Rochester Wealth Strategies

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Financial Strategies for Those Over 70

By Dominic Garcia

The process of enhancing your wealth is an ongoing task. One common misconception is that once someone begins taking required minimum distributions (RMDs) from their IRA, there are no longer strategies that they can take advantage of; this is far from accurate. As you progress through life, you should always be cognizant of which opportunities present themselves.

Starting at age 70 ½, you may want to consider the advantages of a qualified charitable distribution (QCD). QCDs are a tax-efficient way to give money to the charities or churches you wish to help. Provided the donation goes straight from your IRA to an eligible 501(c)(3) organization, you can avoid tax on the distribution, even if you take a standard deduction, and the organization receives the full benefit of the dollar amount you distribute. For those taking RMDs, a QCD can also help satisfy your distribution requirement.

Gifting is a great way to not only support your loved ones, but also help to reduce your estate if you are nearing or over the estate tax exemption. In 2024, you can give up to $18,000 as a single person or $36,000 as a married couple to as many people as you would like without owing any tax on the gifts. Although most beneficiaries receive an inheritance later in life, individuals in their early 30s may benefit the most from a monetary gift, as they usually have the increased expenses of building families, moving into a new home, and getting a grasp on their long-term careers. Note that in addition to the $18,000 limit, you can also make unlimited gifts directly to qualifying educational institutions and medical service providers on behalf of someone else. One of the most common gifts is contributing to a grandchild's 529 plan. If you file taxes in Michigan and utilize the MESP 529 plan, your contributions could even provide you with a state tax deduction.

Roth conversions should also be a consideration. If you anticipate being in a higher tax bracket in the future, or your children are in a much higher tax bracket than you are and stand to inherit assets, there are scenarios where it would make sense to convert traditional IRA assets to a Roth IRA.

Without diving into too much detail, there are also much more advanced strategies as your net worth increases. For example, one may consider the benefits of donor-advised funds, credit shelter trusts, charitable remainder trusts, irrevocable life insurance trusts, reverse gifting, etc. These avenues are worth considering if you are concerned about hitting the estate tax exemption limit. Although the current limit is $13,610,000 per individual, this figure is expected to be cut in half in 2026.

Above all else, it is imperative that the first step is to always look at titling. Your investments, bank accounts, insurance policies, businesses, and real estate should all be reviewed. Proper titling of assets is a proven strategy to save families thousands if not millions as assets pass to the appropriate heirs.