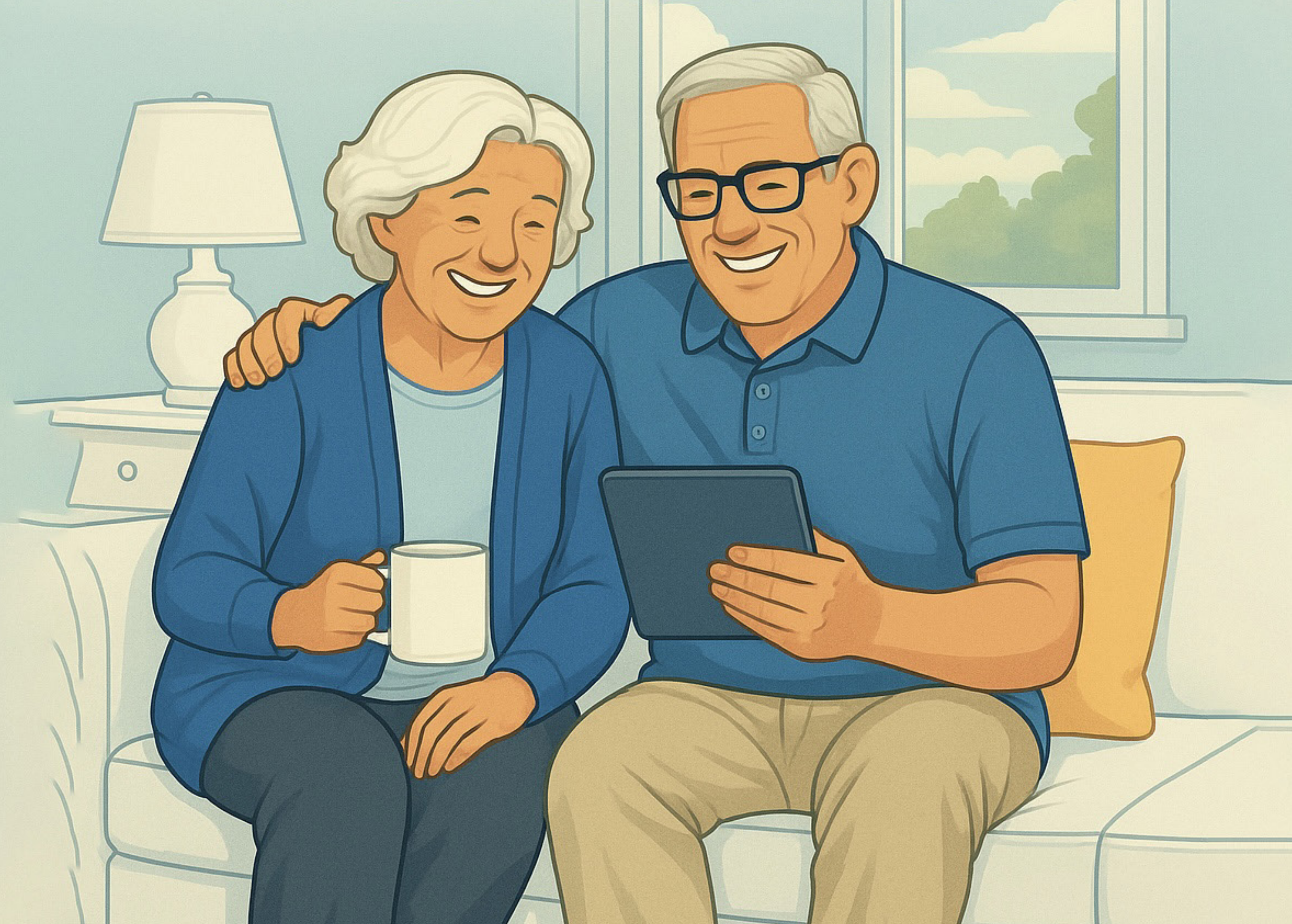
NOVADIUS
WEALTH MANAGEMENT

HIDDEN TAX SECRETS

THAT SAVE YOU THOUSANDS IN RETIREMENT



YOUR GUIDE TO KEEPING MORE OF WHAT YOU'VE EARNED

You've spent decades building your nest egg, carefully planning for the retirement you deserve. But there's one factor that could significantly reduce your hard-earned savings if overlooked: taxes.

The good news? With some smart planning, you can keep more money in your pocket and less in Uncle Sam's.

This guide will walk you through practical strategies that could save you thousands during your retirement years—all explained in clear, straightforward language.

CHAPTER 1

BUILDING A TAX-EFFICIENT RETIREMENT FOUNDATION

When most of us plan for retirement, we focus primarily on saving and investing. But tax planning deserves equal attention. Taxes can significantly erode your nest egg if not properly managed. By optimizing your tax strategy, you can extend the life of your savings and potentially save tens of thousands of dollars over the course of your retirement.

THE THREE TYPES OF RETIREMENT ACCOUNTS EVERY RETIREE SHOULD KNOW

1. "PAY LATER" APPROACH: TAX-DEFERRED ACCOUNTS

These include traditional 401(k)s, traditional IRAs, and similar retirement plans.

HOW THEY BENEFIT YOU:

- Your contributions reduce your taxable income now
- Your money grows tax-free and you pay taxes only when you withdrawal in retirement

Example: If you're in the 24% tax bracket and contribute $20,000 to your 401(k), you'll save $4,800 on this year's taxes. That's like getting an immediate 24% return on your investment!

2. "PAY NOW, ENJOY LATER" APPROACH: TAX-FREE ACCOUNTS

These include Roth IRAs and Health Savings Accounts (HSAs).

Roth IRAs benefit you:

- You contribute after-tax dollars (no immediate tax break)
- Your money grows and you can withdraw funds completely tax-free in retirement
- No required minimum distributions during your lifetime
- Making contributions to a Roth IRA is limited to earned income and only for people who have a Modified Adjusted Gross Income (AGI) under $246,000 (Married Filing Jointly) and 165,000 (Single) in 2025.
    - You can contribute up to $7,000 in 2025 (or $8,000 if over 50)

The HSA advantage: HSAs offer a unique triple tax benefit that many retirees overlook:

- **Tax-deductible** contributions
- **Tax-free** growth
- **Tax-free** withdrawals for qualified medical expenses

Pro tip: After age 65, you can use HSA funds for non-medical expenses without penalty (though you'll pay income tax, similar to an IRA). This flexibility makes HSAs a secret retirement planning weapon!

3. "PAY AS YOU GO" APPROACH: TAXABLE ACCOUNTS

These include your regular brokerage accounts and non-retirement investments.

How they work:

- No tax advantage on contributions
- You pay taxes annually on interest, dividends, and realized gains
- More flexible access to your money without age restrictions

UNDERSTANDING THE TAX IMPACT OF DIFFERENT INCOME SOURCES

SOCIAL SECURITY BENEFITS

- Depending on your tax bracket, up to 85% of your Social Security benefits may be taxable, depending on your combined income
- Strategic withdrawals from tax-free accounts can reduce taxable Social Security benefits

PENSION INCOME

- Pension payouts are generally taxed as ordinary income
- Planning your withdrawal strategy can prevent unnecessary tax spikes

INVESTMENT INCOME

- Includes interest, dividends, and capital gains
- Long-term capital gains (assets held for more than a year before selling) are typically taxed at lower rates, while short-term gains are taxed as ordinary income

REQUIRED MINIMUM DISTRIBUTIONS (RMDS)

- Starting at age 73, RMDs are mandatory for tax-deferred accounts.
- Failure to withdraw the required amount results in a 25% penalty on the undistributed amount
- ***Something to watch:*** Without proper planning, these forced withdrawals could push you into a higher tax bracket.

COMMON TAX MISTAKES THAT COULD COST YOU THOUSANDS

MISTAKE 1 - WITHDRAWING FROM TAX-DEFERRED ACCOUNTS FIRST

Better approach: Consider withdrawing first from taxable accounts to let your tax-advantaged accounts continue growing.

MISTAKE 2 - IGNORING ROTH CONVERSION OPPORTUNITIES

Better approach: During lower-income years, converting some traditional IRA funds to Roth can save significant taxes later.

MISTAKE 3 - BEING SURPRISED BY REQUIRED MINIMUM DISTRIBUTIONS (RMDS)

Better approach: Plan for RMDs well before age 73 to prevent unwanted tax bracket jumps.

MISTAKE 4 - MISSING TAX CREDIT OPPORTUNITIES

Better approach: Stay informed about credits for older Americans, including the Saver's Credit and various state programs.

MISTAKE 5 - Not Timing Capital Gains Properly

Selling investments during high-income years can lead to higher capital gains taxes.

CHAPTER 2

TAX BREAKS YOU MIGHT BE MISSING

Many retirees leave thousands of dollars on the table by overlooking valuable deductions and credits. Let's make sure you're not one of them!

MEDICAL EXPENSE DEDUCTIONS: A SIGNIFICANT OPPORTUNITY

As we age, healthcare costs often increase. The good news is the IRS allows you to deduct unreimbursed medical expenses that exceed 7.5% of your **Adjusted Gross Income (AGI).** This is an itemized deduction and you get to take the greater of the standard deduction or itemized deductions (so even if your medical expenses exceed 7.5% of AGI, you may still take the standard deduction).

EXPENSES YOU CAN DEDUCT (must have all proper proof and documentation):

- Health insurance premiums, including Medicare
- Long-term care insurance premiums (up to certain limits)
- Out-of-pocket costs for medical care
- Prescription medications
- Dental work and dentures
- Vision care including glasses and contacts
- Hearing aids and batteries
- Transportation to medical appointments (must keep all receipts and a mileage log)
    - o By personal car (21¢ per mile in 2025)
    - o Public transportation costs
    - o Parking fees and tolls
- Payments for hospital care, surgeries, and medical procedures

HOME MODIFICATIONS YOU MIGHT NOT KNOW ARE DEDUCTIBLE:

If you've modified your home for medical reasons, you may be able to deduct these costs:

- Wheelchair ramps and wider doorways
- Bathroom grab bars and accessibility features
- Modifying or adding stairlifts and elevators.
- Lowering cabinets or countertops for accessibility

Example: Margaret, age 68, had adjusted gross income of $60,000 and $10,000 in unreimbursed medical expenses. Since 7.5% of her AGI is $4,500, she could deduct the remaining $5,500 of her unreimbursed medical expenses. At her 22% tax bracket, this saved her $1,210 in federal taxes!

CHARITABLE GIVING: DO GOOD AND SAVE ON TAXES

Charitable giving helps to benefit charity causes you care about while potentially lowering your tax bill.

REQUIREMENTS:

- To be eligible, donations must be made to **a qualified 501(c)(3) organization.**
- **You must maintain records of your contributions,** including receipts and acknowledgment letters from the charity if the donation exceeds $250.

STRATEGIC GIVING OPTIONS YOU SHOULD CONSIDER:

- **Cash donations:** Simple but not always the most tax-efficient
- **Appreciated securities:** Donate stocks or funds you've held over a year to avoid capital gains taxes
- **Real Estate:** Transferring ownership of real estate to a charity can eliminate capital gains and provide a charitable deduction
- **Qualified Charitable Distributions (QCDs):** If you're over 70½, you can donate up to $100,000 directly from your IRA to charity each year. These donations count toward your RMDs but aren't added to your taxable income!

Example: John, age 72, has a required minimum distribution of $20,000 this year. Instead of taking it as income, he directs $15,000 to his favorite charity as a QCD. This reduces his taxable income by $15,000, potentially saving him thousands in taxes. Plus, he only needs to withdraw the remaining $5,000 as his taxable RMD.

Clever "bunching" strategy: Consider "bunching" multiple years of donations into a single year to exceed the standard deduction threshold. This allows you to itemize deductions in the bunched year and take the standard deduction in other years.

THE HOME OFFICE DEDUCTION FOR SEMI-RETIREES

If you're semi-retired and running a business from home, don't overlook this valuable deduction.

REQUIREMENTS:

- This deduction is only available if you are **self-employed**. Employees working from home do not qualify as of the 2017 Tax Cuts and Jobs Act
- Keep detailed records of all business-related expenses, including receipts and bills.
- The space must be used regularly and exclusively for business
- It must be your principal place of business or where you regularly meet clients

What you can deduct: A portion of your mortgage interest, property taxes, utilities, insurance, repairs, and maintenance based on the percentage of your home used for business.

Simplified option: Deduct **$5 per square foot** of office space (**up to 300 square feet**) without complex calculations.

THE SAVER'S CREDIT: FREE MONEY FOR RETIREMENT CONTRIBUTIONS

The Retirement Savings Contributions Credit (Saver's Credit) rewards lower and moderate-income taxpayers for contributing to retirement plans such as:

- 401(k) Plans
- Traditional or Roth IRAs
- 403(b) Plans
- 457 Plans
- SIMPLE and SEP IRAs

How it works: Depending on your **Adjusted Gross Income (AGI)**, you could receive a tax credit of 10%, 20%, or 50% of your retirement plan contributions up to $2,000 ($4,000 if married filing jointly).

2024 income limits for the 50% credit:

- Married filing jointly: Up to $47,500
- Head of household: Up to $35,625
- All other filers: Up to $23,750

Example: Tom and Amy, both 55, contributed $2,000 each to their IRAs. With an adjusted gross income of $45,000, they qualify for the 50% credit. Their tax credit is $2,000 (50% of their $4,000 combined contribution), directly reducing their tax bill by that amount!

EDUCATION TAX CREDITS

Continuing education during retirement can be both fulfilling and financially beneficial. The primary education tax credits include the **Lifetime Learning Credit (LLC)** and the **American Opportunity Credit (AOC)**. You cannot claim either credit if your **Modified Adjusted Gross Income (MAGI)** exceeds $90,000 (single) or $180,000 (married filing jointly).

STATE-SPECIFIC TAX BREAKS FOR SENIORS

Many states offer special tax breaks for seniors that can significantly reduce your tax burden:

- **Property tax relief programs** in states Missouri, Kansas, Iowa and Nebraska to name a few
- **Income tax exemptions** for retirement income in states like Illinois and Mississippi
- **Homestead exemptions** in Florida, Texas, and many other states
- **Other Tax credits** specifically for senior citizens

Recommendation: Visit your state's tax department website or consult with a local tax professional to identify all the state-specific breaks you qualify for.

CHAPTER 3

SMART STRATEGIES TO REDUCE CAPITAL GAINS TAXES

When you sell investments at a profit, capital gains taxes can take a significant bite out of your returns. Here's how to minimize their impact.

UNDERSTANDING CAPITAL GAINS TAX RATES

SHORT-TERM CAPITAL GAINS (assets held one year or less):

- Taxed at your ordinary income rate, which could be as high as 37%

LONG-TERM CAPITAL GAINS (assets held more than one year):

- Taxed at preferential rates: 0%, 15%, or 20% depending on your income
- For many retirees with moderate income, the rate may be just 15% or even 0%!

5 KEY STRATEGIES TO MINIMIZE CAPITAL GAINS TAXES

1. TAX-LOSS HARVESTING: BALANCE GAINS WITH LOSSES

This involves selling investments that have declined in value to offset gains from other investments

How it works:

- Sell underperforming investments to realize the loss
- Use these losses to offset capital gains from other investments
- If losses exceed gains, you can deduct up to $3,000 against ordinary income
- Carry forward any additional losses to future tax years

Example: Susan has $10,000 in gains from selling one investment but $15,000 in losses from selling another. She can completely offset her $10,000 gain, use $3,000 of the remaining loss against her ordinary income, and carry forward $2,000 to next year!

2. HOLD INVESTMENTS LONGER THAN ONE YEAR: PATIENCE PAYS OFF

Simply holding investments for more than 12 months can significantly reduce your tax bill.

Example: If you're in the 24% tax bracket and sell an investment with a $20,000 gain after 11 months, you'll owe $4,800 in taxes. But if you wait just one more month (holding it for over a year), your long-term capital gains rate might be only 15%, reducing your tax to $3,000—a $1,800 savings just for waiting!

5 KEY STRATEGIES TO MINIMIZE CAPITAL GAINS TAXES (CONTINUED)

3. TIME YOUR INCOME STRATEGICALLY: THE 0% CAPITAL GAINS OPPORTUNITY

If your income is low enough in certain years, you may qualify for the 0% long-term capital gains rate!

2024 INCOME THRESHOLDS FOR 0% CAPITAL GAINS RATE:

- Single: Up to $48,350
- Married filing jointly: Up to $96,700
- Head of household: Up to $64,750

Example: David and Lisa, newly retired at 62, have taxable income of $70,000. Since this is below the $96,700 threshold for married couples, they could realize up to $26,700 in long-term capital gains and pay zero federal tax on those gains!

4. DONATE APPRECIATED ASSETS TO CHARITY: DOUBLE TAX BENEFIT

When you donate appreciated stocks or funds directly to charity, you avoid paying capital gains tax and get a deduction for the full market value.

Example: Instead of donating $10,000 in cash to charity, Margaret donates $10,000 in stock that she purchased years ago for $4,000. She avoids paying capital gains tax on the $6,000 appreciation (saving about $900 in taxes) while still receiving a charitable deduction for the full $10,000 value!

5. 1031 EXCHANGES FOR REAL ESTATE: DEFER TAXES WHILE UPGRADING PROPERTIES

If you own investment property, a 1031 exchange allows you to defer capital gains taxes by rolling the proceeds from the sale into another "like-kind" property.

KEY REQUIREMENTS:

- Identify replacement property within 45 days of selling
- Complete the purchase within 180 days
- Use a qualified intermediary to handle the funds

Example: Robert sells a rental property for $500,000 that he purchased for $300,000. Rather than paying tax on the $200,000 gain, he uses a 1031 exchange to purchase a new investment property, deferring all capital gains taxes until he eventually sells without exchanging.

CHAPTER 4

STRATEGIC WITHDRAWAL STRATEGIES

How and when you withdraw from your retirement accounts can significantly impact your tax bill.

THE SMART WITHDRAWAL SEQUENCE

For most retirees, this sequence minimizes lifetime taxes:

1. START WITH TAXABLE ACCOUNTS

- Withdrawing from brokerage accounts first allows your tax-advantaged accounts to continue growing
- You'll only pay taxes on the gains, not the principal
- Long-term investments benefit from lower capital gains rates

2. MOVE TO TAX-DEFERRED ACCOUNTS

- Once taxable accounts are depleted, move to traditional IRAs and 401(k)s
- Consider withdrawing from these accounts even before RMDs if you're in a low tax bracket
- This can reduce the size of future RMDs that might push you into higher tax brackets

3. TAP TAX-FREE ACCOUNTS LAST

- Leave Roth IRAs until last since they grow tax-free with no RMDs
- These accounts are also valuable for passing tax-free assets to heirs

The Bridge Strategy: If you retire before claiming Social Security, consider using tax-deferred accounts to "bridge" the gap. This allows you to delay Social Security (increasing your lifetime benefit) while potentially reducing future RMDs.

MANAGING REQUIRED MINIMUM DISTRIBUTIONS (RMDS)

Starting at age 73, you must begin taking RMDs from most retirement accounts. Being proactive can save you thousands. RMD's for people with a birth year after 1959 do not have to take an RMD until 75.

STRATEGIES TO MINIMIZE RMD IMPACT:

- Convert portions of traditional IRAs to Roth IRAs before age 73
- Use Qualified Charitable Distributions (QCDs) to satisfy RMD requirements without increasing taxable income
- Consider a Qualified Longevity Annuity Contract (QLAC), which allows you to defer RMDs on up to $200,000 until as late as age 85

Example: Martha has $1 million in her traditional IRA at age 65. Without any planning, her first RMD at age 73 would be over $40,000, potentially pushing her into a higher tax bracket. Instead, she converts $50,000 to a Roth IRA each year from age 65-72, reducing her traditional IRA balance and future RMDs while paying taxes at her current lower rate.

TAX BRACKET MANAGEMENT: THE ART OF FILLING LOW BRACKETS

One of the most powerful tax planning strategies is managing which tax brackets you fall into each year.

How it works:

- Aim to "fill up" lower tax brackets each year without jumping into higher brackets
- If your income is unusually low in certain years, consider Roth conversions to "use up" the lower brackets
- If your income is unusually high, consider deferring additional income if possible

Example: James and Ellen typically have $60,000 in taxable income, placing them in the 12% federal tax bracket (which goes up to $ $96,950 for married couples in 2025). They could convert up to $36,950 from their traditional IRA to a Roth IRA, paying only 12% tax instead of potentially higher rates later.

CHAPTER 5

KEEPING SOCIAL SECURITY BENEFITS TAX-FREE

Did you know that up to 85% of your Social Security benefits could be subject to federal income tax? Here's how to keep more of those benefits tax-free.

HOW SOCIAL SECURITY BENEFITS ARE TAXED

The portion of your benefits subject to tax depends on your "combined income":

Combined income = Adjusted Gross Income + Non-taxable Interest + 50% of Social Security Benefits

FOR MARRIED COUPLES FILING JOINTLY:

- Combined income between $32,000-$44,000: Up to 50% of benefits taxable
- Combined income over $44,000: Up to 85% of benefits taxable

FOR SINGLE FILERS:

- Combined income between $25,000-$34,000: Up to 50% of benefits taxable
- Combined income over $34,000: Up to 85% of benefits taxable

STRATEGIES TO REDUCE SOCIAL SECURITY TAXATION

1. MANAGE YOUR OVERALL INCOME SOURCES

- Draw from Roth accounts instead of traditional IRAs when possible
- Consider tax-free municipal bonds for investment income
- Avoid large retirement account withdrawals that could trigger higher Social Security taxation

2. TIME YOUR SOCIAL SECURITY BENEFITS

- Consider delaying benefits until age 70 if possible
- This increases your monthly benefit amount while giving you more time for Roth conversions before benefits begin

3. BUNCH INCOME OR DEDUCTIONS

- If you need a large withdrawal, consider bunching the income in years when you have large deductible expenses
- This might keep your taxable income lower despite the withdrawal

Example: Carol needs to withdraw $30,000 from her IRA for a new car. She also plans to donate $15,000 to charity. By making the withdrawal and donation in the same year, she reduces the net impact on her taxable income, potentially keeping her Social Security benefits from becoming taxable.

4. USE QUALIFIED CHARITABLE DISTRIBUTIONS

- If you're over 70½, direct donations from your IRA to charity (up to $100,000) don't count in the Social Security tax calculation
- This allows you to meet your RMD requirements without increasing your taxable income

CHAPTER 6

ESTATE PLANNING TO PROTECT YOUR LEGACY

For those who have built significant wealth, estate taxes can take a large bite out of what you leave to loved ones. Smart planning can help preserve more of your legacy.

UNDERSTANDING ESTATE TAXES

- The federal estate tax exemption for 2025 is $12.92 million per individual ($25.84 million for married couples)
- Assets above these thresholds are taxed at up to 40%
- Some states have their own estate taxes with much lower exemptions

STRATEGIES TO REDUCE ESTATE TAXES

1. ANNUAL GIFTING: THE POWER OF GIVING WHILE LIVING

- Give up to $19,000 per recipient in 2025 per year ($38,000 for couples) without affecting your lifetime exemption
- This usually increases by $1,000 each year
- Over time, this can move significant assets out of your taxable estate
- Special options like 529 college plans allow you to front-load five years of gifts at once

Example: Richard and Beth give $38,000 to each of their three children and five grandchildren annually. That's $304,000 removed from their estate each year—or $3.04 million over ten years—without using any of their lifetime exemption!

2. STRATEGIC LIFE INSURANCE: TAX-FREE BENEFITS FOR HEIRS

- Life insurance proceeds aren't subject to income tax but may be part of your taxable estate
- An Irrevocable Life Insurance Trust (ILIT) keeps the proceeds outside your estate This provides tax-free funds for heirs to pay expenses or taxes

3. CHARITABLE REMAINDER TRUSTS: HELP OTHERS WHILE HELPING YOURSELF

- Transfer assets to a trust that provides you income for life
- The remainder goes to charity upon your death
- You receive an immediate partial tax deduction and remove the assets from your estate

Example: Margaret, age 70, transfers $500,000 to a Charitable Remainder Trust. She receives 5% ($25,000) annually for life, gets an immediate tax deduction for the projected charitable portion (roughly $200,000), and removes the assets from her taxable estate.

4. FAMILY LIMITED PARTNERSHIPS

- Pool family assets like real estate or investments
- Transfer limited partnership interests to family members at discounted values
- You maintain control while reducing estate tax exposure

5. GRANTOR RETAINED ANNUITY TRUSTS (GRATS)

- Transfer appreciating assets while retaining income for a set period
- Any appreciation above the IRS interest rate passes to heirs tax-free
- Works especially well with assets expected to appreciate significantly

YOUR NEXT STEP: A PERSONALIZED STRATEGY

You've just discovered powerful tax strategies that could save you thousands in retirement. But remember, while these strategies work well for many people, everyone's situation is unique.

The most effective approach is a personalized tax strategy that considers your specific income sources, retirement accounts, family circumstances, and goals.

At NovaDius Wealth Management, our experienced advisors specialize in creating tax-efficient retirement plans tailored to your individual needs. We've helped hundreds of retirees keep more of their hard-earned money where it belongs—in their pockets, not Uncle Sam's.

WE INVITE YOU TO SCHEDULE A COMPLIMENTARY CONSULTATION

- Review your current retirement accounts and income sources
- Identify tax-saving opportunities specific to your situation
- Develop a personalized withdrawal strategy to minimize lifetime taxesv
- Evaluate potential Roth conversion benefits Assess your estate planning needs

Call (877) 365-3837, **Email** advice@NovaDius.com, or **Visit** www.NovaDius.com to schedule your complimentary tax strategy session today.

APPENDIX

APPENDIX: HELPFUL TAX AND RETIREMENT TERMS

AGI (Adjusted Gross Income): Your total income minus specific adjustments, used to calculate your tax liability.

MAGI (Modified Adjusted Gross Income): Your AGI with certain deductions and exclusions added back in.

RMD (Required Minimum Distribution): Mandatory withdrawals from retirement accounts, generally starting at age 73.

QCD (Qualified Charitable Distribution): Direct transfer from an IRA to charity for those 70½ or older.

IRMAA (Income-Related Monthly Adjustment Amount): Additional Medicare premiums for higher-income beneficiaries.

HSA (Health Savings Account): Tax-advantaged account for medical expenses paired with high-deductible health plans.

SALT (State and Local Tax) Deduction: Federal deduction for state and local taxes paid, capped at $10,000.

NUA (Net Unrealized Appreciation): Tax strategy for company stock in employer retirement plans.

1031 Exchange: Tax-deferred exchange of like-kind investment properties.

GRAT (Grantor Retained Annuity Trust): Estate planning tool to transfer appreciating assets with minimal gift tax.

DAF (Donor-Advised Fund): Giving vehicle allowing immediate tax deduction with flexibility to distribute to charities over time.