

Nova News

PREDICTABLE. SUSTAINABLE. INCOME.

How RMDs Affect Your Taxes—and What You Can Do About It

For retirees, Required Minimum Distributions (RMDs) are a critical part of managing retirement income, but they can also have a significant impact on taxes. If you have tax-deferred retirement accounts like a Traditional IRA, 401(k), or 403(b), the IRS requires you to start withdrawing a minimum amount each year once you reach age 73 (or 75 if you were born in 1960 or later). These withdrawals are taxed as ordinary income, which means they can push you into a higher tax bracket if not managed properly.

How RMDs Can Increase Your Tax Burden

- ✓ Higher Income = Higher Taxes – Since RMDs count as taxable income, they could bump you into a higher tax bracket, leading to increased federal and state taxes.
- ✓ Impact on Medicare Premiums – If your RMDs push your Modified Adjusted Gross Income (MAGI) above certain thresholds, you may face IRMAA surcharges on Medicare Part B and Part D premiums.
- ✓ Taxation of Social Security Benefits – Higher income from RMDs can cause a larger portion of your Social Security benefits to become taxable.

Strategies to Reduce the Tax Impact of RMDs

Consider Roth Conversions Before RMD Age

- By converting some of your traditional IRA or 401(k) funds into a Roth IRA before RMDs begin, you can lower future taxable withdrawals. Roth IRAs are not subject to RMDs, and qualified withdrawals are tax-free.

Qualified Charitable Distributions (QCDs)

- If you're charitably inclined, you can donate up to \$105,000 (2024 limit) from your IRA directly to a qualified charity. This satisfies your RMD requirement and keeps the amount excluded from taxable income.

Manage Withdrawals Strategically

- If possible, start drawing from tax-deferred accounts earlier to spread out taxable income over multiple years and potentially keep RMDs lower when they kick in.

Planning Ahead Can Save You Thousands

Without a proper strategy, RMDs can lead to higher taxes, increased Medicare costs, and reduced Social Security benefits. But with smart planning, you can reduce the impact and keep more of your retirement income working for you. Reach out today to schedule a conversation!

 **Event Reminder: Nova Wealth Open House in March**

We're excited to welcome you to our new office at 100 Corporate Parkway, Suite 320!

If you haven't already, please reply to your invitation to let us know if you'll be stopping by! This casual, come-and-go gathering is a great opportunity to see our new space, meet the team, and connect with others in the Nova Wealth community.

We'd love to see you there!

 **Event Reminder: Life Insurance with Long-Term Care Seminar – March 19th**

Join us on Tuesday, March 19th at 5:30 PM at Salvatore's for an informative seminar on Life Insurance with Long-Term Care, featuring guest speaker Tom Scarfo of Vanbridge.

Many retirees are concerned about the rising costs of long-term care and how it could impact their savings. In this session, you'll learn:

- ✓ **How modern life insurance policies can help cover long-term care expenses**
- ✓ **Ways to protect your assets while ensuring access to quality care**
- ✓ **Tax advantages and planning strategies to make the most of your coverage**

If you haven't already, RSVP today to secure your spot! We look forward to seeing you the

Spring Cleaning for Your Finances

Spring is the perfect time to refresh not just your home, but also your financial life! Here's a quick checklist to help you stay on track:

- ✓ **Review & update beneficiaries** – Make sure your accounts reflect your current wishes.
- ✓ **Check your Social Security earnings record** – Ensure there are no errors that could impact future benefits.
- ✓ **Assess your investment allocations** – Are they still aligned with your risk tolerance and goals?
- ✓ **Organize important documents** – Keep digital and physical copies of essential records in a secure place.

Small financial adjustments now can lead to big rewards later. Need a second look? We're happy to help you get organized!

Maximize Your Financial Planning with RightCapital

In our January newsletter, we introduced RightCapital, the powerful financial planning tool that helps you stay organized and on track for retirement. Now, we want to highlight some key features that can enhance your experience and make managing your finances even easier.

Securely Share & Store Documents in the Vault

One of the most useful features of RightCapital is the Vault, a secure digital storage space where you can upload, store, and share important financial documents. Whether it's tax returns, estate planning documents, or investment statements, the Vault ensures everything is in one convenient place.

Link & Track All Your Financial Accounts in One Place

RightCapital's account aggregation feature allows you to securely connect and track all of your financial accounts in one convenient dashboard. By linking your bank accounts, investment portfolios, retirement plans, and even liabilities like mortgages or credit cards, you'll get a real-time, complete picture of your financial health.

- ✓ **See all your accounts in one place without logging into multiple platforms**
- ✓ **Monitor cash flow and track spending trends**
- ✓ **Stay on top of investments with automatic updates**

Need Access to RightCapital?

If you haven't set up your RightCapital account yet, we'd love to help you get started! Simply email us at [✉ contact@retirenova.com](mailto:contact@retirenova.com), and we'll provide you with access and answer any questions you may have. At Nova Wealth, we want to ensure you have the right tools to create predictable, sustainable income for retirement. Let's make the most of your financial future—starting today!

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