Important age milestones for financial planning

Reaching certain age milestones can be significant for many different reasons. In addition to birthday celebrations or life changes, such as retirement, age milestones may be meaningful for financial planning. Many aspects of the tax code are linked to age requirements. And most savings accounts, particularly retirement accounts, have rules around withdrawals and even contributions that are based on age.

Age	Planning consideration
18	Earliest age of majority for custodial accounts in some states, meaning an account should be reregistered solely in the name of a (former) minor
21	Latest age of majority for custodial accounts
24	Age when the "kiddie tax" does not apply anymore on certain dependents' unearned income
26	Maximum age when adult children may stay on their parent's health insurance plan
30	Coverdell Education Savings Accounts must be distributed
50	Eligible for catch-up contributions for retirement accounts ($1,000 for IRA, $3,000 for SIMPLE IRA, $6,500 for 401(k))
55	Participants who are separating from service can withdraw from a qualified retirement plan without incurring a 10% early withdrawal penalty
59½	Distributions from retirement plans and IRAs are penalty-free
60	Surviving spouses are eligible to receive (reduced) Social Security survivor benefits
60–63	Beginning in 2025, additional catch-up contribution allowed within a defined contribution plan equal to 150% of the catch-up in place for that year for those age 50 and older
62	Eligible to receive (reduced) Social Security retirement benefits for workers and spouses. Spousal benefits are available only when the other spouse claims benefits. For divorced individuals, spousal benefits are available once the ex-spouse turns 62 if other criteria are met
63	Income reported on your tax return is used as a basis to determine Medicare part B and D premiums, known as the two-year lookback. Higher premiums apply at higher income levels
65	Eligibility age for Medicare. Also, taxpayers receive an increase in the standard deduction ($1,750 for those filing a single tax return, $1,400 per spouse for those filing married filing jointly)
67	Full retirement age for those born in 1960 or later to receive Social Security benefits without a reduction
70	Latest age you can delay claiming Social Security retirement benefits and benefit from the delayed credits (does not apply to spousal or survivor benefits)
70½	Eligible to use the qualified charitable distribution (QCD) to distribute up to $100,000 (indexed for inflation starting in 2024) tax free from an IRA
73	Required minimum distributions (RMDs) from retirement accounts begin (exceptions apply where the individual is still working, participating in the plan, and meet certain criteria)
75	RMD age for those born in 1960 or later

Planning opportunities

When discussing potential planning opportunities, it is important to have an understanding how these age milestones may benefit or limit these opportunities.

Consider Roth conversions before reaching certain milestones

Timing a Roth IRA conversion is key when it comes to certain age-based milestones, such as retirement or claiming Social Security. For example, converting to a Roth IRA shortly before age 65 may negatively impact Medicare premiums. This is because Medicare considers income from two years prior to enrollment at age 65 when calculating the amount of the premium. Those at higher income levels may face higher premiums.

Consider a qualified charitable distribution (QCD) if over age 70½

If you are not relying on an RMD to meet current income needs, and if you are planning to claim the standard deduction, consider donating IRA assets to a qualified charity. A special provision of IRAs allows account owners to donate up to $100,000 tax free each year to charity.

In-service, non-hardship withdrawals

Some 401(k) plans allow in-service, non-hardship withdrawals — without providing proof of hardship — if the participant has reached age 59½ or has met the requirements specified by the plan document. These participants have the option to directly transfer savings to an IRA without penalty or withholding, assuming certain conditions are met. Transferring savings from the employer plan to an IRA may allow access to a broader range of investment choices, for example.

It might pay to delay

One of the biggest mistakes retirees make is deciding to begin Social Security benefits too soon. In fact, about 60% of workers sign up for Social Security before reaching full retirement age. At this point, the benefit is significantly lower and may be more likely to be subject to a reduction in benefits for those still working. By delaying the start of Social Security benefits, retirees will receive higher benefits. In essence, they receive an 8% raise for every year they delay taking benefits up to age 70.

Take distributions before your RMD age

The original SECURE Act raised the RMD age from 70½ to age 72 effective in 2020. The new law further extends the RMD age to 73 in 2023 and eventually to age 75 in 2033. Even with the RMD age increased, you may consider accelerating income before the tax rates expire at the end of 2025, or if you are in a lower tax bracket. For those that are already subject to RMDs, consider taking larger RMDs than required to "fill up" favorable tax brackets, depending on personal tax circumstances.

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II1009 333730 5/23