

## **List Plans button**

RPS will allow saving input parameters under a Plan Name. This button provides a listing of all of your saved plans.

## **Get Plan button**

Plan input parameters can be retrieved by entering the Plan Name in the Plan Name field pressing this button. You can copy and paste the Plan Name from the List Plans screen.

## **Simulation Start Year**

If you are reworking a plan that started in a previous year, this may be less than the current year. Otherwise, this will most likely be the current year.

## **Social Security**

Enter the annual benefit expected from social security.

RPS does not support complicated scenarios such as windfall elimination rules, or file and suspend.

## **Brokerage Taxable Distribution**

For brokerage accounts, there are dividend and capital gains distributions that are considered income for tax purposes. RPS can include these in the income tax calculation during the simulation. The default assumption is 2%.

## **Home Equity**

If you plan to use home equity as a fall back to fund your retirement, you can use include it in the simulation. RPS will increase the home equity amount by the rate of inflation for each year simulated.

## **Roth Conversion**

RPS can look for opportunities to do a Roth Conversion during the simulation. If there is enough in the brokerage account to live on for 1-3 years before drawing down from the IRA, it is likely taxes will be extremely low (if not zero). This might be a good time to consider a Roth conversion. RPS will limit the taxes paid for a Roth conversion to either the 0%, 10% or 12% tax bracket in the conversion year - depending on the option selected.

## **Fill the Bracket Max Tax %**

During the withdraw process, RPS will first tap IRAs up to a specific tax % specified in this field before tapping a Roth or H.S.A. account. The default value is 0%. The theory is that it makes sense to withdraw from your IRA if your taxable income is 0.

## **HSA Account Information**

Medicare B premiums can be paid for using HSA funds. If you want RPS to draw from HSA to pay for Medicare B premium, set this field to "MedB".

If you've "shoe boxed" past medical claims and plan to draw the eligible H.S.A funds after retirement, you can specify how much by entering the associated info in the H.S.A. Flat Draw Amount fields. Or, if you want to simply account for average medical expenses each year of retirement, you can specify here and let RPS incorporate that into the simulation.

## **Annual Budget**

RPS uses Transition Budget Amount for couples if only one is retired during a simulation year.

Full Initial Budget is the amount used when both of a couple are retired. This should be the amount minimally needed to live comfortably during retirement. Include non-discretionary expenses such as rent, utilities, health care, groceries, and insurance. Also include discretionary expenses such as travel, hobbies and dining out. In short, enter the amount planned to spend in a comfortable retirement. Do not include mortgage principal and interest in this amount - that is entered in a separate field. Do not allow for federal income or capital gains taxes as RPS will estimate.

RPS assumes the last 3 years of your retirement will be spent in assisted living. If you plan to self-fund nursing home expenses, you may want to increase your planned expenditures during this time.

Enter the annual mortgage principal and interest. RPS tracks this separately as it is not subject to inflation adjustments.

## **Annual Budget % Reductions**

The theory is that retirees generally spend less as they age. This is supported by data on BLS.GOV. Some people suggest reducing the budget by 1% each year to account for this.

## **Asset Allocation %**

This is the percentage amount of retirement assets invested in stocks. RPS assumes the remainder will be invested in an intermediate bond index fund. You can adjust the percentages for each phase of retirement.

## **Variable Withdraw %:**

This is a unique feature of RPS that I have not found with other tools. RPS will simulate withdrawing a bonus whenever the simulated historical ending balance for a given year is greater than the base plan ending balance for the same year.

For example, assume the base plan shows \$900,000 for an ending balance after the first year of retirement. After year 1 of a simulated scenario, the ending balance is \$950,000. A variable withdraw amount of 10% will result in a \$5000 bonus withdraw for that year.

The idea is for RPS to look for additional opportunities to withdraw funds over and above the budget to be enjoyed during retirement.

## **Withdrawals**

In general, RPS will simulate drawing down assets in the following sequence: 1) IRA RMD or IRA Fill the Bucket Amount 2) Roth / H.S.A, 3) brokerage accounts 5) IRAs non RMD

RPS will draw down Roth / HSA at the age specified in the input form.

Fill the Bracket Max Tax % allows for increasing IRA withdraw up to a maximum percentage specified in the input form. For example, in some years, your taxes may be in the 10% bracket. You may ask RPS to assume that you want to prioritize additional withdraw amount from your IRA up to the 10% tax bracket limit - in anticipation of potentially being in a higher tax bracket in the future.

RPS assumes withdrawals occur each year on January 1st.

## **Annual Process**

Inflation adjustments are made starting January 1st of each year simulated.

RPS will simulate rebalancing to preferred asset allocation on January 1 of each year simulated.

## **Excess RMD**

Required minimum distribution from IRA may exceed total budget need. In this case, RPS assumes that excess money will be deposited into the brokerage account.

## **Early Death Budget %**

When testing a scenario for a couple after the first person dies, RPS will automatically adjust the budget based on the percentage entered here. The default is 75%.

## **Taxes**

RPS estimates federal taxes using simple standard deduction assumption. Estimating taxes is essential in comparing different retirement scenarios such as the benefits of taking social security at various ages, and benefits of doing a Roth conversion early in retirement.

RPS only assumes 1 (filing single) or 2 exemptions (married filing joint). No other options are provided.

Tax implications for employment wages are not considered. RPS does not consider itemized deductions, alternative minimum tax, or any eligible credits. It also does not consider self-employment tax, employment taxes or other taxes that may impact the true final federal tax.

Federal Taxes are calculated and included in with the following year budget.

Brokerage account gains are assumed to be long-term and taxed at the capital gains tax rate.

Calculations for married filing jointly and single filing options are provided. Head of household and married filed separately are not included.

State income taxes are not calculated.

## **Social Security Taxable**

Social Security benefit amount is federally taxable up to 85% of the benefit amount.

RPS uses the process defined IRS Publication 915 for calculating the estimated Social Security Taxable Amount.

## **Include Medicare B Premium**

RPS will estimate the Medicare B premiums if desired. If the budget amount already contains an allocation for Medicare B premium, or you will not be enrolling in Medicare B, set this field to NO. Otherwise, set this field to YES.

## **QCD %**

If included in your budget is an allowance for a qualified charitable deduction (QCD), you can specify what percentage of your budget will be allocated to QCD. In this case, RPS will deduct the QCD from taxable income.

## **Other Resources**

Here are other websites that I found very useful:

<https://www.i-orp.com/>

<https://www.firecalc.com/>

<https://www.cfiresim.com/>