

SETTING EVERY
COMMUNITY UP
for
RETIREMENT
ENHANCEMENT

2.0

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Nestled Inside the **\$1.7 Trillion** Consolidated Appropriations Act of 2023,
There is Still Much to Be Discovered in the **4,100** Pages of SECURE Act 2.0

NEW DISTRIBUTION RULES



NEW ACCUMULATION RULES



STAGGERED IMPLEMENTATION OF CHANGES



Required Minimum Distribution Schedule Changes



- Clients born 1950 or earlier (72 by the end of 2022): No change. RMDs must continue as previously scheduled.
- Clients born 1951-1958: RMDs will start at age 73
- Clients born 1960 or later: RMDs start at age 75
- Clients born in 1959: ?
- Penalty for Missed RMD/Shortfall is reduced from 50% to 25%. If corrected in a timely manner penalty is reduced from 25% to 10%.
- A surviving spouse can make an election to be treated as the (deceased) employee, allowing the spouse to take the RMDs.*

Source: Jeffrey Levine, CPO

* rules/exceptions/requirements may apply. meet with your financial advisor to learn more

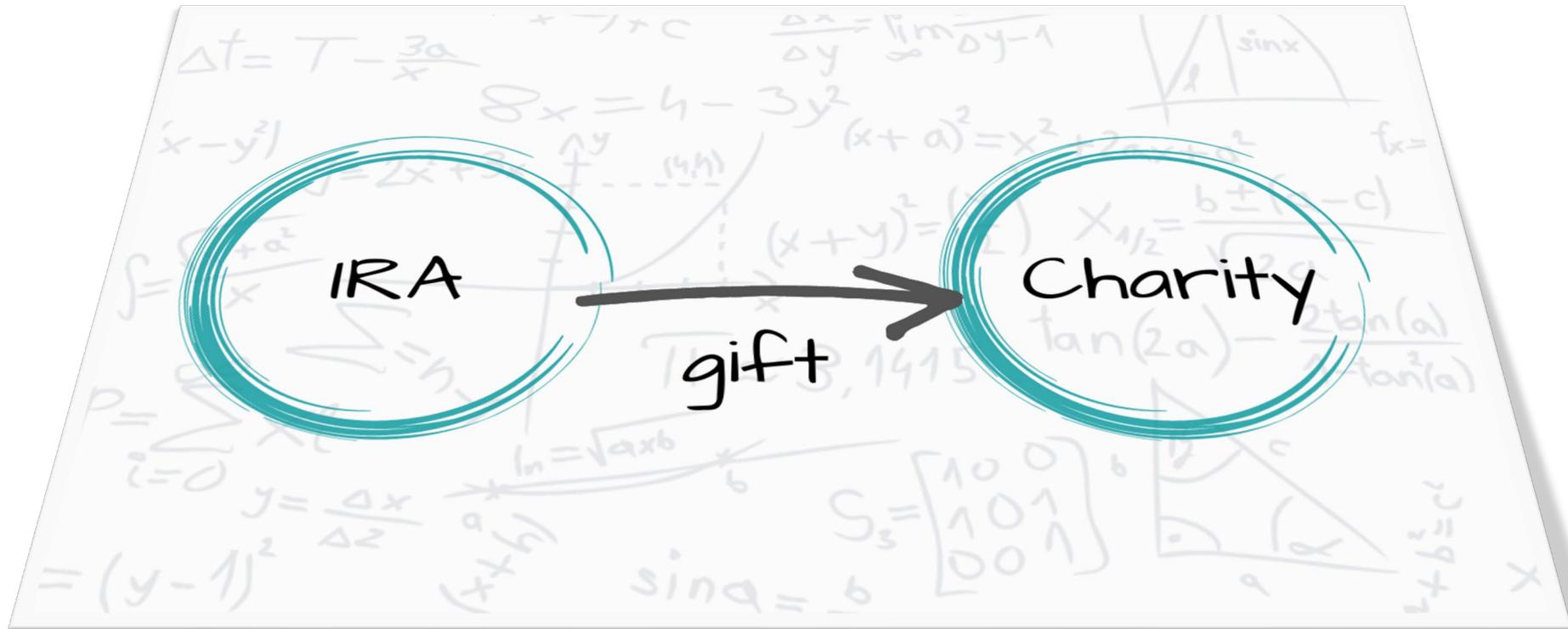
Hardship Distributions

One penalty-free withdrawal of up to \$1,000 once every three years for unforeseeable and immediate financial needs related to personal or family emergency expenses.

Employers can offer an emergency savings account with a retirement account.

Some distributions *not* subject to the 10% early distribution penalty:

- Distributions to an individual accessed due to domestic abuse.
- Distributions to a terminally ill individual.
- Public Safety employees who terminate employment after age 50 (*now includes firefighter and correction officers*).
- Distributions for a qualified disaster (up to \$22,000).



QCD: Qualified Charitable Distribution

- Maximum Annual QCD Amount Indexed for Inflation Beginning 2024
- One-Time Opportunity to Use QCD to Fund a Split Interest Entity such as a CRUT, CRAT, or CGA Beginning in 2023.

QLAC: Qualified Longevity Annuity Contract

- Eliminates 25% limit on purchases in QLACs
- Allows up to \$200,000 to be used *from* a retirement account to purchase a QLAC.



Roth IRA Changes



- Effective in 2024, plan Roth accounts (Roth 401(k), Roth 403(b), etc.) will no longer be subject to RMDs.
- Effective in 2023, employers will be able to include Roth options in Simple and SEP IRA plans.*
- Effective immediately, employers will be able to make contributions to 401(k) and similar plans to the Roth side of the plan.*
- Effective in 2024, highly compensated employees will only be able to make plan catch-up contributions to the Roth side of the plan.*

Source: Jeffrey Levine, CPO

Changes to Come in Retirement Plans

Effective in 2024, funds from 529 Plan accounts maintained for 15 years or more can be directly transferred into a Roth IRA penalty-free.*

All qualified catch-up contributions must receive Roth tax treatment.

This does not apply to SIMPLE or SEP IRAs.

Distributions up to \$2,500 annually paid as premiums to long-term care insurance are not subject to the 10% early distribution penalty.*

401(K) and 403(b) contribution limit increase: from \$20,500 to \$22,500

Catch-Up Provision: \$6,500 increased to \$7,500

Automatic enrollment in 401(k) and 403(b) plans.

Certain entities are excluded.*

Certain SIMPLE Plans: *

- Employers with <25 emp → Emp deferrals and catchup contributions increased by 10%
- Employers with >25 emp → Current limits imposed unless matching increase

* rules/exceptions/requirements may apply. meet with your financial advisor to learn more.



HSA Limits Increase

- ❖ Self Only coverage increases to \$3,850 from \$3,650 in 2022.
- ❖ Family coverage increases to \$7,750 from \$7,300 in 2022.
- ❖ No change from 2022: People 55 or older at the end of 2023 can put in an extra \$1,000 in “catch-up” contributions.

Social Security and Medicare 2.0

The Average SS Benefit will only replace about 40% of pre-retirement income for some.



2023 → 8.3% COLA Adjustment
(approximately \$140 per month).

Medicare Premiums Decrease in 2023

Maximum Earnings Subject to the Social Security Tax
Increases to \$160,000 from \$147,000

Source: Heritage Capital, LLC,

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Taxes: Is a Delayed RMD Best for You?

Just Because You Can Delay Doesn't Mean You Should

- ❖ Pro: Delaying the Distribution does provide extra time for wealthy savers to convert some of an IRA to a Roth IRA.
- ❖ Cons: Delaying the Distribution would allow funds to stay invested and grow
 - ❖ Likely means higher account balance in future years and fewer years to spread it over= Higher RMD
 - ❖ Distributions likely considered income which can impact Medicare Premiums
 - ❖ Heirs likely to inherit meaning larger distributions and quite possibly higher tax rates

National Debt : Taxes Won't Go Down

- ∅ **At 31.45 T, the United States Carries the Largest National Debt of ANY Nation in the History of the World.**
- ∅ **According to the American Legislative Exchange Council, State and Local Govt Debt is \$6 T.**
- ∅ **Notable recent events triggering large spikes in the debt include the Afghanistan and Iraq Wars, the 2008 Great Recession, and the COVID-19 pandemic. From FY 2019 to FY 2021, spending increased by about 50%, largely due to the COVID-19 pandemic. Tax cuts, stimulus programs, increased government spending, and decreased tax revenue caused by widespread unemployment generally account for sharp rises in the national debt.**

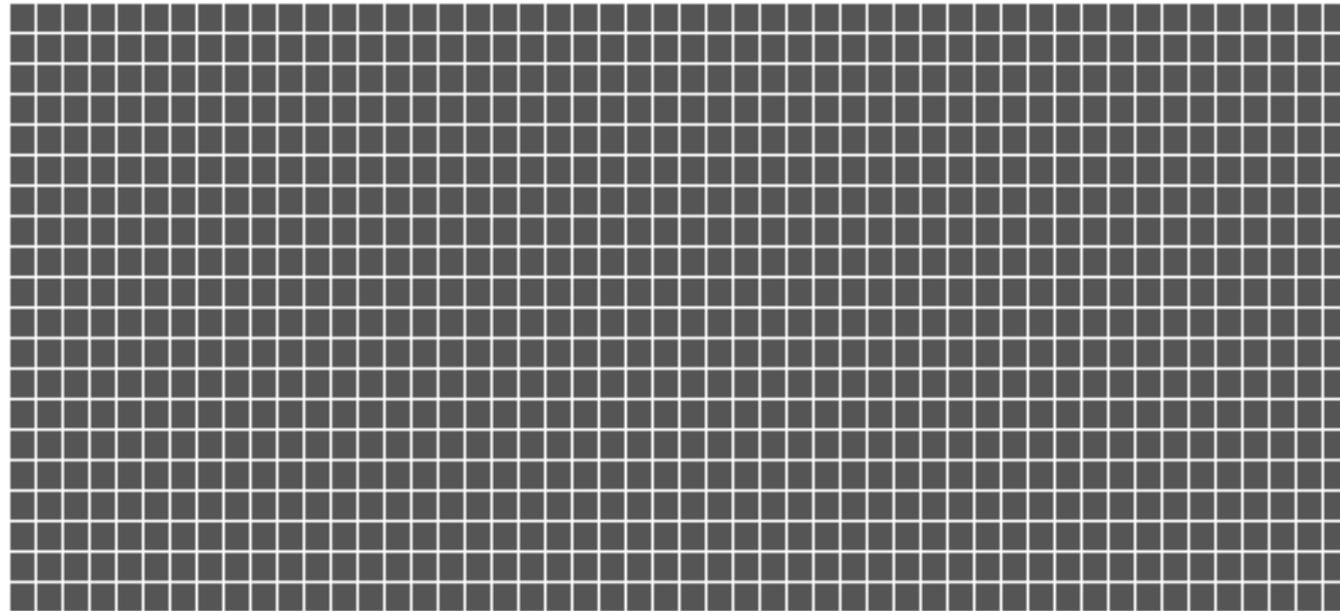


Visualizing the debt - How much is \$31 trillion dollars?

If this is 1 billion:



Then this is 1 trillion:



(1000 squares drawn to scale.)

Today's debt is \$31.5 T. That's 31,454 squares!



Q&A