

Optimizing Tax-Efficient Withdrawals From Retirement Portfolios

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Course Objectives

This course equips financial advisors with essential skills for effective retirement withdrawal planning. Effectively learning to distinguish between cash flow and income, developing strategies for tax-efficient portfolio withdrawals, all while coordinating with a client's tax profile. We'll cover how to optimize account sequencing and asset location to balance tax efficiency and estimated returns. You'll also master tax minimization techniques, with the goal of being able to craft and implement tailored withdrawal policies that address clients' income goals and practical considerations, ensuring effective implementation of their retirement cash flow strategies. By the end of this course, you will be able to:

- Analyze the distinction between cash flow and income in retirement planning and evaluate strategies for generating sustainable cash flow from retirement portfolios.
- Develop and evaluate a client's tax profile by incorporating current and future tax brackets, taxable events, and long-term tax planning to optimize retirement cash flow.
- Implement account sequencing strategies to manage withdrawals from various account types, focusing on minimizing tax impact and ensuring sufficient cash flow throughout retirement.
- Optimize asset location within retirement portfolios by balancing tax efficiency with expected returns to enhance the client's wealth.
- Create and implement tax optimization strategies, including managing RMDs, Roth conversions, and tax harvesting, to enhance retirement outcomes and refine asset location priorities.
- Develop and execute a comprehensive withdrawal policy that addresses income goals and practical considerations and educates clients on tailored retirement cash flow strategies.

Module 1: Building The Client's Foundation For Retirement Cash Flows

In this module, you will learn:

- Cash Flow And Income
- Cash Flow From Portfolios In Retirement
- Investment Strategies For Retirement Cash Flow
- A Conversation Between Michael And Jeff

After completing this module, you will be able to:

- Analyze the differences between cash flow and income in retirement planning, including their historical context and definitions, to determine their implications for taxes, spending, and financial goals.

- Explore strategies for generating cash flow from retirement portfolios, focusing on how to generate cash flow from a portfolio and navigate the impact of non-portfolio income sources on cash flow needs.
- Evaluate various investment income strategies to enhance the efficiency of retirement cash flow.

Module 2: Crafting A Tax Profile To Analyze Retirement Cash Flow Impacts

In this module, you will learn:

- Crafting A Client's Tax Profile
- Understanding A Client's Current Marginal Rate
- Tax Projection Analysis And Long-Term Tax Planning

- Illustrating Tax Planning And Account Distribution Strategies With Software Tools

After completing this module, you will be able to:

- Calculate different components of taxable income with accuracy.
- Evaluate the components of taxable income and their influence on the marginal tax rate.
- Analyze the importance of marginal tax rates in Roth conversion strategies.

Module 3: Sequencing Account Distributions For Efficient Retirement Cash Flow

In this module, you will learn:

- What Is Account Sequencing?
- Account Sequencing Strategies And Implementation
- Account Distribution Sequencing Software Illustrations

After completing this module, you will be able to:

- Explain the concept of account sequencing by differentiating between various types of accounts (taxable, pre-tax, Roth) and evaluating sequencing approaches for retirement withdrawals.
- Apply account sequencing strategies to optimize tax efficiency, accounting for inflation, portfolio returns, and coordinating with partial Roth conversions.

Capstone 1: Calculations & Practices

The Kitces Capstone assessment consists of **30 questions**. You must achieve at least a passing **score of 70%** to complete the course and receive continuing education credit. The assessment is open book.

Module 4: Optimizing Asset Location Within The Client's Retirement Portfolios

In this module, you will learn:

- What Is Asset Location?
- Factors That Impact What Asset Location Is Worth

- Building An Asset Location Priority List
- Asset Location Caveats And Other Considerations

After completing this module, you will be able to:

- Explain the concept of asset location, distinguishing it from asset allocation, and evaluate its role in achieving tax-efficient investing.
- Coordinate investment portfolios and cash flow for tax-efficient withdrawals, considering the impact of expected returns, tax-deferred growth, and compound growth across different account types.
- Create an asset location priority list that integrates tax efficiency with expected returns and incorporates strategies to add tax alpha for enhanced portfolio performance.

Module 5: Year-By-Year Tax Efficiency Tactics For Retirement Cash Flow

In this module, you will learn:

- Tax Minimization Strategies
- Tax Maximization Strategies
- Updating Asset Location Priority Lists & Asset Swaps

After completing this module, you will be able to:

- Evaluate tax minimization strategies, including tax-loss harvesting, managing Required Minimum Distributions (RMDs) with techniques like Qualified Charitable Distributions (QCDs), and taking advantage of high-deduction years using Roth conversions, etc.
- Analyze tax maximization strategies, focusing on partial Roth conversions, tax-gain harvesting, and strategic IRA distributions, to optimize tax outcomes.
- Understand how and when to update an asset location priority list through asset swaps and realign portfolio assets to the account sequencing plan.

Module 6: Client Considerations In Retirement Cash Flow Implementation

In this module, you will learn:

- Creating A Withdrawal Policy Statement
- Crafting A Retirement Withdrawal Plan

After completing this module, you will be able to:

- Create a comprehensive withdrawal policy statement that outlines income goals, available assets, initial withdrawal rates, liquidation methodologies, and adjustment triggers.
- Explain practical considerations for executing withdrawals, including methods such as transfers versus wires, tax withholding from IRAs, and their impact on estimated taxes.
- Integrate retirement income strategies into a tax-efficient cash flow approach by educating clients on withdrawal strategies, accurately estimating spending needs, and tailoring plans to individual client circumstances.

Capstone 2: Calculations & Practices

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