Episode 210: Navigating Tax Changes for 2026

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SPEAKERS
Alex Murguia, Wade Pfau, Speaker 1, Briana Corbin

Briana Corbin 00:00
The purpose of retire with style is to help you discover the retirement income plan that is right for you. The first step is to discover your retirement income personality. Start by going to retire with style.com/style, and sign up to take the industry's first financial personality tool for retirement planning.

Briana Corbin 00:41
Welcome back and happy 2026. Wade and Alex are kicking off the new year the only way that retirement nerds know how by diving right into the newest tax code updates from ACA subsidy changes to estate tax exemptions and a few surprises in between, this episode sets the tone for smarter planning in the year ahead.

Alex Murguia 01:00
Hey everyone, welcome to retire with style the first episode of the season. I believe right Wade

Wade Pfau 01:12
if we do that by calendar year, I suppose that's true,

Alex Murguia 01:15
and there we go. Good to be right to start off the year with with I think I'm right kind of statement. Today, we'll be talking about the new limits and regulations and tax codes and all that for 2026 to get everyone off on the right foot. Right, right.Wade,

Wade Pfau 01:37
that's right, absolutely. Alex,

Alex Murguia 01:39
all right, all right. And you do anything special over the new year's big guy,

Wade Pfau 01:46

yeah, yeah, I was, I got into monopoly again, the board game play that with the kids. The board game Monopoly,

Alex Murguia 01:56
there's, there's a board game about, like, cartels or oil barons or oil batteries or something like

Wade Pfau 02:03
that, yeah, that sort of thing. I don't know if you're joking or not right now.

Alex Murguia 02:10
Yeah. In fact, there was, I was at a toy store, and they even had a Hello Kitty monopoly, oh yeah, just to see what, what it was about.

Wade Pfau 02:20
They changed the names of all the properties. Doesn't make it

Alex Murguia 02:24
how many Hello Kitty iterations can you have to to, like, make the game last? Get out of pound, get out of the pound, or get out of jail. What do you think they do there?

Wade Pfau 02:33
That could be the although cats don't go to pounds, but, yeah, they may not have an alternative. Where do they send cats? I don't know. I guess they could. I just dog pounds kind of goes together. I'm sure they have an animal shelter. Cat pounds. This episode is getting off to a great start.

Alex Murguia 02:57
Welcome 2026 here we go. No, but we think, you know, a good time as any to do all the tax updates and things like that for 2026 so let's get started. Wade, what's the first one in the agenda? Why don't we go alphabetically here? At least the first one and yeah,

Wade Pfau 03:16
and to be clear, so these are themes we've talked about. We have this series of episodes with Brett Layton, but we thought we'd do a quick kind of refresher and update on what's new with taxes in 2026 and that a lot of this is based on last year's legislation that came July 2025 has all kinds of changes to the tax codes, but a bunch of them didn't start until 2026 so we're just going to review what is new, what's different in 2026

Alex Murguia 03:44
All right, the first one being, the ACA subsidies, yeah.

Wade Pfau 03:48
And so this first one, it's really the only one not connected to last year's tax legislation, but it's big in the news, and that is, Congress had been thinking, at least some parts of Congress have been thinking about extending the enhanced subsidies for the Affordable Care Act. They were not extended. So we go back to the regular subsidies for the Affordable Care Act, which existed prior to 2021 I guess between 2021 and 2025 we had an enhanced subsidies. Now, unless something happens, we're back to the regular subsidies. So if you're getting health insurance

through the Affordable Care Act, you're going to notice a few differences this year, the first being just the premiums for for Affordable Care Act policies went up quite a bit across the board, across the country. So you may be looking at higher premiums, and that's separate from the next issue, but now you're also dealing with a different subsidy regime, and the subsidies that you're eligible for based on income and what percentage of your income you're expected to contribute towards health insurance, and that's linked to the federal poverty line for your household. So federal poverty lines in the US are. Yeah, there's a set of numbers for the continental US, the 48 states that are all connected. And then there are different slightly higher numbers for Alaska and also for Hawaii. I'll stick to talking about the continental US for now. But just keep in mind, if you're in Alaska, Hawaii, you may have slightly higher numbers. And then it's based on household size and what really matters, and this is with tax planning, what you really need to pay attention to in 2026 so between 100% of 400% of the poverty line, subsidies are down a little bit with the regular subsidies. But the big difference is, for the past four years, subsidies could continue to quite high incomes. Now, as soon as you're $1 over 400% of your federal poverty line, your subsidy drops to zero. That can have a huge impact. That you could be paying that $1 too much income could mean you lose $20,000 or more of subsidies for the year. And so a couple of those numbers. So if you're in a single person household, like one individual household, 400% of the federal poverty line this year for the purposes, well, actually it's based on last year's numbers, but relevant for this year's Affordable Care Act subsidies, one person household, $62,600.02 person household, $84,600.03 person household, $106,600 and so on. It's increasing approximately $20,000 or so for each person added to the household. If you're a couple getting close to retirement, maybe retired early. So using the Affordable Care Act for health insurance, but still prior to age 65 you're not yet eligible for Medicare. That two person household, that magic number, again, is $84,600 and that's your Affordable Care Act modified adjusted gross income, which for most people, would be pretty close to their adjusted gross income. The big difference, if you have any foreign earned income, you have to add that back in. The other big difference, this is the only tax measure we ever really talk about where you have to add 100% of your Social Security benefits. So if you're using the Affordable Care Act, this is a huge incentive to not claim Social Security while you are receiving subsidies for your health insurance, because a Social Security benefit, if it pushes you over the thresholds 400% of the poverty line, you may lose subsidies equal to close to the amount of your Social Security benefits. And so you really would be better off by delaying benefits in those circumstances. But yeah, that's that's a big change. And for anybody getting health insurance through the Affordable Care Act, this is something to pay attention to. That magic number is 400% of your federal poverty line for a two person household, again, that's $84,600 and if at all possible, to be clear, 400%

Alex Murguia 08:01
of that not like, no, no, that.

Wade Pfau 08:03
That is the 400% of the poverty line. Not, not multiply that by four, you know, divide that by four to get 100% of the federal poverty line to stay below that. If you can, if you can't, some people, it's impossible to stay below. But you don't want to accidentally trigger voluntarily income that you could have avoided that would push you over those limits.

Alex Murguia 08:27
Okay. What about tax rates? How are they looking at for 2026

Wade Pfau 08:34
Yeah, so with the new tax legislation, we permanently extend last year's tax rates. That was the change this year, is that there is no change. Previously, we were going to have higher tax rates this year, but the old tax rates from the tax cuts and Jobs Act are permanent now. So your ordinary income tax rates at the federal level are 1012, 2224 3235 and 37% no change from last year. But that's the change, is that there's no change from last year. And also the larger standard deductions we've had for the past 10 years, those continue unchanged. So you have the this. I think it's 32,200 for married filing jointly, a half of that for a single filer. Those are now a permanent part of the tax code as well.

Alex Murguia 09:24
Do you know? How many folks just, you know, and this is obviously a guesstimate, or a little bit of a hot take, how many itemize versus just take the standard Now,

Wade Pfau 09:32
with these higher standard deductions, the percentage of people who itemize is quite a bit lower. I've seen statistics I don't remember offhand, but it's, it's relatively low. Most people now take the standard deduction. Now that could change a little bit with before there was a cap on your state and local tax deduction of $10,000 now that that cap is higher, something else we'll be talking about, it may increase the percentage of people who can. Itemize, but unless you have big health care expenses that are deductible and or making large charitable contributions, it can be harder to itemize. So yeah, most people, especially at the retirement stage, are going to be looking at taking the standard deduction.

Alex Murguia 10:18
All right, inflation

Wade Pfau 10:20
adjustments, yeah, yes. So that was just something for the 10% and 12% brackets, they're resetting the index year on inflation when you're back to 2016 so it's kind of a quirk for one time only the 10% that the tops of the 10% and 12% brackets are getting like two inflation adjustments this year, instead of one, which has the implication the 22% bracket for ordinary income starts close to where the 15% bracket for preferential income is. Now there's a little bit bigger division. So before the 22% bracket had started, for single people, $125 higher than than, where preferential income is taxed at 15% now it's $950 higher. And likewise, for married filing jointly, there used to be a $250 gap, and now there's a $1,900 gap. And where that matters is for tax maps. We this is now, we've had a lot of episodes about tax planning, so the idea of preferential income stacking, where, if you're in the 12% bracket, if and you generate another dollar of income, if that's pushing it also pushing $1 of your, say, long term capital gains from the 0% bracket into the 15% bracket, you're now facing a 27% effective marginal rate. Well, once you had got through that 27% preferential income stacking issue, you dropped back down to 12% again, and it used to be a little minor blip on the tax maps, because that would only last for 125 or $250 now you'll see a little bit longer horizon where you can generate either single again, 950 or married family jointly, 1900 you can generate that income at 12% again before you get to the 22% bracket.

Alex Murguia 12:15

Wade a little bit of self promotion here, because you mentioned the tax maps. Can you talk about what you did with the tax maps, what we have on retirement researcher, and how folks can utilize this? I found myself actually doing this with with my CPA. You may want to give people a little blurb about that, because I think it's one of the hidden gems that we have on retirement researcher,

Wade Pfau 12:36
sure, sure. Yeah. As part of the retirement researcher academy or our membership site, we've created a tax map calculator where you enter in a target for what you're willing to pay. In terms of this is the effective marginal tax rate I'd like to either manage, either for ordinary income or for preferential income, which, which, I mean long term capital gains or qualified dividends. And then it will show you, as you generate each dollar of income, what the overall tax rate is on that accounting for this preferential income stacking issue, accounting for the loss of the subsidies for the Affordable Care Act, for the way Social Security is taxed, for the way Medicare premiums can be increased as you exceed certain income thresholds, the phase outs of various deduction itemized or non itemized below the line deductions. I might be forgetting something as I'm just naming these off the top of my head, but it accounts for all that and helps you decide whether you might like to do a Roth conversion or harvest capital gains to pay taxes voluntarily at a lower rate and get that long term benefit, potentially reducing required minimum distributions in the future and so forth, and giving yourself a better overall tax situation. So our we have the tax map calculator that will provide that analysis as part of the academy, the retirement researcher Academy, and then also later this month, what I've been working on quite a bit recently, as well as the third edition, highly revised third edition of the retirement planning guidebook. And as always, the tax planning chapter is usually the one getting the most updates. And it's it's going to be fully updated for the new tax code, all the new phase outs of itemized deductions and non itemized deductions, it's all going to be in there, and it's very important to consider tax planning, as we were saying, especially with the Affordable Care Act subsidies now, so that you fully understand when you're generating income, what the overall tax rate on that income will be.

Alex Murguia 14:35
Okay, very good.

Briana Corbin 14:37
Are you getting close to or are you in retirement? Well, investing during retirement is a little bit different than during your working years. Your investments are there to help you pay for retirement, and now is when they need to earn their keep to make sure you're on the right track. Download retirement researchers eight tips to becoming a retirement income investor by heading over to retirement researcher.com Slash eight tips again, get your copy of retirement researchers. Eight tips to becoming a retirement income investor by going to retirement researcher.com/eight tips. That's the number eight tips.

Alex Murguia 15:16
Do you want to discuss more than about itemized deductions? Yeah.

Wade Pfau 15:21
So Salt, salt had already come up state and local tax now, starting in 2025 the cap was raised from 10,000 to to 40,000 just the only thing to note there on that, what for that one in particular is every year now, and this is temporary only until 2028 but every year now, those numbers

increase by 1% a year. So the salt cap for 2026 is $40,400 and the phase out of that for both single and married filing jointly, and that cap is the same for both single and married filing jointly, but the phase out begins at $505,000 now for both then a new change in 2026 mortgage insurance premiums are now deductible. They were not in the past. Well, they have been in the past, but for the last so many years they haven't been it's back. You can deduct mortgage insurance premiums again. Now the phase outs for that will begin around in the ballpark of $100,000 and that may not be as big of issue for retirees with traditional mortgages, because you really had to, like be putting down less than 20% as a down payment to have to necessarily be worried about paying mortgage insurance premiums. But where this generates a lot of interest is in the reverse mortgage world, the mortgage insurance premiums when you repay the loan balance on a reverse mortgage, you can potentially, in addition to deducting interest on acquisition debt, you can also potentially get that deduction on mortgage insurance premiums as well. So it could be an added bonus with the Home Equity Conversion Mortgage, reverse mortgage program, another one, and some of these we mentioned when we were talking with Brett Leighton in last year's episodes, but with things that didn't start till 2026 another one that's just starting this year. If you've been gambling, you can only offset 90% of your losses against gains, rather than 100% so we had talked about the example, if you'd gone to the casino casino, you're up $100,000 and then you managed to blow it and get back down to where you started. So you walk out of the casino empty handed. You you you've lost everything you gained. Well now you can only deduct 90% of that loss, so you'd have a $10,000 taxable gain still at that point. So it makes gambling a bit less attractive than it had been in the past.

Alex Murguia 17:50
You're talking when you cash out. No, not why you're at the table. Kind of Yeah,

Wade Pfau 17:54
yeah, you don't pay the tax at the table. No, what you report on your your forms.

Alex Murguia 17:59
I got you. I got you. I wonder. That's how the I haven't heard that in the news as much like, you know, with regards to Caesars and the sports books and all that kind of stuff. I think the Manning brothers will be doing a commercial shortly on that, a little PSA, I assume,

Wade Pfau 18:17
yeah, yeah, it's it definitely makes gambling less attractive because you could be paying taxes on phantom income. If you're

Alex Murguia 18:28
okay with that, are you okay with that? You're has that ruined your weekends?

Wade Pfau 18:32
Wade, yeah, I never got into all the new sports gambling options out there.

Alex Murguia 18:37
I can't, and it's just too much. Even like fantasy football, it's like, first of all, if I did fantasy football, I think I just picked the Miami Dolphins for every single position every year, no matter what, I couldn't bring myself to to get a non dolphin player. So I'm out

Wade Pfau 18:54
not the 1970s anymore.

Alex Murguia 18:57
1970s I wish it was even the 80s. All right, with regards to that, you had said, How about there's that kind of 90. You can only get 90% of losses. What about charitable contributions? Having a floor on charitable contributions?

Wade Pfau 19:16
Yeah, you're jumping down quite a or where

Alex Murguia 19:21
we missed it. We went to the gambling before.

Wade Pfau 19:24
Oh, you're right, yeah, I skipped one. Ah, you're the one on the ball.

Alex Murguia 19:27
Okay, I wasn't like, I was gonna, like, try to embarrass you on that, yeah, on the podcast and say, Hey, you screwed up. You skipped one, but you did not hesitate.

Wade Pfau 19:38
Wade, yeah, skip one. I I skipped it.

Alex Murguia 19:44
Okay, did you notice a little dynamic there? How you heard? You're very quick. You're very quick to bring me down.

Wade Pfau 19:50
Yeah, I'm used to you just jumping around. Listen, oh, really,

Alex Murguia 19:54
so it's my fault. It's my fault that you screwed up. Is that what you're saying?

Wade Pfau 19:58
Usually, if your game is. Really okay, assuming you missed. All right,

Alex Murguia 20:02
I apology, apologies for making you screw up.

Wade Pfau 20:07
All right, but yes, an important one in 2026 now there's a floor. Your charitable contributions can only be deducted on the amount in excess of a half a percent of your adjusted gross income. So just to give an example there, if your adjusted gross income is $100,000 and say you made a $10,000 donation, well, the first $500 of that, a half a percent of your adjusted gross income you can't deduct. You'd only be able to apply $9,500 of your $10,000 donation. Now, you still have to be able to itemize to get any tax benefit, but the point is, you're not applying the full $10,000 of that donation only the amount in excess of a half a percent of the adjusted gross income. So

it's not the end of the world, but it's something to be aware of, and you don't get quite as much advantage out of itemized charitable deductions. Now because of that, couple others, while we're in the same category, are the now, well before federal, federally declared disasters, losses from those were deductible, and that's now also been extended to the state and municipal government level, where if a state or municipal government declares a disaster, if losses related to that could be deductible, assuming they're not compensated by insurance and so forth. Other I mean, you've got to meet all the provisions, but it could potentially be deductible. And then the final one, also new in 2026 if you're getting into the 37% tax bracket, the top tax bracket, so congratulations for being there. But any itemized you deduction, itemized deductions you have in a 37% bracket are only getting a benefit of reducing taxes at a 35% rate instead of a 37% rate. Why do you

Alex Murguia 22:01
think they threw something like that in there? Sort of asymmetric kind of thing, like, that's like, and you know what, like, a sneak in or something, right? It's kind of a little like, where did that come from?

Wade Pfau 22:12
Yeah, it's gonna have a small overall impact. It's a way to tweak the numbers a little bit so that you're making the budget look a little better. You'll get a little better, you'll get a little bit more tax revenue, but it's just any benefit you get from itemizing now, kind of you can never get more than a 37% 35% rate benefit from that, even if you're in the 37%

Alex Murguia 22:34
tax price. Yeah, they get you on both sides. They get you on the first point 5% and of the contribution. And then they, you can only deduct that at the 35 not at the 37 Yeah, they screw you in the drive through. Wade, they screw you in the drive through.

Wade Pfau 22:50
Yeah, those high earners have a tough time.

Alex Murguia 22:54
Yeah, that struggle is real, my friend,

Wade Pfau 22:57
well, the but maybe that's what's paying for the next one, which is actually something really great. I really great, if

Alex Murguia 23:04
you're not I like how you did that. Very nice.

Wade Pfau 23:09
If you're taking the standard deduction so you're not itemizing, then you can now, as a single filer, deduct up to $1,000 of cash contributions to charities, and is married filing jointly up to $2,000 of cash contributions to to public charities. So that that's a nice bonus. You can take your standard deduction and you can still deduct up to 1000 again, 1000 single, 2000 married filing jointly for charitable contributions, and that's only relevant if you're not itemizing. But since most people don't itemize, it's a nice way to get a little bonus from charitable giving. Now it has

to be cash contribution, so it's not donating to Goodwill and that sort of thing, but it's nice if you're making some cash contributions.

Alex Murguia 23:56
Does gifting stock count as cash contributions?

Wade Pfau 24:02
I don't think so. I think you'd have to, in this case, sell the stock. And although me, I don't know why. I'm not an accountant. Why are you asking me? I don't know.

Alex Murguia 24:13
Period, more to follow, more to follow?

Wade Pfau 24:15
Maybe, yeah, we'll have to look that one up. It's possible it

Alex Murguia 24:19
just hit me, because folks would probably sometimes, you know, you have, let's say, assets you want to give away. You don't want to do it in cash. You have appreciated stock. You don't want to sell blah, blah, blah, blah, blah, you know, that kind of thing.

Wade Pfau 24:31
Yeah, it's usually better to donate appreciated stock than cash. I just don't know if you this applies or not to appreciated stock. We got to get.

Alex Murguia 24:40
Is it in your book? Wait, is it in your book? It's not in my book? Oh, my goodness, oh my gosh. Maybe not. You can't, but we're gonna have a fourth edition coming out shortly.

Wade Pfau 24:52
There's still time I could tweak a sentence if needed. All right, yeah, and then, and. Other one. Now we're kind of into the area of we're talking about the the high earners, big spender, big, well, not spenders, but big asset holders, yeah, estate tax exemptions, they're even larger. Instead of going down this year, originally, they were supposed to go down in 2026 to half of what they were in 25 but instead they're they're going up more. It's $15 million for singles and potentially up to $30 million for a married couple. So that's what you can have in your estate before you have to start worrying about federal estate taxes. So life goals,

Alex Murguia 25:42
yes, Wade the munificent, yes.

Wade Pfau 25:47
And then couple other changes. We're now getting into a couple more minor issues, but with the qualified business income, that's really you need an accountant to work through issues related to that. But the notable changes in 2026 the phase out ranges for losing your 20% deduction on qualified business income are expanding. And then also you. There's now a $400 minimum you can take advantage of as well, whereas if you otherwise had fully phased out, at least, you can apply it to $400 there's also the alternative minimum tax. Yeah.

Alex Murguia 26:25
What's the state of play on that? That was a much larger issue 10 years ago, kind of, I don't hear it as much anymore,

Wade Pfau 26:32
yeah, since the tax cuts and Jobs Act, it's really reduced the relevance I saw for that one. It's point 1% of taxpayers have to deal with the alternative minimum tax with the changes from last year that are now applying 2026 that percentage could go up a little bit. It's still mostly not, not a concern, especially like for retired folks, but if you are potentially vulnerable to the alternative minimum tax, it erases all the other kind of tax advantages we've been looking for and things so talk to an accountant about that. There is now more risk that higher income taxpayers could get entangled in this, and that could be either because of the way the different rules are designed. Now there's been a few tweaks that could entangle more people, and then also, it's based on if you have large itemized deductions and or exercising incentive stock options that can cause trouble. And if you're someone who has high state and local taxes, the fact that you're no longer capped at $10,000 you can apply up to $40,400 well, that's just another thing that could potentially get you closer to having to worry about the alternative minimum tax. Okay, with five to nine plans, we talked about a big expansion on eligible expenses related to education from the K 12 Level, so kindergarten through 12th grade, that's all in 2025 The only thing to note is the cap on that in 2025 the cap was $10,000 of those types of expenses, not including the tuition, just all the other ancillary expenses. That cap is now $20,000 instead of $10,000

Alex Murguia 28:21
and wait in the book. Did you do you start mentioning now? Because they've, it seems, of the last few years, they've really loosened up a lot of what you can and cannot do with the 529 plan. That's something you you broach upon in the book. Or, No, not really.

Wade Pfau 28:37
Yeah, I do mention, not in details since, yeah, it's a retirement book, retirement planning guidebook. But this is so there's still the nice rules about how you can gift to grandchildren up to five years of the annual gift tax limit. So five. That's where I

Alex Murguia 28:56
was going with that, because a lot of folks that they will be grandparents, and they're always thinking about the grandchildren,

Wade Pfau 29:01
etc, yeah, so grandparents can make a nice gift to a five to nine plan. And if they're so probably the parents are more likely to be the one than controlling the plans. But if it is, the grandparents, yeah, there's all kinds of expenses. It used to be a college savings plan. Now it's really like a education and even like trade or professional designations and things trade schools, and you can use it to apply it to all kinds of new types of expenses that were not possible in the past. SAT exams, AP exams, all kinds of stuff.

Alex Murguia 29:41
Yeah, the Kaplan. Kaplan's has a huge lobbying presence in DC, I guess. So think it's Kaplan, right? Those are the ones that, and all that, LSATs and all that kind of stuff.

Wade Pfau 29:52
Yeah, they're one of the big test prep organizations,

Alex Murguia 29:56
all right? And then what's up with the Trump accounts? What's going on? About that?

Wade Pfau 30:00
Yeah, we'll mention that, but it they don't. This is not going to start until July 2026, and so it's probably worth holding off on having a deep discussion on it. But it's something now that for under 18 years old, you can potentially contribute it. Where it's there's all kinds of details that go into it. We'll be able to get into those at a later date, because some things are still being finalized, but they act a lot like a traditional tax deferred account, and you could but you can make contributions to them for children without having to have that earned income like you would with an IRA. So if you make these $5,000 contributions every year between ages zero and 18 that could act well, it acts a lot like an IRA. There's still early withdrawal penalties before 59 and a half, but you could have a nice little nest egg from just that by the time someone reaches retirement ages through their Trump accounts. So more to come on that we'll probably have an episode on that during the summer, just when it's actually possible to create those right now, it's just going to be a lot of detail you'd have to remember seven months later

Alex Murguia 31:12
and Wade the question everyone's wondering, any new year's resolutions in 2026 that you've done, and have you broken it already?

Wade Pfau 31:22
I've never been big on making resolutions, so there you go. Haven't broken any because I haven't really made any. How about yourself,

Alex Murguia 31:32
I haven't really broken any new year's resolutions because I haven't made any either.

Speaker 1 31:36
Oh no.

Alex Murguia 31:38
Actually, I haven't even thought about it to me, it was just another Tuesday or whatever, whenever the New Year's hit.

Wade Pfau 31:44
Was that when you were sick? Or were you already over there?

Alex Murguia 31:47
No, I was already over it. Yeah, and I landed on the 31st I was just a big whirlwind. You know, the from old year to New Year kind of just

Wade Pfau 31:57
celebrate two new years. You're in England for nine years.

Alex Murguia 32:02
I was in the plane when

Speaker 1 32:04
I hit. So you're in the air at New Year's,

Alex Murguia 32:08
no but every hour, if you type in England, in you know, if I was going by English time i i had was New Year's in the air. I landed, though, like, I don't know, nine o'clock Eastern

Wade Pfau 32:21
time is there like a five or six hour difference? Five, five.

Alex Murguia 32:27
Yeah, it was good. It was good. Though, saw plenty of Premier League games. That was my bucket list. Mission accomplished. Right about you that we'll do the small talk now. I guess right

Wade Pfau 32:40
now I was just, in addition to getting the retirement planning guidebook ready, I was on that monopoly kick. Read a couple books about how to win at Monopoly and and I what I'd like to win a monopoly. Yeah. And also, I want to simulate, like Monopoly games played by computers to test all kinds of things. I did get the matching

Alex Murguia 33:00
test, all kinds of things. This is fascinating.

Wade Pfau 33:06
How to Win a monopoly, like,

Alex Murguia 33:08
how do you win? What's the I haven't played that since I was, like, under 10 years old. You just buy everything and mortgage the future and let it roll.

Wade Pfau 33:14
Oh, yeah. You want to, you want to buy as much as you can. And the, generally, the orange properties, the ones, I don't know if you know all the colors, you know,

Alex Murguia 33:23
I'm complete neophyte. I really don't remember anything. The fourth

Wade Pfau 33:27
property group as you go down the first side, then the last group on the second side. That's generally viewed as the best set of properties in the game, from the perspective of potentially,

Alex Murguia 33:39
they're more expensive, they're cheap, they're

Wade Pfau 33:43
they're they're the nice range. They're right in the middle of costs. And what you get when you when people land on them for rent at a reasonable price, they're lined up nicely with jail, so that when people are in jail later in the game, you just want to stay in jail. But if you roll the doubles, two of the potential doubles you could roll would land you on an orange property paying that big rent, so they have higher probabilities of being landed on. I've, I have replicated the long term probabilities of landing on every square in the game, which you account for.

Alex Murguia 34:17
You just went on in the rabbit hole over the holidays,

Wade Pfau 34:20
yeah, I just was getting into it. You have to account for all the chance and community chess cards and where they can send you. And got you into this. No, I just played a game with the kids of monopoly. And then I was like, Oh, this is interesting. And then I ordered two books on Amazon about monopoly strategy,

Alex Murguia 34:38
and did you play them after

Speaker 1 34:42
a little bit. But

Alex Murguia 34:44
not, did you share with them your insight, or did you just roll them?

Wade Pfau 34:49
Yeah, I was sharing the insight. Yes, yes. I'm more interested in writing the computer program to simulate games, but I just haven't had time to. Yeah, do that.

Alex Murguia 35:01
This would be a cool little article. Did you find any connections with financial planning, like real life financial plan?

Wade Pfau 35:06
I did, but I did find the 1973 an Iowa State University professor published an article on the probabilities of landing on different monopoly spots, and it turns out I played his son in in college bowl. He was on the Iowa State College Bowl team.

Alex Murguia 35:24
Is that like a true pursuit trivia?

Wade Pfau 35:29
Yeah, yeah. But Rob Hetzel is the son Irvin Hetzel wrote this article. It seems like his numbers are a little bit off, but he was doing this in 1973 before computers were very easy to use, yeah. But I've matched up my probabilities with other publications since then, which are different from his original numbers. Not sure what was, what caused that, but, uh, the trick is just how you

manage the jail strategies and then the Community Chest and chance cards. You gotta make sure they're all incorporated, right?

Alex Murguia 35:59
I have the beef. I actually forgot that the the jail, I know, but I have no idea.

Wade Pfau 36:06
And jail you early in the game. You pay the $50 to get out of jail right away so you can keep going. So you can calculate all the probabilities, assuming someone does that when they land in jail. Or you can roll up to three times. And if you get a doubles, here you go to that spot. And so that's a different strategy. And so you can later in the game, that's what people will be doing. And you can calculate all the probabilities with that strategy. They're two separate jail strategies, two sets of numbers that you need.

Alex Murguia 36:36
Yeah, I got to reorient myself. I It still sounds a little foreign to me. I believe you. You ever thought about Clash Royale, a game you kids on the phone? Clash real is good. Okay? It really is. It's pretty good. It's a tower defense game, but it's you pick cards, and then it's like, this card deck against that deck, and

Alex Murguia 37:00
You're humoring me. I love it. I've heard of it. No, it's actually quite good. It's just I gotta get down the rabbit. I'm at a ceiling, and I gotta go down the rabbit hole of doing what you did in monopoly to get past it. And I don't think I can devote the time right now with all that stuff, too much pickleball, yeah, we got pickleball. All right, man. All right, we'll catch everyone next week on retire with style. Maybe we'll have some monopoly insights. And I hope you enjoy the updates for everything. Taxes on 2026

Wade Pfau 37:32
All right, thanks everyone. Bye.

Briana Corbin 37:34
Wade and Alex are both principals of McLean Asset Management and retirement researcher. Both are SEC registered investment advisors located in Tysons, Virginia. The opinions expressed in this program are for general informational and educational purposes only, and are not intended to provide specific advice or recommendations for any individual or on any specific securities to determine which investments may be appropriate for you consult your financial advisor. All investing comes with the risk, including Risk of Loss past performance does not guarantee future results.