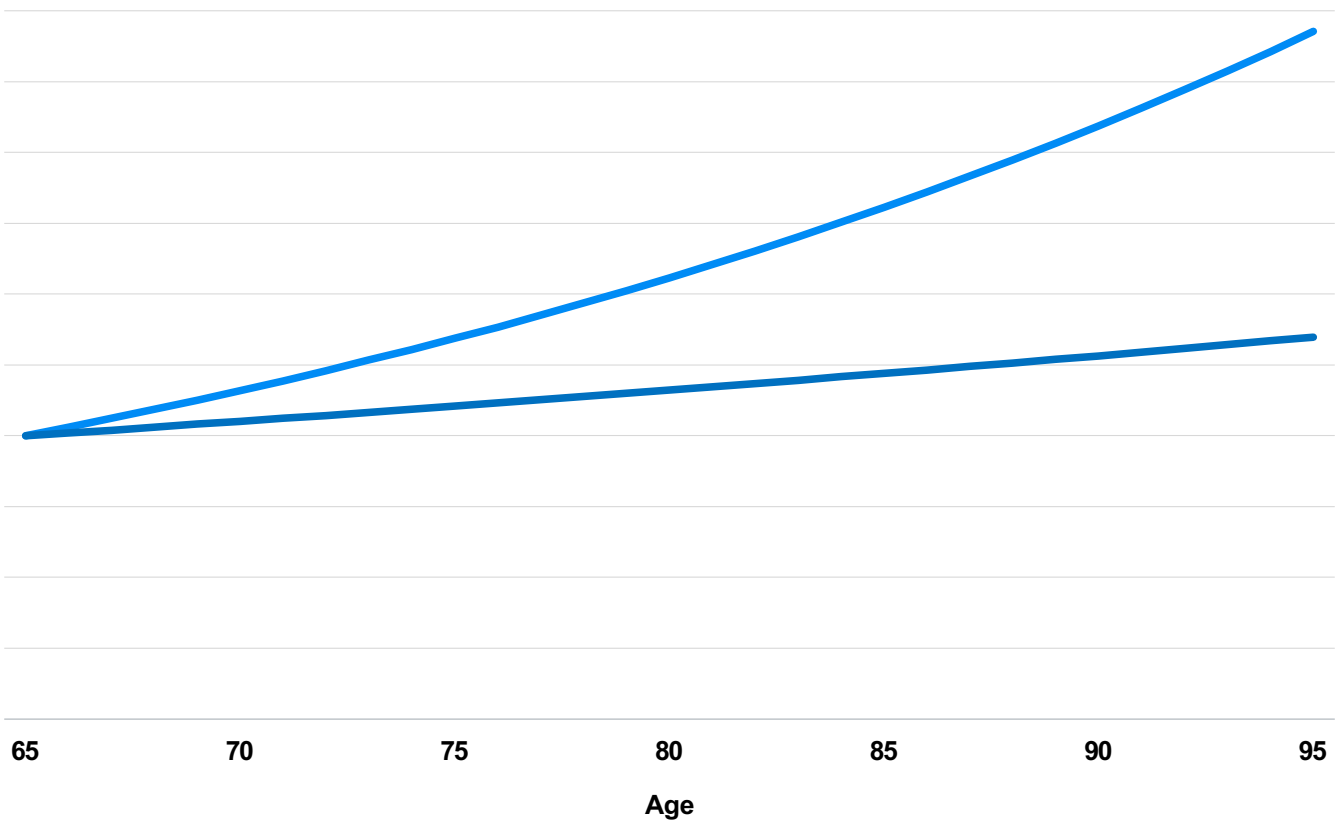


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The retirement spending reality



Conventional

Spending increases by inflation rate

The reality

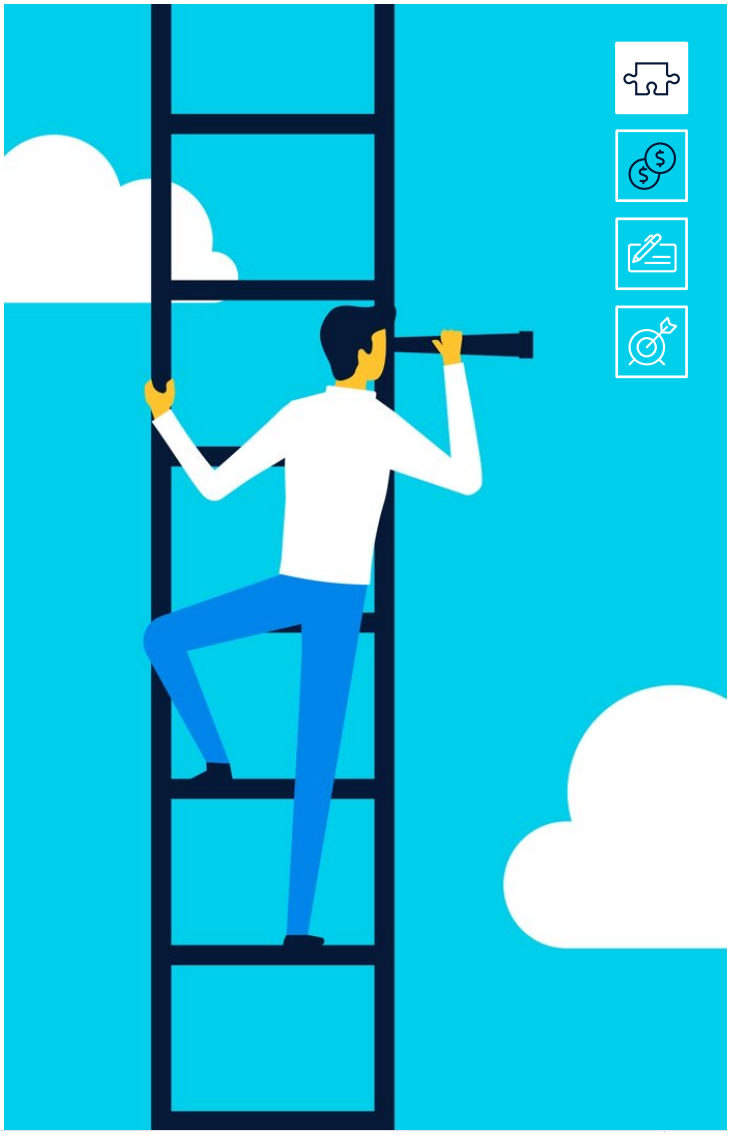
Spending increases by **2% less** than Conventional

Source: T. Rowe Price, "Planning for Spending Volatility in Retirement," Sudipto Banerjee, September 2024.

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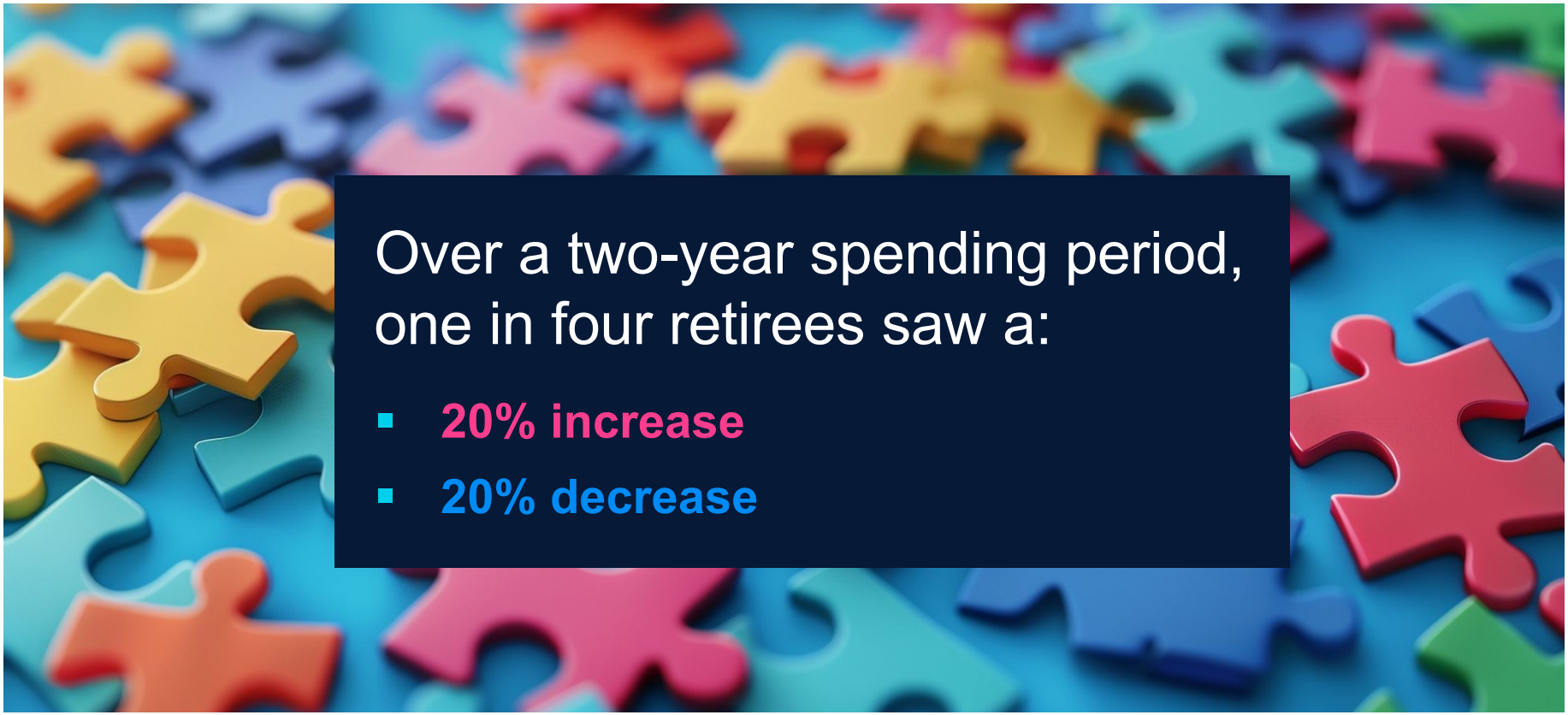
But no one is “average”

- Bucket list
- “Quiet” years
- “Average” years
- “Spiky” years
  - Helping kids/grandkids
  - Home repairs
  - Health care costs



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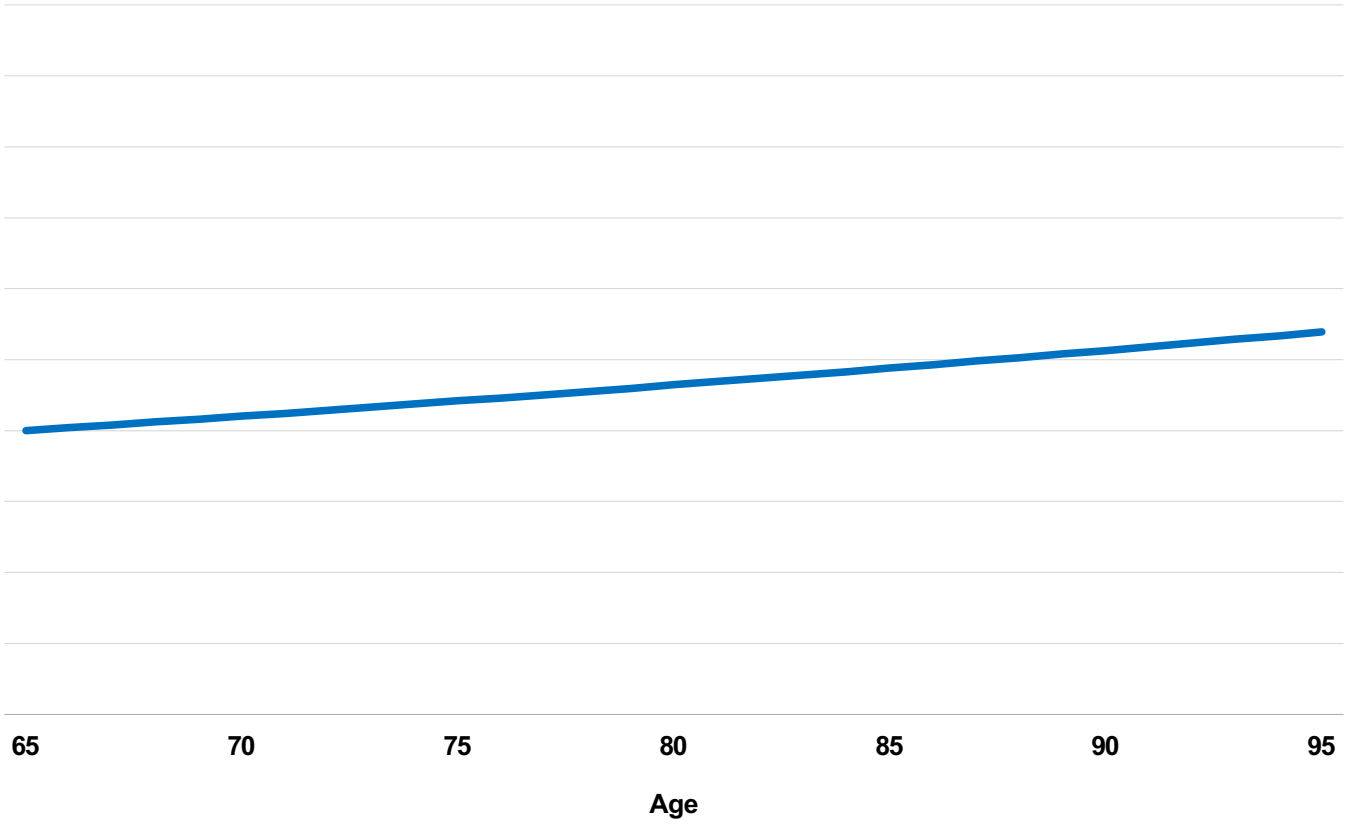
Spending isn't steady



Source: T. Rowe Price, "Planning for Spending Volatility in Retirement," Sudipto Banerjee (September 2024).

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Spending volatility happens



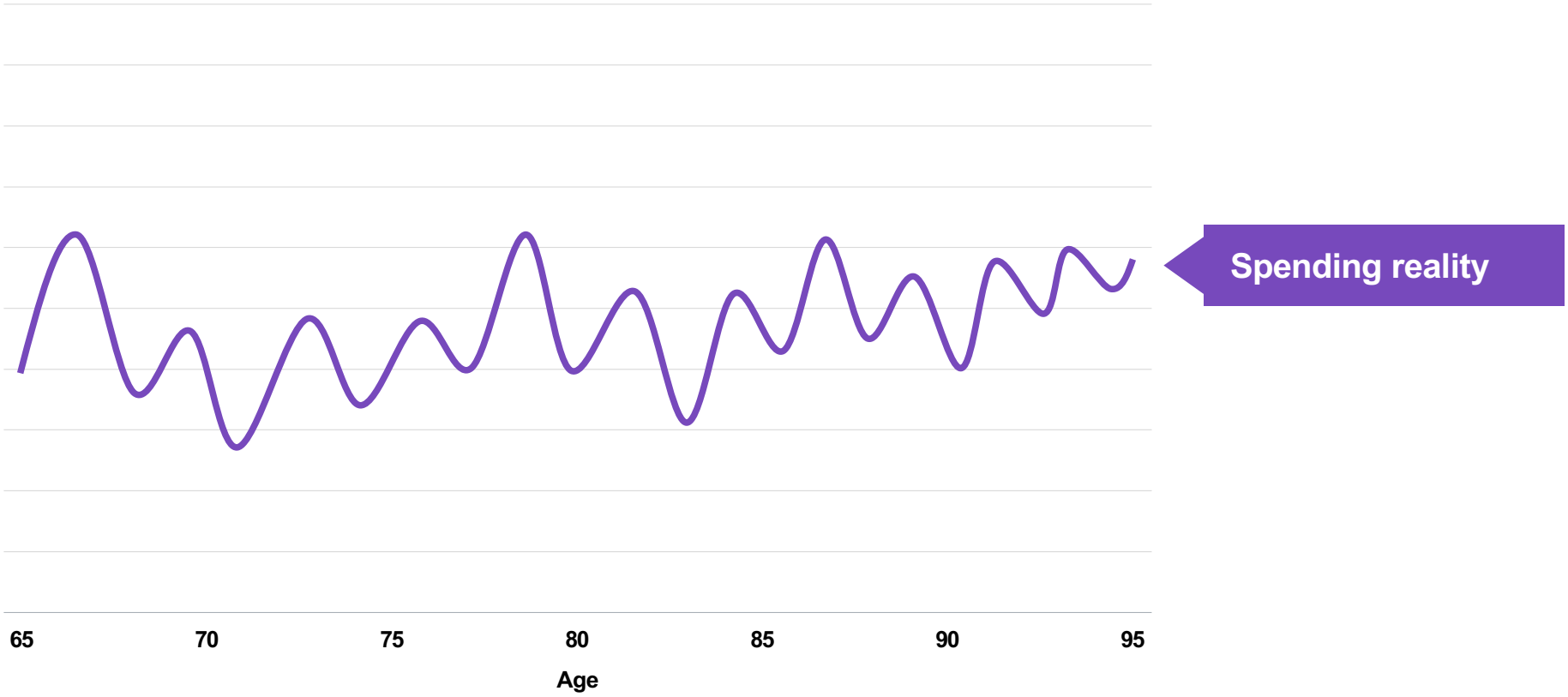
The reality

Spending increases by **2% less** than Conventional

Source: T. Rowe Price, “Planning for Spending Volatility in Retirement,” Sudipto Banerjee, September 2024.

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Spending volatility happens



Source: T. Rowe Price, “Planning for Spending Volatility in Retirement,” Sudipto Banerjee (September 2024).

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Real-life spending

Let’s meet Mike and Linda

Mike and Linda are approaching retirement and plan to meet with you to discuss a strategy to cover their expected spending needs.

They want to celebrate their retirement with a lavish vacation as well as fund their daughter’s wedding since she just got engaged. But they also have a few home repairs they need to address, too.



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The “4% rule” may be too conservative—clients can consider spending more

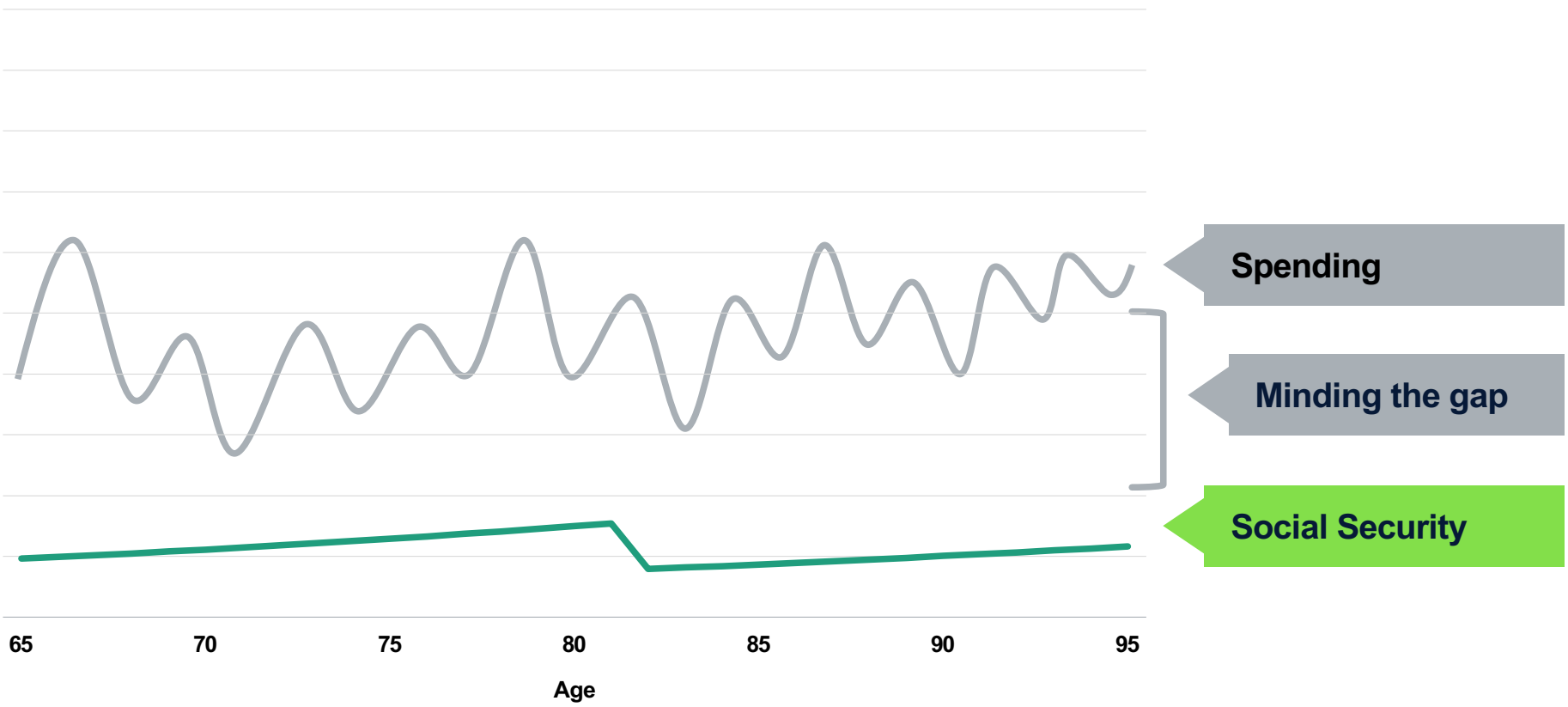


Higher initial spending at the beginning of retirement will likely moderate



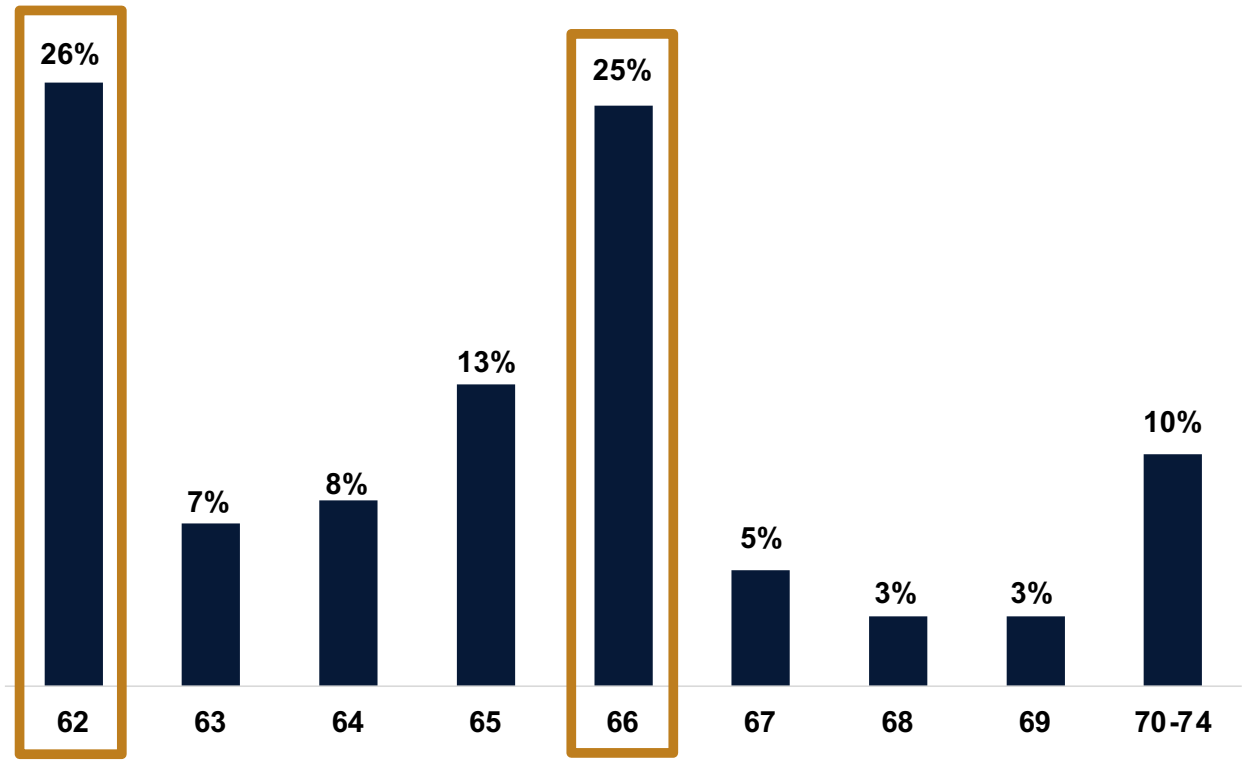
Cash flow analysis isn’t just adding an increase each year—expect volatility

Social Security



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When faced with complexity . . .



Source: Annual Statistical Supplement to the Social Security Bulletin (p.259), 2025.

Nearly

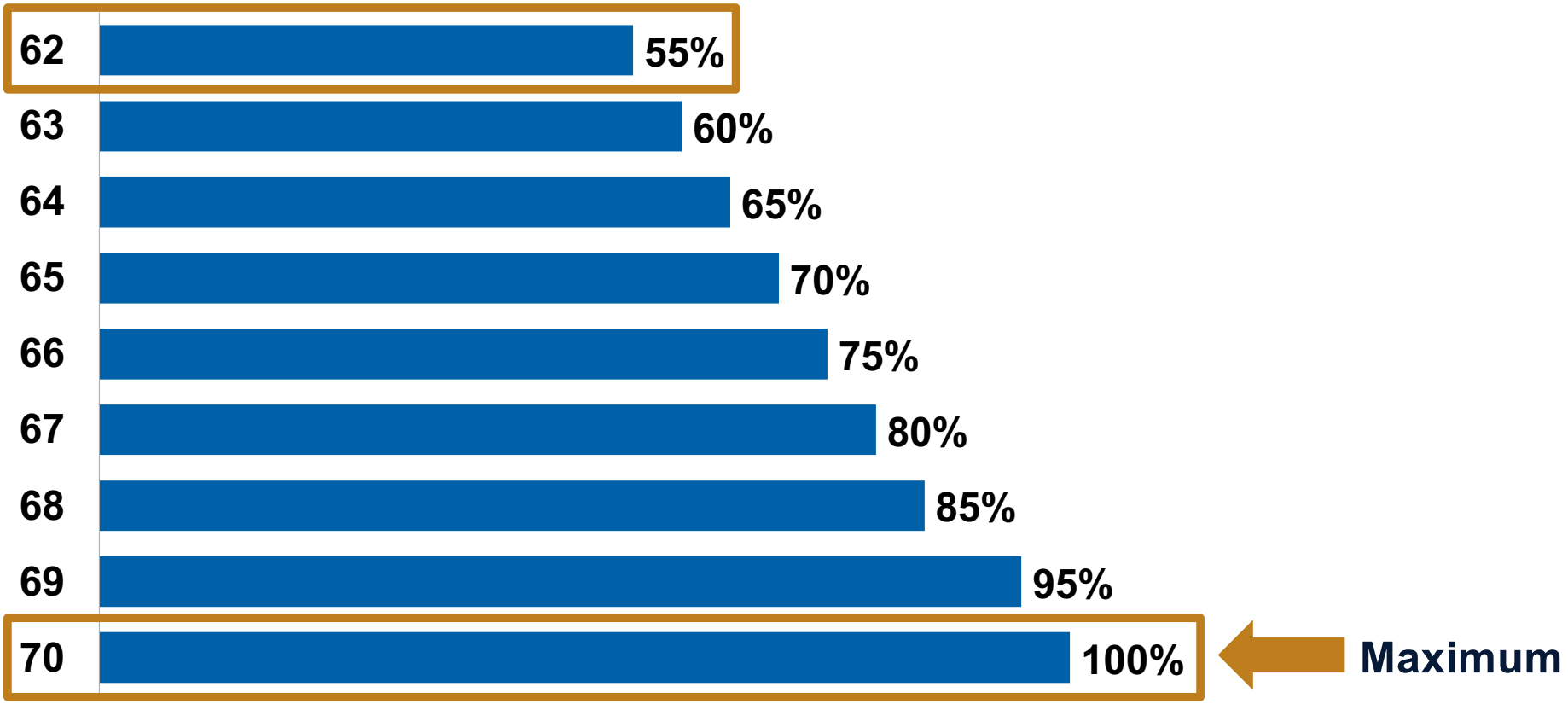
90%

of retirees claim **before age 70**

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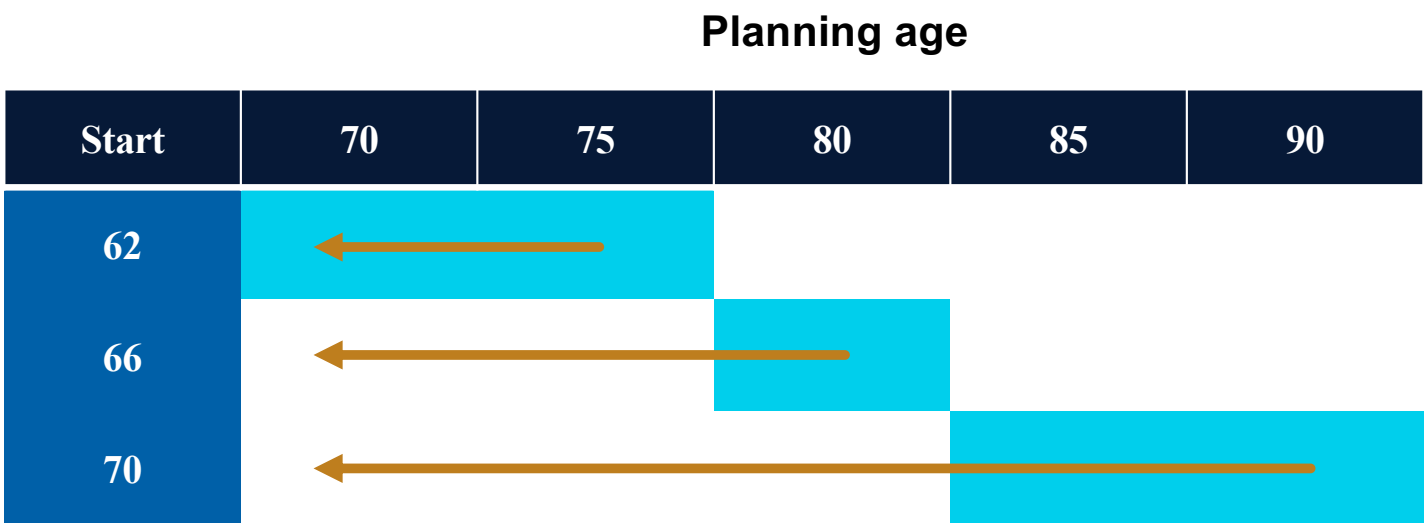
Starting age matters

Worker benefit: Percent of maximum



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Cumulative benefits



- Shorter life expectancy? **Claim early**
- Longer life expectancy? Wait until **age 70** to claim
- Somewhere in between? Claim between **62 and 70**

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Social Security

Claiming considerations

Mike has been the higher wage earner throughout their marriage. Unfortunately, though, he has a serious health condition that makes his life expectancy only about age 75.

Linda has the lower Social Security benefit and expects to live to age 85.

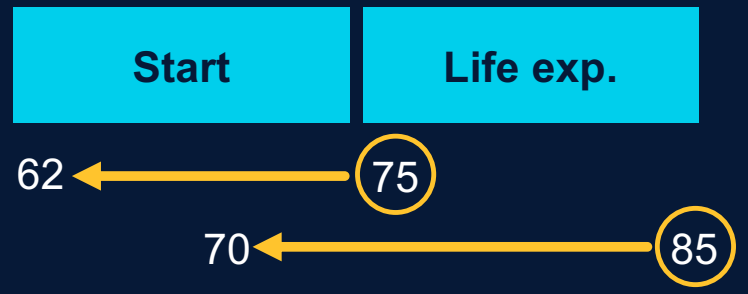
What should their Social Security strategy be?



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A closer look at coordinating benefits

- Mike: Larger benefit | Life expectancy is 75
- Linda: Smaller benefit | Life expectancy is 85



Mike dies

Mike's larger benefit

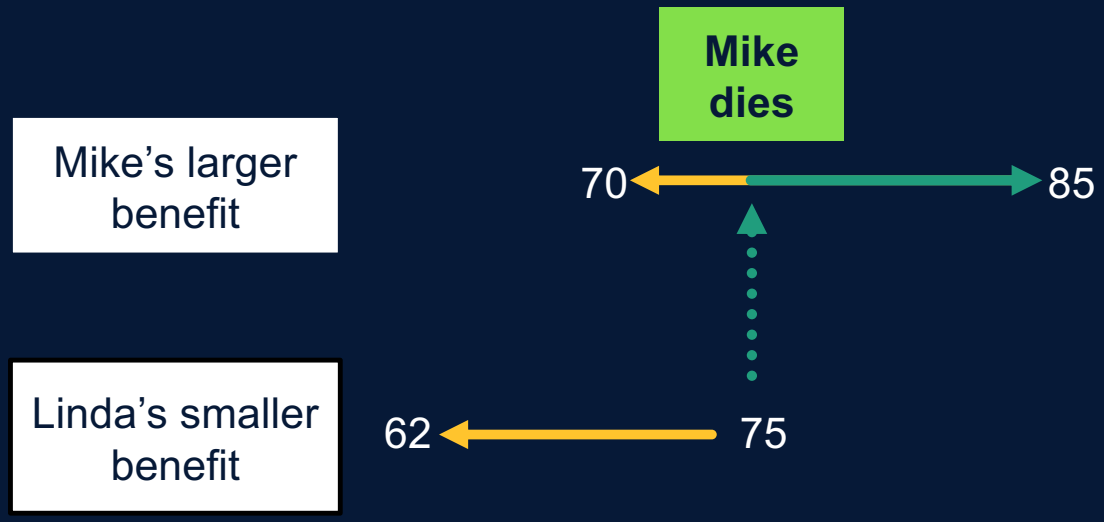
Linda's smaller benefit

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A closer look at coordinating benefits

- Mike: Larger benefit | Life expectancy is 75
- Linda: Smaller benefit | Life expectancy is 85

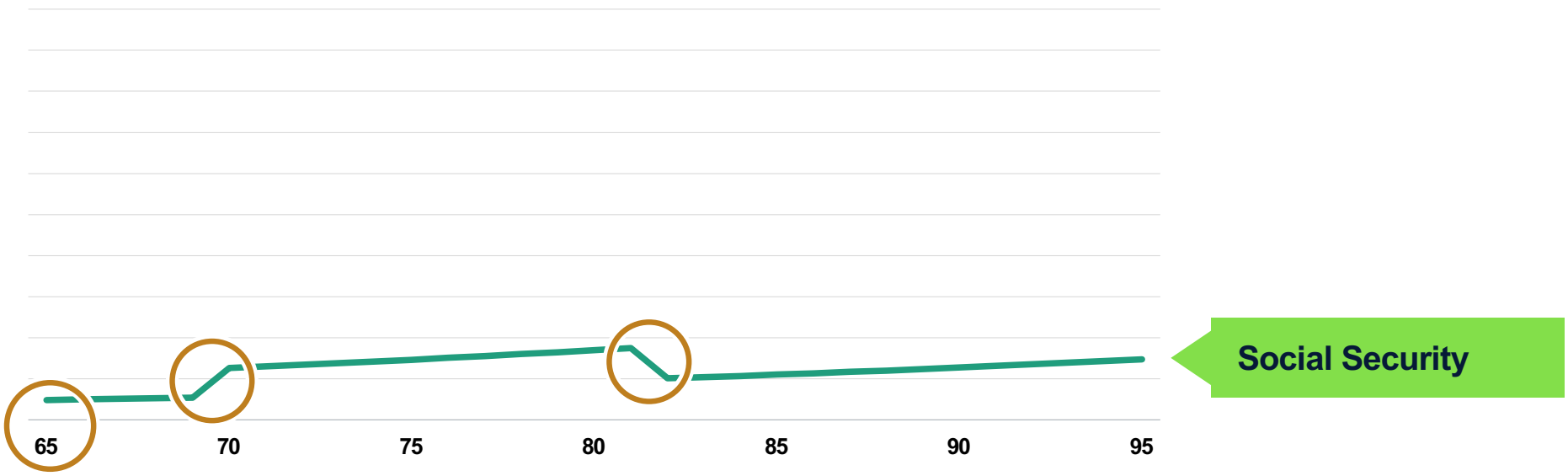
Start	Life exp.



The higher benefit will last as long as possible.

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Coordinating Social Security



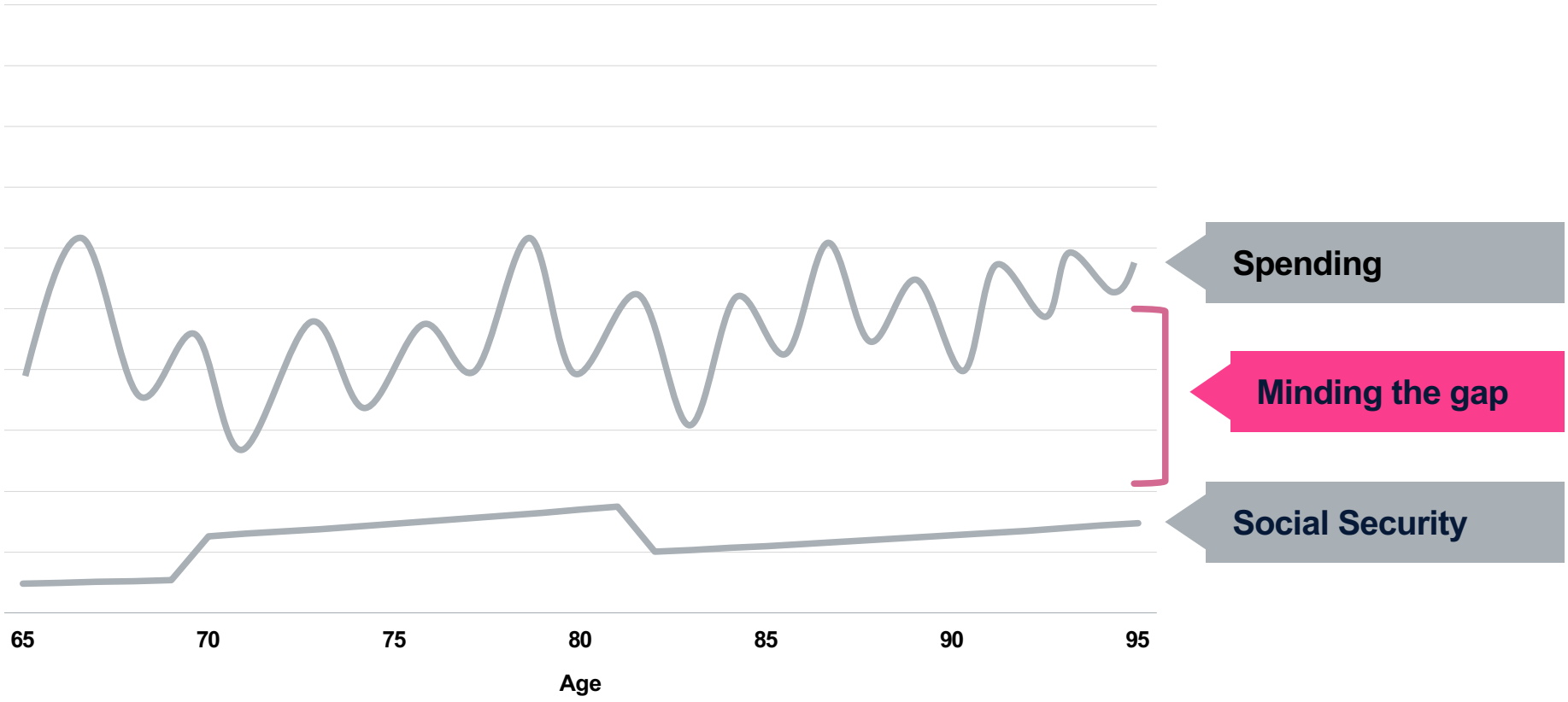
Example assumptions: Married couple, Spouse 1 begins Social Security at age 65, Spouse 2 begins at age 70, and Spouse 2 dies at 81.

TIP

Coordinate benefits to bring in the most for the household over the entire lifetime

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Minding the gap



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You keep using that word. I do not think it means what you think it means.

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TAXES

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Taxes: Ordinary income

Income Range		Ordinary Income*
Single	**Married**	
Up to $12,400	Up to $24,800	10%
$12,401 to $50,400	$24,801 to $100,800	12%
$50,401 to $105,700	$100,801 to $211,400	22%
$105,701 to $201,775	$211,401 to $403,550	24%
$201,776 to $256,225	$403,551 to $512,450	32%
$256,226 to $640,600	$512,451 to $768,700	35%
$640,601 or more	$768,701 or more	37%

When it comes to taxes, we all think of this…



*Internal Revenue Service (IRS) marginal ordinary income ranges and rates for 2026, based on taxable income.

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Taxes: Capital gains

Income Range		Ordinary Income	Long-Term Capital Gains*
Single	**Married**		
Up to $12,400	Up to $24,800	10%	0%
$12,401 to $49,450	$24,801 to $98,900	12%	0%
$49,451 to $50,400	$98,901 to $100,800	12%	15%
$50,401 to $105,700	$100,801 to $211,400	22%	15%
$105,701 to $201,775	$211,401 to $403,550	24%	15%
$201,776 to $256,225	$403,551 to $512,450	32%	15%
$256,226 to $533,400	$512,451 to $600,050	35%	15%
$533,401 to $640,600	$600,051 to $768,700	35%	20%
$640,601 or more	$768,701 or more	37%	20%

And maybe this…

*Long-term capital gain rates for 2026. Note: Net capital gains are taxed at different rates depending on overall taxable income. There are exceptions where capital gains may be taxed at rates greater than 20% due to net investment income.

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Taxes: Social Security

Income Range		Ordinary Income	Long-Term Capital Gains	Social Security*
Single	**Married**			
Up to $12,400	Up to $24,800	10%	0%	0%
$12,401 to $24,999	$24,801 to $31,999	12%	0%	0%
$25,000 to $34,000	$32,000 to $44,000	12%	0%	50%
$34,001 to $49,450	$44,001 to $98,900	12%	0%	85%
$49,451 to $50,400	$98,901 to $100,800	12%	15%	85%
$50,401 to $105,700	$100,801 to $211,400	22%	15%	85%
$105,701 to $201,775	$211,401 to $403,550	24%	15%	85%
$201,776 to $256,225	$403,551 to $512,450	32%	15%	85%
$256,226 to $533,400	$512,451 to $600,050	35%	15%	85%
$533,401 to $640,600	$600,051 to $768,700	35%	20%	85%
$640,601 or more	$768,701 or more	37%	20%	85%

*Percentages shown reflect the amount of Social Security subject to taxation for 2026 versus a taxation rate. Income is approximately defined based as half of Social Security benefits plus other Adjusted Gross Income.

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Taxes: Medicare IRMAA Part B premiums

Income Range		Ordinary Income	Long-Term Capital Gains	Social Security	Medicare Annual Premium Part B*
Single	Married				
Up to $12,400	Up to $24,800	10%	0%	0%	$2,435
$12,401 to $24,999	$24,801 to $31,999	12%	0%	0%	$2,435
$25,000 to $34,000	$32,000 to $44,000	12%	0%	50%	$2,435
$34,001 to $49,450	$44,001 to $98,900	12%	0%	85%	$2,435
$49,451 to $50,400	$98,901 to $100,800	12%	15%	85%	$2,435
$50,401 to $105,700	$100,801 to $211,400	22%	15%	85%	$2,435
$105,701 to $109,000	$211,401 to $218,000	24%	15%	85%	$2,435
$109,001 to $137,000	$218,001 to $274,000	24%	15%	85%	$3,409
$137,001 to $171,000	$274,001 to $342,000	24%	15%	85%	$4,870
$171,001 to $201,775	$342,001 to $403,550	24%	15%	85%	$6,330
$201,776 to $205,000	$403.551 to $410,000	32%	15%	85%	$6,330
$205,001 to $256,225	$410,001 to $512,450	32%	15%	85%	$7,790
$256,226 to $499,999	$512,451 to $613,700	35%	15%	85%	$7,790
$500,000 to $545,500	N/A	35%	15%	85%	$8,279
N/A	$613,701 to $750,000	35%	20%	85%	$7,790
$545,501 to $640,600	$750,001 to $768,700	35%	20%	85%	$8,279
$640,601 or more	$768,701 or more	37%	20%	85%	$8,279

*Annual Medicare premiums reflect the 2026 National Base Premium plus any Income-Related Monthly Adjustment Amount (IRMAA). Income ranges are defined based on a modified Adjusted Gross Income calculation on a two-year lag (2024 income for 2026 premiums).

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Taxes: Medicare IRMAA Part D premiums

Income Range		Ordinary Income	Long-Term Capital Gains	Social Security	Medicare Annual Premium	
Single	Married				Part B	Part D*
Up to $12,400	Up to $24,800	10%	0%	0%	$2,435	$468
$12,401 to $24,999	$24,801 to $31,999	12%	0%	0%	$2,435	$468
$25,000 to $34,000	$32,000 to $44,000	12%	0%	50%	$2,435	$468
$34,001 to $49,450	$44,001 to $98,900	12%	0%	85%	$2,435	$468
$49,451 to $50,400	$98,901 to $100,800	12%	15%	85%	$2,435	$468
$50,401 to $105,700	$100,801 to $211,400	22%	15%	85%	$2,435	$468
$105,701 to $109,000	$211,401 to $218,000	24%	15%	85%	$2,435	$468
$109,001 to $137,000	$218,001 to $274,000	24%	15%	85%	$3,409	$642
$137,001 to $171,000	$274,001 to $342,000	24%	15%	85%	$4,870	$918
$171,001 to $201,775	$342,001 to $403,550	24%	15%	85%	$6,330	$1,193
$201,776 to $205,000	$403.551 to $410,000	32%	15%	85%	$6,330	$1,193
$205,001 to $256,225	$410,001 to $512,450	32%	15%	85%	$7,790	$1,467
$256,226 to $499,999	$512,451 to $613,700	35%	15%	85%	$7,790	$1,467
$500,000 to $545,500	N/A	35%	15%	85%	$8,279	$1,560
N/A	$613,701 to $750,000	35%	20%	85%	$7,790	$1,467
$545,501 to $640,600	$750,001 to $768,700	35%	20%	85%	$8,279	$1,560
$640,601 or more	$768,701 or more	37%	20%	85%	$8,279	$1,560

*Annual Medicare premiums reflect the 2026 National Base Premium plus any Income-Related Monthly Adjustment Amount (IRMAA). Income ranges are defined based on a modified Adjusted Gross Income calculation on a two-year lag (2024 income for 2026 premiums).

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Beware bracket creep

Income Range		Ordinary Income	Long-Term Capital Gains	Social Security	Medicare Annual Premium	
Single	Married				Part B	Part D
Up to $12,400	Up to $24,800	10%	0%	0%	$2,435	$468
$12,401 to $24,999	$24,801 to $31,999	12%	0%	0%	$2,435	$468
$25,000 to $34,000	$32,000 to $44,000	12%	0%	50%	$2,435	$468
$34,001 to $49,450	$44,001 to $98,900	12%	0%	85%	$2,435	$468
$49,451 to $50,400	$98,901 to $100,800	12%	15%	85%	$2,435	$468
$50,401 to $105,700	$100,801 to $211,400	22%	15%	85%	$2,435	$468
$105,701 to $109,000	$211,401 to $218,000	24%	15%	85%	$2,435	$468
$109,001 to $137,000	**$218,001 to $274,000**	**24%**	15%	85%	**$3,409**	**$642**
$137,001 to $171,000	**$274,001 to $342,000**	**24%**	15%	85%	**$4,870**	**$918**
$171,001 to $201,775	$342,001 to $403,550	24%	15%	85%	$6,330	$1,193
$201,776 to $205,000	$403.551 to $410,000	32%	15%	85%	$6,330	$1,193
$205,001 to $256,225	$410,001 to $512,450	32%	15%	85%	$7,790	$1,467
$256,226 to $499,999	$512,451 to $613,700	35%	15%	85%	$7,790	$1,467
$500,000 to $545,500	N/A	35%	15%	85%	$8,279	$1,560
N/A	$613,701 to $750,000	35%	20%	85%	$7,790	$1,467
$545,501 to $640,600	$750,001 to $768,700	35%	20%	85%	$8,279	$1,560
$640,601 or more	$768,701 or more	37%	20%	85%	$8,279	$1,560

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Beware bracket creep

Income Range	Medicare Annual Premiums Part B + Part D
Married	
	$2,903
	$2,903
	$2,903
	$2,903
	$2,903
	$2,903
	$2,903
$218,001 to $274,000	$4,051
$274,001 to $342,000	$5,788
	$9,257
	$9,839
	$9,257
	$9,839
	$9,839

$1 can trigger another **$1,737** of premiums

(nearly $3,500 for a couple!)

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When a spouse dies…



Spending drops only moderately



The (now single) surviving spouse pays at the higher single tax rate

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From Married to Single

Income Range		Ordinary Income	Long-Term Capital Gains	Social Security	Medicare Annual Premium	
Single	Married				Part B	Part D
Up to $12,400	Up to $24,800	10%	0%	0%	$2,435	$468
$12,401 to $24,999	$24,801 to $31,999	12%	0%	0%	$2,435	$468
$25,000 to $34,000	$32,000 to $44,000	12%	0%	50%	$2,435	$468
$34,001 to $49,450	$44,001 to $98,900	12%	0%	85%	$2,435	$468
$49,451 to $50,400	$98,901 to $100,800	12%	15%	85%	$2,435	$468
$50,401 to $105,700	$100,801 to $211,400	22%	15%	85%	$2,435	$468
$105,701 to $109,000	$211,401 to $218,000	24%	15%	85%	$2,435	$468
$109,001 to $137,000	$218,001 to $274,000	24%	15%	85%	$3,409	$642
$137,001 to $171,000	$274,001 to $342,000	24%	15%	85%	$4,870	$918
$171,001 to $201,775	$342,001 to $403,550	24%	15%	85%	$6,330	$1,193
$201,776 to $205,000	$403,551 to $410,000	32%	15%	85%	$6,330	$1,193
$205,001 to $256,225	$410,001 to $512,450	32%	15%	85%	$7,790	$1,467
$256,226 to $499,999	$512,451 to $613,700	35%	15%	85%	$7,790	$1,467
$500,000 to $545,500	N/A	35%	15%	85%	$8,279	$1,560
N/A	$613,701 to $750,000	35%	20%	85%	$7,790	$1,467
$545,501 to $640,600	$750,001 to $768,700	35%	20%	85%	$8,279	$1,560
$640,601 or more	$768,701 or more	37%	20%	85%	$8,279	$1,560

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From Married to Single

Income Range		Ordinary Income	Medicare Annual Premiums Part B + Part D
Single	Married		
		10%	$2,903
		12%	$2,903
		12%	$2,903
		12%	$2,903
		12%	$2,903
		22%	$2,903
		24%	$2,903
$218,001 to $274,000		→ 24%	$4,051
$205,001 to $256,225		→ 32%	$9,257
		35%	$9,257
		35%	$9,839
		35%	$9,257
		35%	$9,839
		37%	$9,839

(That's **$5,206**!)

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Consider this...



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Strategies for reducing taxes

Today's focus…



What account to withdraw from



Roth conversions



Other strategies to consider:

- ✓ Asset location
- ✓ 529 accounts
- ✓ Charitable giving
- ✓ Heirs' tax rates

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What account to withdraw from



- If all income comes from pretax
  - No flexibility
  - Forced to withdraw increasingly more to cover increasingly **higher tax brackets**
- A powerful strategy
  - Fill the lower brackets
  - Use Roth to avoid “bracket creep”

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Roth conversion

- Why do a conversion?
  - Provide tax diversification
  - Manage “spiky” expenses (they happen)
- Compare current and future tax rates—taking **all taxes** into account





Convert…

- **Before RMDs begin**
- **While both spouses are alive**

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Be prepared for the unexpected



Opportunity

In lower spending years, withdraw extra and convert to Roth



Challenge

In higher spending years, use Roth to avoid bracket creep

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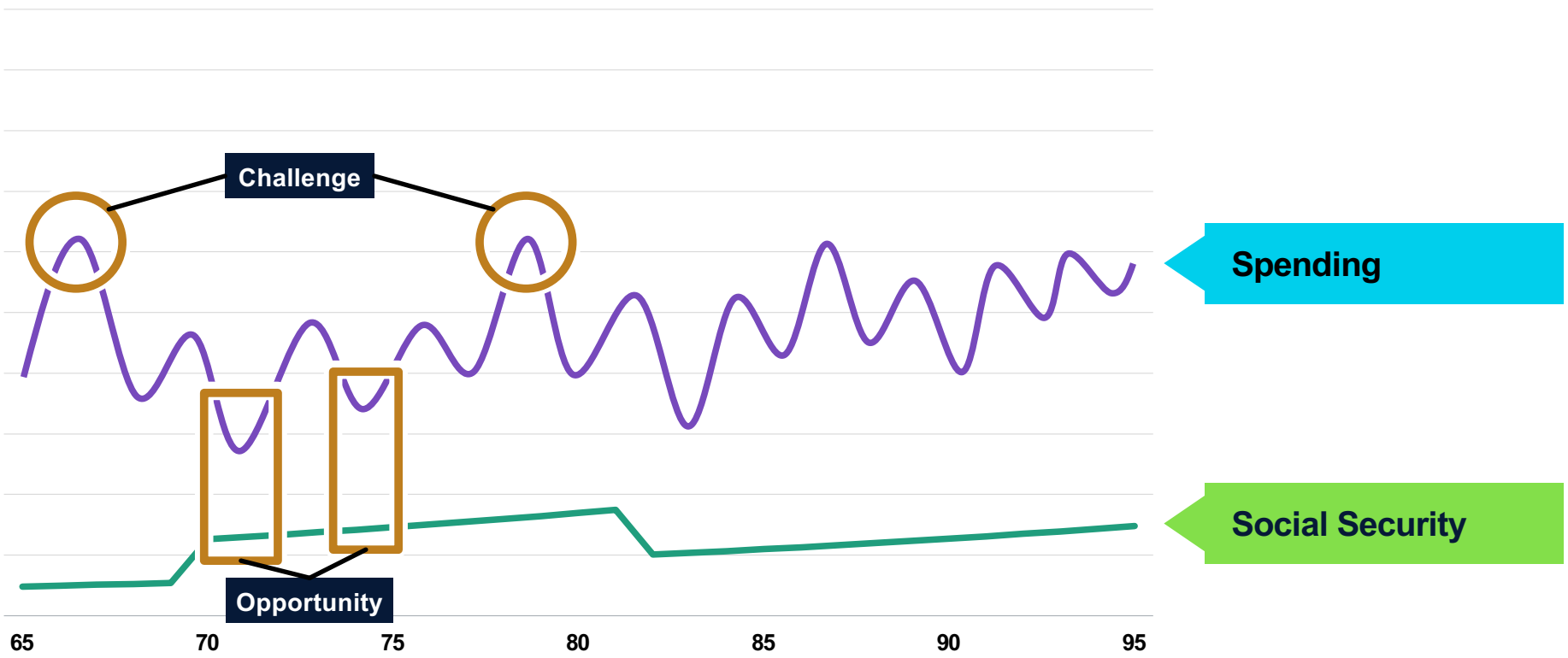


Investing for tax efficiency

- Vehicles
- Investments
- Withdraw/Rebalance

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Putting the pieces together



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Tools to solve the retirement income puzzle



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Put the pieces to work



Equip your practice



Engage your clients



Evaluate personalized strategies

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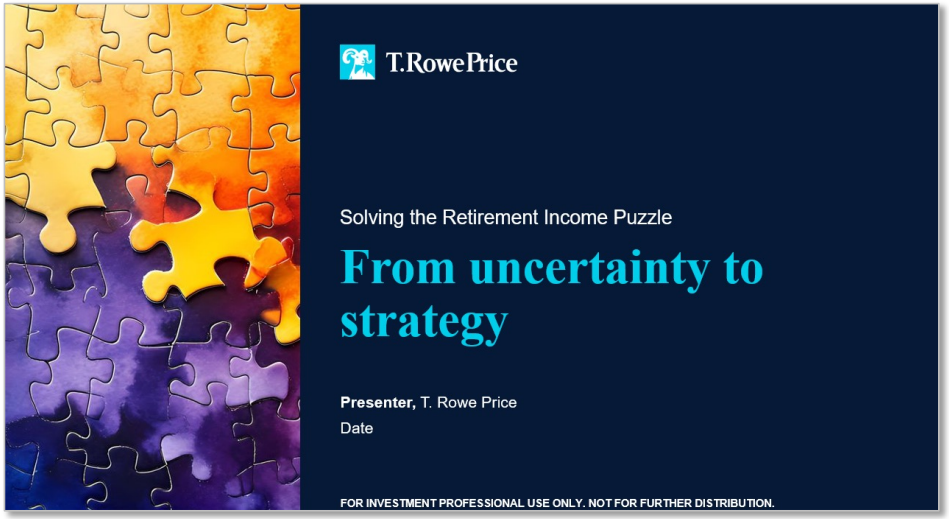
Equip your practice

Turn today's learnings into a repeatable retirement income planning conversation.

CE video replay



Today's presentation



Handouts



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Engage your clients

Client-ready tools that make the retirement income puzzle easier to understand—and easier to solve.

Client presentation



Articles



Workbook



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Solve the retirement income puzzle.

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Important information

This overview provides very simplified content and generic examples.

Retirement income planning is very complex. There are exceptions, limitations, and rules that may come into play based on very specific facts present in each person's unique situation.

Every person will have a different set of considerations affecting their retirement income strategy. Examples are designed to provide a foundational understanding of primary considerations when determining retirement income. It is critical that, before you take any action, you should consult a professional who can answer the specific questions related to your personal situation.

The content should not be considered or construed as advice. T. Rowe Price does not provide tax, legal, or financial advice; this presentation is for general education only.

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