Ep:1 Roth IRAs

December 7, 2018

PATTI BRENNAN: Welcome again to the Patti Brennan Podcast. Today, joining me is Eric Fuhrman. He's our Chief Planning Officer. Thank you so much for being with us today, Eric.

ERIC FUHRMAN: Patti, it is my pleasure. I couldn't think of anywhere I'd want to be right now. Not only do I get to spend the afternoon here with you today, but also we get to talk about taxes, which are terribly exciting to us.

Most of our listeners here don't realize that at this time, but I think by the time we get to the end of this podcast, they're going to get some really insightful and new and exciting tips that they're going to get out of this.

PATTI: You know, Eric, it's something I say all the time. When we get to this subject, I always warn clients, "I'm about to nerd out on you."

ERIC: [laughs]

PATTI: It's a very nerdy kind of subject. I've got to tell you. Isn't it fun when you know certain things are going to make the difference? It could be $1,000. It could be $5,000. If people don't know these things that we're going to be talking about today, they're not going to do them. If they don't do them, then guess what?They're paying more taxes than they have to.

ERIC: Absolutely right. They get a lot out of it, but the best part is it gives us a lot of excitement and something to talk about to have a lot of deep and important conversations with our clients.

PATTI: Let's talk about what are the things that people should be thinking about today. Here it is, beginning of November, and markets are in a turmoil. They were doing really well. Now, they're doing terribly.

What's the first thing? What are we doing for our clients, and what should clients be doing for themselves?

ERIC: As the year draws to a close here, there's a lot of really important things that clients need to think about. That applies to a lot of different situations.

Now that we're here towards the end of October, we have about two months left, but there's some really critical things that they can do here in the next 60 days or so that can really make the difference for their taxes and going forward.

One of the things they have to be thinking about, especially when we have a really volatile market, is something that we talk about all the time internally, which is tax loss harvesting.

PATTI: Eric, it doesn't sound great. Why would I want to harvest a loss? Don't we want to make money in our investments?

ERIC: That is the goal, is for appreciation over time. Nobody invests with the expectation of a loss, otherwise, it wouldn't be a very good investment.

You're absolutely right, investments are something where when we set them up, these are things that we're thinking about over many years, whether it be 5 years, 10 years, or possibly a lifetime, but within any given period of time, not all investments are always going to be producing gains.

You're going to have certain investments that may have a loss at different point in time. That is not, relatively, a permanent thing. It might be a temporary thing, but it's an opportunity that we can harvest and take advantage of in each tax year that can certainly deliver long-term benefits for our clients.

PATTI: For the folks that are listening and watching us today, let's talk about the difference between the amount a person invested and what their cost basis is. Even though, for example, they may have a tax loss, it doesn't necessarily mean that they lost money. How does that work? Can you explain it to our listeners?

ERIC: If you think, if originally you put $10,000 into an investment, over time, that investment paid out dividends and capital gains, and if you're someone that has opted to reinvest those capital gains and dividends, like many investors do, that will increase your basis over time.

While you may have originally invested $10,000, you may look five years down the road from now, and you might have a basis of, say, $14,000, because you've been reinvesting all that income that has been distributed.

It might so happen that you run into a period, like we've experienced over the last couple weeks, where all of a sudden your investment, the actual value of it, has now dropped below your basis. If you originally put in $10,000, your reinvestments have taken you up to a basis of $14,000. Basically, now, you might have a loss if the investment's now at $13,000.

Remember, you still put in $10,000, you still have a gain in the investment, but you have a tax loss that is available to take advantage of.

PATTI: That is powerful. That is so very important. We talk about these things, cost basis and the amount invested. These are things that we talk about all the time, but it's important for people who are listening to understand the difference.

By the way, to clarify this further, what we're really talking about are your non-retirement plan accounts.

ERIC: Good point.

PATTI: This doesn't apply to your 401(k) or your IRAs. It's really your non-retirement plan accounts.

Let's say that you've got one account and another account. Let's say that those losses add up to $10,000. Why don't you explain to our listeners what is the process of harvesting a loss? What does that really mean in English?

ERIC: Tax loss harvesting, like you said, it only works with, obviously, non-retirement assets.

It really works well for portfolios that are really well diversified, where you have a lot of assets that are going to be doing different things. If you have, basically, a portfolio that's full of large company stocks, you're not going to get a lot of tax harvesting opportunities.

What we would do is look through your portfolio and try and find investments that have current losses before year-end, with the idea that we're going to actually sell those investments to capture the loss before year-end.

Then what we're going to do with those gains is basically reinvest it. You can't invest it back into the exact same security, but reinvest it into something that's of similar quality to keep you invested, but harvest the loss.

PATTI: What you just said raises a red flag in my mind, because it sounds like you're market timing. It sounds like you're selling these investments, but, wait a minute, don't we usually tell our clients and tell people you want to buy and hold?

You don't want a lot of buying, selling, and transactions, because that generates cost, so what's the value of this?

ERIC: Basically, the idea is we're not market timing, because ideally when you sell to capture the loss, we're going to be reinvesting those proceeds back into the market.

PATTI: To clarify, it's really important, you go from literally blue chip investment A to blue chip investment B. It could be the exact same asset class.

To Eric's point, it can't be the same investment, but it can be the exact same asset class. It can be a same day.

We're not market timing. All we're doing is capturing a tax deduction that you otherwise wouldn't have had. Sounds like a win-win. It's a heads you win, tails you break even, because you're going to save money on your tax return.

ERIC: Ultimately, it's really about managing your tax exposure and the timing of it. There's different ways where tax loss harvesting can make sense, such as if you have an investment that happens to pay out a really large taxable gain, then you want to look through the portfolio for losses where you can offset that gain and minimize your taxes in a given year.

Tax loss harvesting can also really work well when we go into different market cycles, like, say, a bear market where probably your equities, your stocks are going to be down. In this way, you can actually capture the losses, but we're going to be reinvesting the proceeds so you stay invested.

Then, when the business cycle picks back up again, the economy starts doing well, a lot of those losses may turn into gains, but now, we have a bank of losses that we can use to offset those capital gains in the future. It's a better way to manage your tax picture all around to follow this strategy.

PATTI: I love the way you described it as the bank. Now, you've captured these losses. It literally is like a bank account that is sitting there waiting to be used. You carry forward your losses indefinitely until they're used up.

One thing that we know about investments and portfolios is markets don't go straight up and they don't go straight down. In those periods of time that we all really don't like, let's make lemons out of lemonade.

Grab a tax benefit today. That way, when the market does recover, you can rebalance your portfolio and not have to worry about the taxes you're going to have to pay on those gains, because guess what? You've got this great bank account, and it's got this wonderful $30,000 loss, you have no out of pocket cost. Fundamentally, everything's beautiful.

ERIC: Couldn't have said it better.

PATTI: [laughs] You know what? You're the one that gave me the idea. You're the chief planning officer, and I'm so grateful for planning these ideas.

Let's talk about what else? We've got tax loss harvesting. What do you think is the next best thing that people should be considering today?

ERIC: We're trying to think about year-end tips or strategies that people can put in place. Another one would actually be purposefully creating capital gains.

This is the opposite of tax loss harvesting, where we're purposely trying to create losses. Here, we're actually trying to create gains on purpose.

That sounds counterintuitive. Why would you want to do that? The reason is because under the existing tax law, and this existed before the new tax law that was passed in December 17th of 2017, is to the extent that your income remains what it is now under the 12 percent bracket, used to be the 15 percent, any kind of qualified dividends or capital gains are actually taxed at zero percent.

The question is who does this apply to or who would it make sense for? Really, it's these people that are newly retired, probably in your 60s, have a fair amount of non-retirement assets that have been saved up in investment accounts.

You also probably haven't elected social security benefits or have a really robust pension at this point. The rationale is that somebody in this situation, at some point in the future, their income is probably likely going to go up significantly when they elect for social security benefits, or maybe they have a pension that doesn't start until 65, 67, or 70.

Also, there's this thing called required minimum distributions that is going to start at age 70 and a half, whether you like it or not. The confluence of all these different factors can push somebody into a much higher tax bracket later on in life.

The strategy is when you're in this window, this golden zone, is to actually create capital gains at zero percent to effectively reset the basis of that taxable account higher, so that once you get into this high tax phase, now, you're going to minimize the capital gains that would otherwise flow through to your tax returns.

We're taking much greater control. We're being much more proactive about managing the life cycle of their investments, not just now, but in the future.

PATTI: Isn't it true that by doing that proactively we have literally taken somebody's investment, and instead of paying what could be 23.8 percent on the gain, to zero. Sounds like a good idea to me, Eric.

ERIC: There's not many wonderful opportunities in the tax code, but a zero percent tax rate is a pretty good one.

PATTI: Let's do a deep dive and nail this down. For people who are married, who's in the 12 percent tax bracket? Up to what amount of taxable income?

By the way, guys, taxable income, to clarify, is not what you see on the front page. Taxable income is line 37 on your 1040, after you've taken your tax deductions.

When you're trying to figure out whether this applies, you want to look at your 1040. Don't look at the first page. You want to go to the top of the second page to find out what is the taxable married filing jointly income after you've taken all your deductions, including the new standard deduction, which for married people is $24,000.

A lot more people may find themselves in this 12 percent bracket. That's why you want to really, really pay attention to this.

ERIC: People that are the top of the 12 percent bracket is $77.400. If you're someone who's single it's $38,700.

An important distinction is that it's not all or nothing. Let's say you do this. It doesn't require surgical precision, because even when we do this, we have to make estimates, because ultimately, we're not going to know exactly where you're going to be on December 31st. We do our best.

Realize if you realize capital gains and go a little bit over that $77,000 number, and it spills over into the next bracket, you only pay capital gains on the excess above that bracket. Everything else is still protected at the zero percent rate.

PATTI: That's a great point. Sometimes when we talk about things, people say, "Well, I don't think that that's going to apply to me." You know what? If it's an investment that you kind of want to sell, you feel like you need to sell, why not?

Worse comes to worst, in this situation, you're paying a 15 percent capital gains tax, but you could be avoiding a tax altogether on, pick a number, $10,000, $20,000, $50,000.

ERIC: It can be huge, especially depending on the size of your gains. We're in the eight or ninth year of a bull market, up until about a month or so ago, at least it seemed. A lot of people have really, really significant gains that have accrued in that run-up, this is a great strategy for them.

There's two important caveats that people really need to consider. Is, number one, we're taking about the federal tax. If you're a resident of PA or some of these other states, you may not pay federal tax, but you may be creating an additional state income tax by doing that, because a lot of states will tax capital gains.

PA, for example, they don't allow you to write off losses, but you have to report your gains. Sorry, it's very one sided.

The other important point to remember is that if you are somebody on social security and you can do this, remember that you're increase your income by realizing capital gains, which means more of your social security benefit might actually become taxable because of that.

You have to be very careful and you have to be strategic. It is has to be very customized to the individual. You can't use general rues of thumb, because that will get you into trouble.

PATTI: Exactly. It's one of those unintended consequences. You think you're doing the right thing, and there's this consequence on the other side.

ERIC: Domino effect, right?

PATTI: That's why you really want to understand, holistically, the impact on your personal situation.

To highlight the people and understand, especially for those of you who are listening, if you are retired, you're newly in retirement, you really want to think about this, because typically, what we find is that people go from a really high tax bracket, and then all of a sudden, you go into a really low tax bracket.

Let's say you retire at 62. For the next seven or eight years, you're probably going to be a really low tax bracket, much lower than you probably even realize. Then, as Eric said, when you hit 70 and half, you get hit with those required minimum distributions and you're right back up there again.

What we're talking about here is to be aware of where you are from a tax perspective. Think about where you're headed, and optimize these years when you're in the lowest tax bracket you're probably ever going to be for the rest of your life.

Eric, this is so much fun. What else are we going to be talking about for year-end? We've talked about tax loss harvesting, and then, on the other hand, accelerating gains. What else can our listeners do, our viewers do before the year-end?

ERIC: I'll tell you what, I feel like we are hitting on all the high notes here, so why don't we talk about something called Roth conversions? Have you hear about this concept before?

PATTI: Yes.

ERIC: I bet.

PATTI: It's one we preach.

ERIC: [laughs] All the time. As you know, Roth conversions are something that, again, this is situationally dependent. It really depends on the situation and whether it makes sense. It also really takes somebody that can do a good forecast to where you're going to be in the future.

In terms of Roth conversions for our clients, who do you feel is the typical client where this really makes sense for? What do they look like?

PATTI: You go back to those people who are recently retired. If they don't have a lot of non-retirement assets where there's lots of gains, this is a great plan B.

Plan B is, "Gee, should we take some of that 401(k), and take some of it out, convert it into a Roth, and take you up to the tippy top of that 12 percent tax bracket?" Because chances are you're never going to be back here again, so let's take full advantage of it. That's a perfect situation.

Younger people who might have 401(k)s. They may have left their position and they've got this 401(k) hanging out there. Chances are, depending on their situation, it might be a good idea for those people also to consider converting that into a Roth IRA.

They're, again, hopefully, in one of the lowest tax brackets they'll ever be, because the goal, of course, is to always earn more income. If that's the case, your bracket's going to go up. Why don't you convert that 401(k) into a Roth IRA while your tax bracket is still low?

ERIC: That's really key for our listeners, is that ultimately you have to be in this golden zone where the expectation is that your tax rates are temporarily low, but could be significantly higher in the future.

Under the new tax law the reality is that it's going to sunset, anyway, in 2025. We'll see whether there's the political will to actually let that occur, but tax rates are scheduled to go up right now unless Congress acts.

PATTI: That's a great point. This is another example of being proactive. Let's be proactive.

Here, for the people who're listening, why the Roth? What's the big deal with the Roth?

Were talking about converting into a Roth. What's the big deal? Where's the value coming into play?

ERIC: The big thing with a Roth, number one, is that requirement distributions do not occur, where they do with a traditional IRA. There's nothing that will ever compel you over your lifetime to force distributions from this account.

If you do have to take distributions, those distributions are never taxable. The earnings, anything that accrues in the account isn't taxable, whether it be as part of a broader income retirement plan as you age, or maybe this could be an excellent vehicle for legacy intentions, where you can leave money to an heir that will never, ever be taxed during their lifetime.

PATTI: It is absolutely the best thing that you can leave to the next generation. You look at your house. You look at your retirement plans. You look at your after-tax, your bank accounts. Then you have this Roth. The Roth is a home run for those kids or the people that you care about most.

Also, to just frame it and understand, what is the value? You have two accounts. One is growing tax-deferred. The other one is growing tax-free. Same investment, same starting point, same rate of return.

ERIC: The reality is, Patti — that's a great point — is whether you have a traditional IRA or a Roth, the reality is the tax has to be paid somewhere. You're going to have to pay taxes.

Whether you elect to pay them now with a Roth IRA or you elect to pay them some point in the future with a traditional IRA, the tax is going to have to be paid. It's unavoidable. The real critical question is "What is the best rate to pay those taxes at?"

If you're in this golden opportunity zone that we've talked about, depending on your situation, where your tax rate is really low, a Roth conversion is a great way to basically pay taxes now at a really low rate and avoid them in the future, when they could be a lot higher when other things come into play.

PATTI: Isn't it even better, Eric? If you have time, which is why I always bring up the point of younger people, if you have time, that — pick a number — $50,000 that grew to $100,000 that grew to $200,000 and maybe $400,000 over that lifetime, you can pay taxes on the $400,000 if you'd like, or you can have this $400,000 account.

You already paid taxes on the $50,000. You did pay taxes on that when you did the conversion. Guess what? You never have to pay taxes on $350,000. That's about as good as it gets. The key here is time.

ERIC: That's a great point, too. A lot of people don't realize when they retire that their traditional IRA or 401k has an unfunded tax bill that's due to Uncle Sam at some point in time. Whatever that balance is, there's still an amount that hasn't been paid. Roth is a great way, or a Roth conversion is a great way to try and take advantage of a better tax rate.

PATTI: We're not going to get into it today, but maybe an idea for a future episode would be, Eric, is for...

ERIC: I love ideas.

[crosstalk]

PATTI: I know you do.

ERIC: [laughs]

PATTI: I know you do. Here's the thing. What we should talk about -- let's make a note of this -- is for those people who are in that zone, those people are really worried about or thinking about retirement income.

How am I going to create cash flow to replace the salary that I'm no longer getting? How do you choose one account over another account? Furthermore, how do you invest for that period of time? Again, we're not going to talk about it today. We're talking about year end tax planning ideas. Just know we're going to be talking about that in the future.

ERIC: Another reason to tune in to the next podcast.

PATTI: You got it. We did Roth conversions. We're talking about retirement plans. I'll just throw this out there. For those of you who may be working, may have a spouse who is a stay-at-home parent, keep in mind that you can do IRA contributions for that non-working spouse.

The income limitations have risen. You really want to take a look at that. The good news is you have until April 15th to fund it. It's not a year end...You're not up against the wall at this point in time.

ERIC: That's a good point. It's something you have until April 15th, when you file your taxes, to do. It doesn't have to be done by December 31st. You can still make a deductible IRA contribution or a spousal IRA contribution, as you're alluding to, Patti, at any point in 2019 up until the tax filing deadline.

PATTI: The one thing that I think does get overlooked, Eric, is this thing called the backdoor Roth, which does have to be funded before year end. Why don't you walk people through what a backdoor Roth is? Just real quick and simple.

ERIC: Basically, a backdoor Roth is normally most people that make over a certain income -- I believe it's 189,000, is where the phaseout begins -- you have a limited ability, or, if anything, you're precluded from making a direct contribution to a Roth. You can't do it, but there's a backdoor way that allows you to do it.

Ideally, this would be, again, for someone that doesn't have substantial pre-tax IRA assets.

If you don't have an IRA, anybody can open an IRA and contribute, regardless of your income. Ideally, you're going to make what's called a non-deductible contribution.

Then you can immediately convert that over to a Roth IRA after you make that contribution. You're not going to get a tax deduction for it, but the big part is that after-tax contribution in that IRA moves right into a Roth. There's no tax that's due on it.

Again, it doesn't really work too well for people that have pre-tax money that's out there, but it is a really, really powerful strategy. It's a great way, as you point out, to get money in a Roth when most people thought they couldn't because they make too much money.

PATTI: Here is another example of just know the rules, know whether or not it applies to you, and make sure that you are avoiding any of the landmines. In this case, this landmine's called the pro rata rule. Just understand it. Know whether or not it applies. Boy, if you can do these backdoor Roths, again, another…

We talk about home runs. These are singles. You're hitting singles all along the way. You do this every year. I've got to tell you these are things that really can really leverage your retirement income later down the line.

Next topic. Again, year end, we've got people who are retired, who are 70 and a half. We've got a new tax law. One of the most powerful tools we have available in this arena is something called a qualified charitable contribution. A QCD is what we refer to it. Why don't you walk people through that.

ERIC: The QCD is a really powerful tool and is actually more and more relevant now, with the new tax law, than it ever was. It doesn't matter if you're somebody that has a very large IRA account or somebody that has a more modest balance. This is applicable to you.

The reality is with the new tax law, they raised the standard deduction. A lot of people, where they would itemize, that's how you get credit for the charitable deductions you might give to your church or local charity when you make cash contributions.

You don't really get the benefit from that now if you have to standardize. Most taxpayers will have to standardize. There is a way to leverage your gift through what's called a qualified charitable distribution, basically, through your IRA.

The way it works is basically as long as you're over 70 and a half when you make the contribution, you have to make the check directly payable to the charity, say, to your local church, local food bank, whatever it is, the organization that you're supporting.

You have to make the check directly payable to them. It counts towards your required minimum distribution, to the extent that you haven't taken it for that year, but it is a non-taxable distribution from your IRA.

PATTI: Basically, just to use an example, let's say that your required minimum distribution is $20,000. Let's say that you typically donate $5,000 a year to charities of your choice.

If you take that $5,000 out of the $20,000 that the IRS is forcing you to take out, guess what? You're only paying taxes on $15,000. You've got the $24,000 standard deduction, and you've got another $5,000 that you otherwise wouldn't have gotten if you didn't do this.

Again, another tip, tool, thing that you can do before year end to really get some leverage and get some benefit next April.

ERIC: With the new tax law, you might not be able to take that deduction otherwise. One important point too is just remember that your year-end tax document is not going to reflect the QCD. This is something you have to remember to tell your tax preparer to put on your return.

They won't know otherwise, unless you have, basically, the proof from the charity. You also have to tell your tax preparer to put it on there. Your 1099 will not show it. It comes up a normal distribution.

PATTI: That is a really, really important point. How often do we find people don't take the deductions that we set up for them just because they didn't tell their CPA? Great point there, Eric.

ERIC: You bet.

PATTI: Taking on to the next subject. Since we're on charitable contributions, given the fact that most people are not going to be able to get the benefit that they used to get from charitable contributions, what are we telling people today?

ERIC: I guess there's a couple concepts or strategies that are out there for people. Again, you're absolutely right.

With the new standard deduction that is going to minimize the ability to take a charitable deduction, what a lot of people are suggesting now is rather than giving each and every year, as you might, it's this concept of bunching or taking five, maybe six years of charitable contributions and putting them all together in one.

That way, you're going to be able to itemize that charitable deduction, rather than taking the standard deduction. That's a concept that people can do and they might want to think about.

Another is, a really great way to leverage a gift is if you have appreciated securities, an appreciated stock maybe that you owned for many, many years or in a company that you used to work for, so forth. A great way to do this is that you can actually donate that appreciated stock to what's called a donor-advised fund.

This is a bit of an advanced concept here. Obviously, we encourage you to talk to a qualified professional and have them help you out with this. It's a great way where you can make a gift, get a charitable deduction, and you can avoid the capital gains tax on an appreciated security.

PATTI: Again, it's lots of things wrapped up in one to give you many benefits just with this one tool. That's excellent. I guess the other thing that I'm thinking of is for the families in our audience. We've got lots of families who are putting kids through college, etc.

There are 529 plans. We live in Pennsylvania. Pennsylvania actually is one of the states that gives you a Pennsylvania income tax deduction on your contribution to a 529. You can gift up to $15,000 per person per year. Husband and wife can do $30,000. You write it right off of your Pennsylvania income tax.

It saves about $900. It's $900 that you wouldn't have had otherwise. That money also grows tax-free for that important objective of putting your kids through college and now, under the new tax law, even high school. Again, it's just one of those things out there.

ERIC: There are very few things out there that really help you to leverage the tax benefit. A 529 is definitely one of those. As you just alluded to, you're getting a PA state tax deduction. The money's growing tax-free. As long as you're using it for a qualified education expense, there's no taxes due on any of the earnings.

It's really a great vehicle and far superior to some of these things that I had when I was a kid. My parents used things like UTMA or UGMA accounts. A lot of times, these were set up for educational purposes. The 529, in terms of tax benefits, is far superior to what these older vehicles used to have. Definitely a great way to go and a great thing to do before year end.

PATTI: Again, remember, there is full reciprocity for any state, whether your child wants to go to college. That is not a restriction. Pennsylvania's one of the only states that does give you the tax deduction even if you wanted to invest in another state's 529. Eric, like I said, I'm really jazzed up about this subject. We've talked about a lot of things.

ERIC: How could you not be?

[laughter]

ERIC: It's taxes, for goodness sake.

PATTI: I know. How about it? How about it? You know what? It's one of those things where if we can save somebody $5,000, $10,000 that they otherwise wouldn't have had, that's a good day. I think that's a really good thing.

ERIC: You know what, Patti? It's such an important thing. I think it's why we both love what we do. It's these little things that add up with each person. Every situation is different.

Again, like you said, you had this great concept that I love, of hitting singles. I'm going to have to put that in the memory bank and remember to use it again. It's this whole concept of hitting singles.

Lot of people are always looking for that home run. What's that big thing we can do? That's not really how it works. It's about finding these little things that we can do each and every year, that will add up to a big difference over the long haul.

PATTI: Let's wrap this up and talk about action items. Number one, we talked about tax loss harvesting. Look at your non-retirement accounts. See if there's any losses to harvest.

ERIC: You got it.

PATTI: Number two, we talk about accelerating capital gains. If you're in a 12-percent tax bracket, go ahead and take those capital gains. You pay no tax when you realize that gain. Again, that's a really, really big win for you. We also talked about...Go ahead.

ERIC: I was going to say rarely is zero a good thing in life, but in this case, it is.

PATTI: Boy, you're not kidding.

ERIC: [laughs]

PATTI: You're not kidding. We also talked about QCDs. For those people who are 70 and a half or older, take your charitable contributions from your required minimum distribution.

Instead of writing out the check, just take it out of the required minimum distribution. That way, you get your standard deduction and you get the charitable deduction, as well. What else?

ERIC: Just again, with IRA contributions, just remember they don't have to be done by year-end. Don't panic. If we are in between Christmas and New Year's and you've forgotten about doing it, you have until April 15th.

PATTI: Roth conversions.

ERIC: Yup, Roth.

PATTI: Remember Roth conversions. If that situation applies to you, if your tax bracket is low, it's usually a temporary situation. Certainly with the way the tax code is currently working, think about Roth conversions. Also, 529 plan contributions. By the way, not just for parents. Also for grandparents. Hey, everybody gets the benefit, especially the kids.

ERIC: Yup, absolutely. You've brought up a lot of great points. I think the big thing underlying all this is just remember that all of it is so much based on the individual situation. It is truly customized. This is not something where just rules of thumb or conventional wisdom always work out so well.

PATTI: Because our listeners have listened today, at least they've got some new tools, new nuggets that they can ask somebody about. If you don't know what your situation is, whether or not they apply to you, go to your advisor.

Again, it doesn't have to be Patti Brennan and Eric Fuhrman or Key Financial. There are a lot of good advisors out there. Talk to your tax professional. Just do these things. Do these things. These singles lead to runs and lead to World Series championships. With that, thank you so much for tuning in. We will see you next week for the Patti Brennan Podcast.