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Retirement tax projection · November 16, 2026 · Prepared by Two Returns for clients of Sample Advisory Partners · Planner 1.14 · Plan SAMPLE

Example Household: Retirement Tax Plan

We recommend a Roth conversion plan built from your projected account values: before required distributions, fill to the top of the 12% bracket; after required distributions begin, convert up to the 0% capital gains limit; survivor years, convert up to the 0% capital gains limit; always staying below the next Medicare premium tier. We chose it to benefit clients and heirs equally. Compared with taking only required distributions, this is projected to leave your heirs about $473,260 more after tax, in today's dollars.

What to do this year

- Convert **$11,100** from traditional IRA to Roth IRA by December 31, 2026. This adds about **$1,998** of federal and California tax, 18% of the amount converted, below the 27.1% rate we project on those dollars later. Pay it from the taxable account, not the IRA.
- Do not realize additional capital gains this year; they would be taxed at 15% federal plus California tax.
- Harvest $3,000 of losses, saving about $540, and avoid repurchasing the same securities within 30 days.

Estimated tax payments

With the plan, we project 2026 tax of $10,400 federal and $2,721 California. After your withholding and the payments you have already made, we recommend these estimated payments:

DUE DATE	FEDERAL	CALIFORNIA
Pay now (installments already due)	$7,020	$1,714
January 15, 2027	$2,340	$735

Federal payments are based on 90% of projected 2026 federal tax, and California payments on 90% of projected 2026 California tax. Paying the past-due amount now limits the underpayment penalty; paying the rest by each due date avoids further penalties.

Where your investments should be held

- Hold taxable bonds, REITs, and high-turnover funds in traditional accounts, where ordinary income is deferred.
- Hold the highest expected-growth assets in Roth accounts, since growth there is never taxed.
- The combined marginal rate on ordinary income is about 18%. Compare California municipal bonds, which are exempt from both federal and California tax, against taxable bonds on a tax-equivalent basis.
- Treasury interest is exempt from California tax, which makes Treasuries more attractive than corporate bonds in taxable accounts for California residents.
- Qualified dividends currently fall partly in the federal 0% bracket, so broad equity index funds are efficient in taxable accounts.

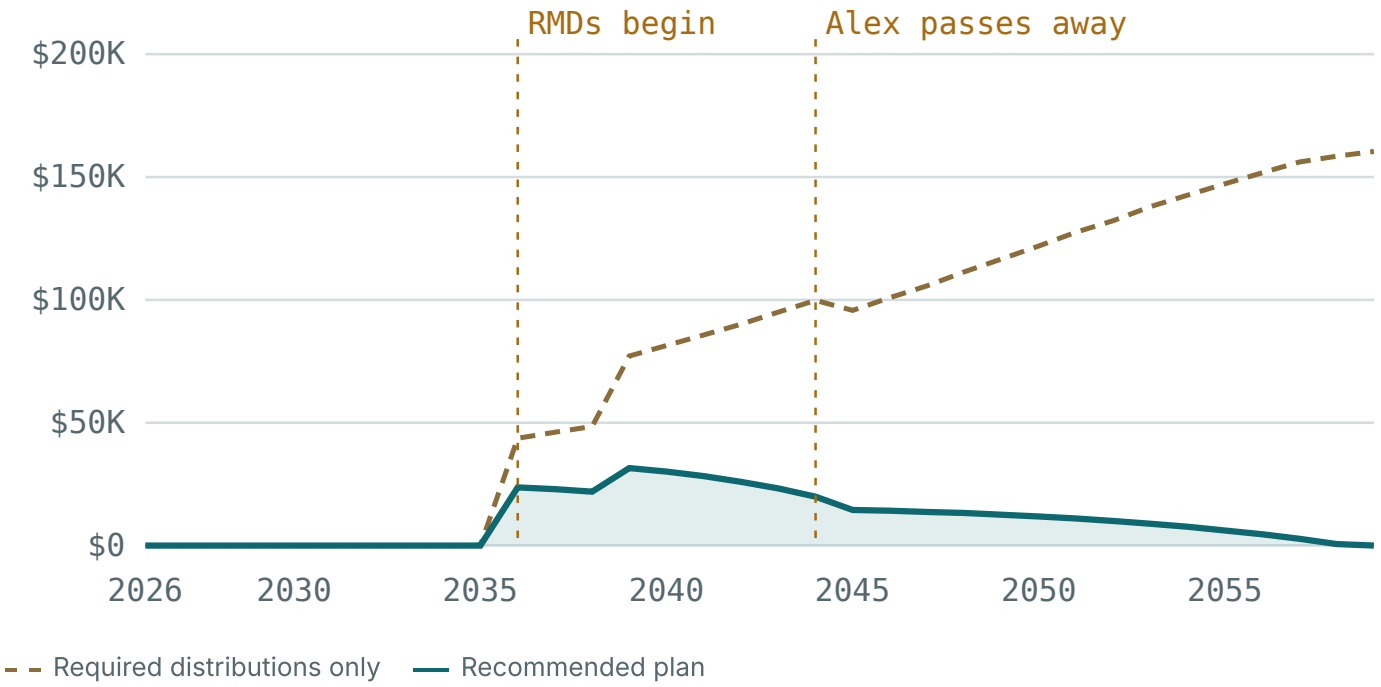
Strategies we compared

All figures are in today's dollars. "After-tax to heirs" is everything left at the second death, less the tax your beneficiaries would pay on the inherited traditional IRA.

STRATEGY	CONVERTED	YOUR LIFETIME TAX AND IRMAA	HEIRS' TAX ON IRA	AFTER-TAX TO HEIRS
Required distributions only	$0	$595,907	$148,881	$3,512,040
Optimized plan	$1,106,719	$308,628	$0	$3,985,300
Convert up to the 0% capital gains limit	$405,137	$429,080	$92,745	$3,766,992
Convert to the top of 12%	$515,666	$393,622	$76,476	$3,802,817
Convert to the top of 22%	$1,041,650	$321,358	$0	$3,811,586
Convert to the top of 24%	$1,041,650	$321,358	$0	$3,811,586
Convert to the top of 32%	$1,041,650	$321,358	$0	$3,811,586

Required minimum distributions

Without conversions, required distributions begin in 2036 for Alex at $43,679 and peak at $160,444 in 2059. With the recommended conversions, the first required distribution is $23,681 and the peak is $31,551. Amounts are in future dollars.



If Alex passes away first

We assumed Alex passes away in 2044. From 2045, Jordan files as single, keeps the larger of the two Social Security benefits, and rolls Alex's IRA into an IRA in Jordan's name.

	2044, LAST YEAR AS A COUPLE	2045, JORDAN FILES ALONE
Filing status	Married filing jointly	Single
Social Security	$87,341	$47,960
Required distributions	$99,804	$95,695
Adjusted gross income	$223,499	$191,042
Federal bracket	12%	22%
Federal and California tax	$19,891	$31,590
IRMAA surcharge	$0	$0

Income falls by $32,458 once one Social Security benefit stops, but Jordan now files single. The federal bracket rises from 12% to 22%, and federal and California tax rises from $19,891 to $31,590. Converting while both spouses are alive uses the wider joint brackets and reduces the IRA Jordan must draw from later.

For your beneficiaries

With the recommended plan, your beneficiaries would inherit a traditional IRA of about $0 in today's dollars, compared with $594,796 without conversions, and a Roth IRA of $2,646,107 that

they can withdraw tax-free. Under current law, each of your 2 beneficiaries must empty an inherited IRA within 10 years, taking required minimums each year along the way.

BENEFICIARY	AGE TODAY	FILING STATUS AND INCOME	AGE WHEN INHERITED	INHERITED IRA SHARE	TAX, NO CONVERSIONS	TAX, RECOMMENDED PLAN
Beneficiary 1	35	Married filing jointly, $150,000	69	$297,398 → $0	$78,558	$0
Beneficiary 2	32	Single, $60,000	66	$297,398 → $0	$70,323	$0

Under the recommended plan, each beneficiary's share of the Roth IRA, about $2,988,580, could grow to $5,352,092 by the end of year 10 at 6%, with no tax when withdrawn.

Today's dollars. Tax is the present value of each beneficiary's added federal and state tax on inherited IRA withdrawals.

Without conversions, the largest single withdrawal would be $113,496 for beneficiary 1 in 2069, taxed at about 28% on top of their own income. Total tax paid by beneficiaries would be about $148,881 in today's dollars, compared with $0 under the recommended plan.

Your Business Owner plan this year

- Return review in the first quarter, once the 2026 return is filed
- Midyear projection update by July 15
- Estimated payment amounts before each due date
- Year-end action list by December 1

Assumptions

- Investment return of 6% per year and inflation of 2.5%. Tax brackets, deductions, benefits, and income rise with inflation.
- Alex born 1961, planning age 83; Jordan born 1964, planning age 95. Alex's planning age of 83 is the same as the average life expectancy for a 65-year-old man, about age 83. Jordan's planning age of 95 is 10 years beyond the average life expectancy for a 62-year-old woman, about age 85. The appendix shows the plan at average life expectancy. Life expectancy is from the Social Security Administration's 2023 period life table and is an average, not a prediction. Required distributions begin at age 75 under current law.
- Taxes on distributions and conversions are paid from the taxable account; required distributions not spent are reinvested there. Wages, pensions, and Social Security cover living expenses.
- Federal tax law as of 2026, including the senior deduction through 2028. The tips, overtime, car loan interest, and ACA premium credit rules are applied to 2026 only. California tax uses current

rate schedules indexed for inflation. Medicare IRMAA surcharges use 2026 amounts indexed for inflation.

- Beneficiaries: beneficiary 1, born 1991, age 35 today, married filing jointly, $150,000 of other income and 6% state tax; beneficiary 2, born 1994, age 32 today, single, $60,000 of other income and 5% state tax. Each beneficiary's income rises with inflation, and their federal brackets and standard deduction are indexed the same way. Inherited IRA withdrawals follow the pattern with the lowest tax for each beneficiary.

Appendix: if you live to average life expectancy

This plan uses planning ages chosen to be cautious. The table below shows the same analysis if each of you lives to average life expectancy instead.

	PLANNING AGES USED IN THIS PLAN	AVERAGE LIFE EXPECTANCY
Age at death	Alex 83, Jordan 95	Alex 83, Jordan 85
Recommended conversion in 2026	$11,100	$11,100
Total converted over the plan	$1,106,719	$1,028,825
Lifetime tax saved by the plan	$287,279	−$19,727
Heirs' tax saved by the plan	$148,881	$245,496
Total family tax saved	$436,160	$225,769
Left to heirs after tax	$3,985,300	$2,859,275
Years the survivor files alone	15	5

This year's recommended conversion is the same, $11,100, whether you live to the planning ages in this plan or to average life expectancy. With shorter lives, the conversions cost you $19,727 more in lifetime tax than they save, but they save your heirs $245,496, so the family as a whole still saves $225,769.

Life expectancy comes from the Social Security Administration's 2023 period life table, published with the 2026 Trustees Report: each person's current age plus the average remaining years for their age and sex. It is an average for the whole U.S. population, not a prediction for any person. Health, family history, income, and education all affect how long someone lives, and many people live well beyond the average. Longer planning ages are the more cautious assumption, because they test whether savings last and how long required distributions continue.

This projection is an estimate based on the assumptions above and current law, which can change. It is tax planning analysis, not investment advice, and does not recommend any specific security. Actual results will differ.

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Advisor action sheet · Planner 1.14 · Plan SAMPLE · Business Owner package · November 16, 2026 · Prepared by Two Returns for clients of Sample Advisory Partners

Example Household: 2026 Action Sheet

One Roth conversion of **$11,100** by December 31, 2026, the first year of a conversion plan through 2058. It adds about **$1,998** of tax this year ($1,332 federal, $666 California).

For the advisor's team. Contains client tax information shared under the client's signed Section 7216 consent.

Actions in order

STEP	ACTION	AMOUNT	DEADLINE	NOTES
1	Send year-to-date figures to Two Returns	—	December 1, 2026	Realized gains, dividends, interest, IRA distributions, and expected December fund distributions
2	Harvest losses in the taxable account	$3,000	December 31, 2026	Do not buy substantially identical securities within 30 days before or after, in any account
3	Convert traditional IRA to Roth IRA	$11,100	December 15, 2026	Withhold 0% federal and 0% California. Processing by December 15 leaves time to clear by year-end.
4	Pay the estimated tax already due	$8,734	As soon as possible	Installments already due were underpaid; paying now stops the penalty from growing
5	Pay estimated tax	$3,075	January 15, 2027	$2,340 federal, $735 California. From taxable cash or money market funds.
6	Review the filed return and update the plan	—	March 15, 2027	Two Returns recalculates next year's conversion from the filed 2026 return

Limits not to cross

The conversion stops at the point where each added dollar would cost more than the 27.1% projected future rate. The closest limit is the 0% capital gains rate, with $0 of room; next is the top of the 12% bracket, with $10,000. Any income above the projection should reduce the conversion dollar for dollar.

LIMIT	MEASURED ON	THRESHOLD	AFTER THE PLAN	ROOM LEFT
Top of the 12% bracket	Ordinary taxable income	$100,800	$90,800	$10,000
0% capital gains rate	Taxable income	$98,900	$98,900	$0
Senior deduction phase-out	Modified AGI	$150,000	$138,750	$11,250
Medicare IRMAA tier 1 (2028 premiums)	Modified AGI	$218,000	$138,750	$79,250
Net investment income tax	Modified AGI	$250,000	$138,750	$111,250

Estimated tax payments

Projected 2026 tax with the plan is $10,400 federal and $2,721 California, including $1,332 and $666 from the conversion. Pay these amounts after the withholding and payments already made:

DUE DATE	FEDERAL	CALIFORNIA
Pay now (installments already due)	$7,020	$1,714
January 15, 2027	$2,340	$735

- Required federal payments: $9,360 for the year, based on 90% of projected 2026 federal tax.
- Required California payments: $2,449, based on 90% of projected 2026 California tax. California installments are 30%, 40%, 0%, and 30% of the year's total.
- Enter the 2025 tax and AGI to test the prior-year safe harbor, which is often lower.
- The conversion is planned for December. The annualized installment method (Form 2210 Schedule AI and FTB 5805 Part II) can lower the installments due before then, because the conversion income has not been received yet.
- Withholding counts as paid evenly through the year, so raising withholding late in the year also covers earlier installments.
- **Do not withhold tax from the conversion.** Withheld tax never reaches the Roth.

Do not do this year

- **Do not take other IRA distributions** beyond the amounts above unless Two Returns revises the plan.
- **Do not realize additional capital gains.** They would be taxed at 15% federal plus California tax and would reduce the room under the limits below.
- **Check year-end fund distributions.** Capital gain distributions in the taxable account count against these limits. Send the funds' December estimates to Two Returns.
- **Do not change Social Security claiming, pension elections, or account beneficiaries** without a revised projection.

Conversion plan by year

Projected amounts in future dollars. 2026 uses this year's detailed figures; later years are recalculated from each filed return before they are executed.

YEAR	AGES	CONVERSION	FEDERAL BRACKET	TOTAL TAX AND IRMAA
2026	65 / 62	$11,100	12%	$13,121

YEAR	AGES	CONVERSION	FEDERAL BRACKET	TOTAL TAX AND IRMAA
2027	66 / 63	$21,219	12%	$16,569
2028	67 / 64	$21,293	12%	$17,001
2029	68 / 65	$17,725	12%	$17,062
2030	69 / 66	$18,058	12%	$17,535
2031	70 / 67	$95,215	12%	$16,522
2032	71 / 68	$97,564	12%	$16,948
2033	72 / 69	$99,971	12%	$17,386
2034	73 / 70	$102,435	12%	$17,835
2035	74 / 71	$104,959	12%	$18,296
2036	75 / 72	$69,434	12%	$14,566
2037	76 / 73	$71,613	12%	$14,860
2038	77 / 74	$74,064	12%	$15,160
2039	78 / 75	$65,978	12%	$15,466
2040	79 / 76	$68,649	12%	$15,756
2041	80 / 77	$71,734	12%	$16,052
2042	81 / 78	$75,309	12%	$16,355
2043	82 / 79	$79,320	12%	$16,666
2044	83 / 80	$84,037	12%	$16,985
2045	— / 81	$19,408	12%	$7,238
2046	— / 82	$19,216	12%	$7,310
2047	— / 83	$19,090	12%	$7,378
2048	— / 84	$18,881	12%	$7,443
2049	— / 85	$18,747	12%	$7,504
2050	— / 86	$18,618	12%	$7,560
2051	— / 87	$18,498	12%	$7,612
2052	— / 88	$18,472	12%	$7,659
2053	— / 89	$18,399	12%	$7,701
2054	— / 90	$18,431	12%	$7,738
2055	— / 91	$18,508	12%	$7,769
2056	— / 92	$18,644	12%	$7,795
2057	— / 93	$18,860	12%	$7,814
2058	— / 94	$5,555	12%	$5,646

Why this amount

- We projected taxes through both lifetimes and the 10-year inherited IRA period, at 6% returns and 2.5% inflation. Dollars left in the IRA are projected to be taxed at about **27.1%** when withdrawn by the clients or their heirs.

- This year, conversions cost less than that rate up to $11,100, at 18% on average. Beyond that point, the tax on each added dollar rises above 27.1%.
- Over the full projection, optimized plan leaves heirs $473,260 more after tax than required distributions only, and $173,714 more than the next-best strategy, in today's dollars.
- After Alex passes away, projected in 2044, Jordan's bracket rises from 12% to 22%. Converting while both spouses are alive avoids part of that increase.

Confirm with Two Returns before executing

☐ Year-to-date realized gains, dividends, and interest in every account	☐ December capital gain distribution estimates for funds in the taxable account	☐ Any other income expected before December 31, such as a bonus or business distribution	☐ Which IRA the conversion comes from, and the owner's age	☐ The final conversion amount, in writing from Two Returns

After executing, send the confirmations to Two Returns, and forward Form 1099-R in January so Form 8606 can be prepared with the return.

Tax planning analysis based on projections and current law. It does not recommend any specific security; the advisor selects and executes all investments.

Two Returns Planner version 1.14. Client data stays on this computer. The planner makes no network requests with client figures; client files are saved to and opened from your own folders.