TAX CLARITY SAMPLE

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UNDERSTANDING THIS REPORT

This report incorporates most of the changes that impact personal taxes from Tax Cuts and Jobs Act of 2017 (TCJA), but does not incorporate many of the changes related to businesses, so business owners are highly advised to seek the counsel of a qualified tax advisor. Although TCJA simplified some elements of the tax system, the interactions between different types of income and deductions continue to create an environment in which the additional tax on a withdrawal from a retirement account, or the impact of harvesting a loss or gain in an investment account, may be substantially different than the taxpayer would expect.

Most tax preparation and tax planning software use a scenario-by-scenario look at the result of a given set of inputs, determining the tax due for only that specific set of inputs and not for the universe of other options that were available to the taxpayer. Tax Clarity® identifies two core types of income and deductions over which most taxpayers have at least some measure of control. These are ordinary income1 and capital gains2. It seeks to help a taxpayer answer a simple question: How much of each additional dollar is lost to federal income tax? Tax Clarity® is intended to handle the majority of income types and tax results; however, it is not designed to be a tax preparation engine or provide specific tax advice. The goal of this report is to provide a starting point for discussion of tax-efficient savings and distribution of retirement assets and is not a substitute for the advice of a qualified CPA, enrolled agent, or attorney.

THE IMPORTANCE OF A STRATEGY

Because significant differences exist in the taxation of the different account types and products you may own to create retirement income, and because a decision you make based on a single year has an effect on all future years, you should also consider an overall retirement income strategy.

An overall retirement income strategy can help you address:

- Which assets should be held in which account type?
- How much should you withdraw from each account each year? Should you move money from one account type to another?
- How much will you be forced to take in required minimum distributions?
- Are there opportunities to reduce taxes on an annual basis with good strategy?

Completing an annual Tax Map will also help you manage your plan over time.

ASSUMPTIONS - STRATEGY 1

Tax Year	2024
Standard Deduction	$25,100
Personal Exemption	$0
Additional Standard Deduction for Over 65	$1,350

INCOME TAX BRACKETS - STRATEGY 1

Taxable Income	**Tax Rate**
$0	10%
$19,901	12%
$81,051	22%
$172,751	24%
$329,851	32%
$418,851	35%
$628,301	37%

CAPITAL GAINS TAX BRACKETS - STRATEGY 1

Taxable Income	**Capital Gains**
$0	0%
$80,801	15%
$501,601	20%

MEDICARE MONTHLY PREMIUM INCREASE - STRATEGY 1

Income Above	**Part B**	**Part D**
$176,000	$59.40	$12.30
$222,000	$148.50	$31.80
$276,000	$237.60	$51.20
$333,000	$326.70	$70.70
$750,000	$356.40	$77.10

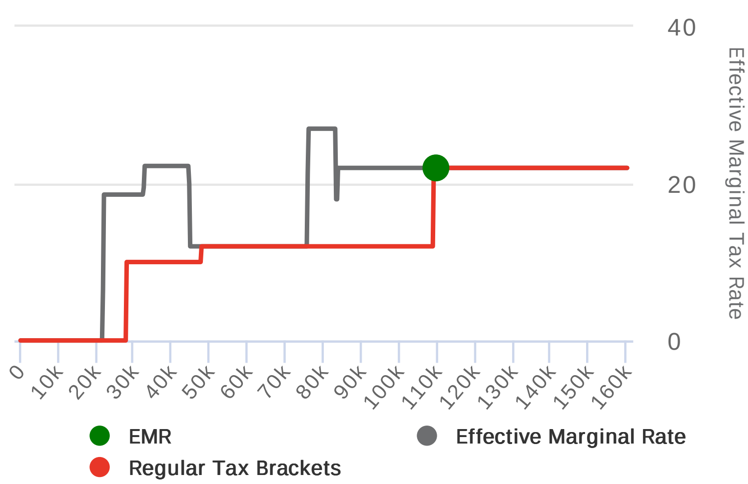
* Additional Medicare premium surcharges based on AGI were not calculated or included in this analysis.

STRATEGY TAX MAP: STRATEGY 1

The Tax Maps below demonstrate the impact of each additional dollar recognized as income in the two broad categories of ordinary income and capital gains. Starting at the left of the graph and adding income as you move right, an additional dollar of ordinary income may create an additional tax that is greater than the marginal tax rate that dollar would normally face. This can occur because income that was non-taxable may become taxable, such as Social Security benefits, or because tax credits or deductions that may have been available at lower levels of income are phased out, such as medical expenses. Seeing the effective marginal rates you may pay for each additional dollar of income or capital gain harvested may help you make smarter decisions about when to realize that income or gain and allow you to create a more tax-efficient income.

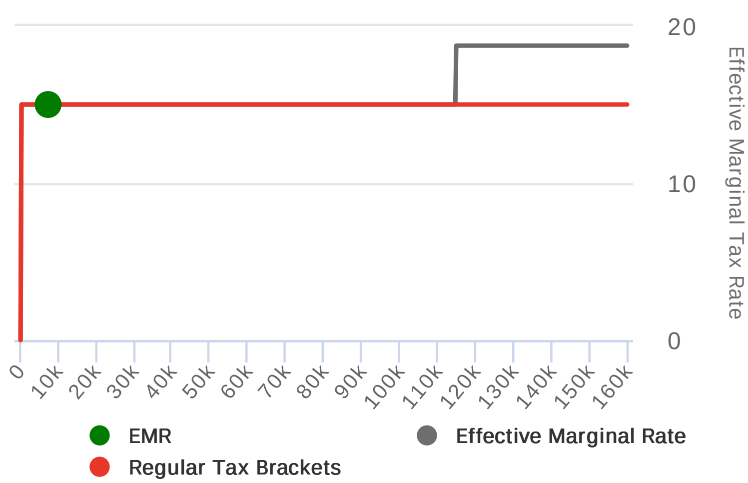
ORDINARY INCOME

Top Marginal Rate	27.25%
Current Marginal Rate	22%
Ordinary Income to Next Marginal Rate	$50,000
Next Marginal Rate	22%



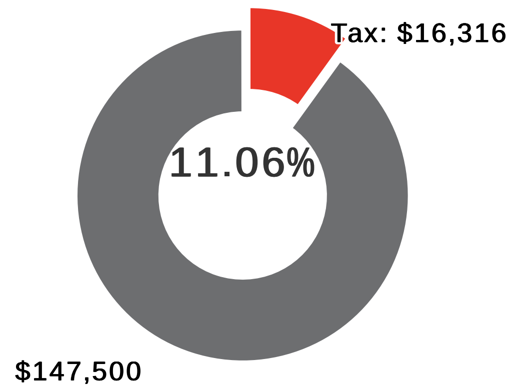
CAPITAL GAINS AND QUALIFIED DIVIDENDS

Top Marginal Rate	18.75%
Current Marginal Rate	15%
Capital Gains to Next Marginal Rate	$107,250
Next Marginal Rate	18.75%



TAX SUMMARY FOR STRATEGY 1

Based on your age, filing status, and income, we are using a standard deduction of $25,100. Given these basics, we estimate your total tax to be $16,316 on gross income of $147,500. This represents an effective tax rate of 11.06%, and an effective marginal tax rate of 22%.



Your effective tax rate is your total tax divided by your total income. Your effective marginal tax rate is the tax rate paid on your last dollar of income. For many clients an understanding of effective marginal tax rates may guide decisions such as where to withdraw money for an unplanned expense or whether to contribute more or less to a retirement account. While marginal rates are conceptually straightforward, the inclusion or exclusion of certain types of income, such as Social Security benefits and an understanding of phaseouts of deductions etc. can create substantial distortions.

APPENDIX

INPUTS - STRATEGY 1

Tax Year	2024
Date of Birth	5/1/1955
Spouse's Date of Birth	5/1/1955
Number Over 65	2

Ordinary Income	$10,000
IRA Distributions & Pensions	$100,000
Qualified Dividends	$7,500
Total Social Security	$30,000

CALCULATED FIELDS - STRATEGY 1

AGI (1040: Line 11)	$143,000
MAGI (For IRMAA)	$143,000
Net Investment Income	$17,500
Deductions and Exemptions	-$27,800
Provisional Income	$132,500
Taxable Social Security (1040: Line 6b)	$25,500
Taxable Ordinary Income After Deductions and Exemptions	$107,700
15% Taxable Long Term Capital Gains	$7,500
Long Term Capital Gains Tax	$1,125
Ordinary Income Tax	$15,191
Total Tax	**$16,316**

TOOLS FOR TAX CONTROL

Different account types, such as IRAs, Roth IRAs, and taxable accounts offer different tax treatment. Making sound decisions regarding which account types you save into prior to retirement can make a significant difference in when you are able to retire and what lifestyle you may be able to live in retirement. As you make retirement income decisions, some of the most impactful decisions you make will revolve around which assets you hold in which accounts, and which accounts to harvest from, in what order, and to what extent.

ACCOUNT AND PRODUCT TAXATION

Taxable Accounts: Taxable accounts are effectively invisible from a tax perspective. The tax properties of interest or gains generated by the holdings in the account determine the tax impact. Good examples of taxable accounts are bank accounts or brokerage accounts.

Traditional or Rollover Individual Retirement Account (IRA) or Qualified Plans: Subject to certain income limits, money goes into these accounts pre-tax and becomes taxable as ordinary income when withdrawn. As a result, IRAs and Qualified Plans may offer an advantage in that gains or interest may be earned on money that would otherwise have been lost to tax up front or during deferral. Required Minimum Distributions generally begin to force withdrawals at age 70 ½ if your date of birth is prior to 7/1/1949 or at 72 if your date of birth is on or after 7/1/1949.

Roth IRA Accounts: Funds that are placed in a Roth IRA have already been taxed, but once inside the Roth IRA are able to grow tax-free. Roth IRAs are not subject to Required Minimum Distributions during the original owner’s lifetime, which may allow assets to compound tax-free over a longer period of time.

Product Level Taxation: Different retirement products also offer different tax treatment. For example, cash value life insurance and annuity products may offer tax deferral for assets that would otherwise be held in a Taxable account. Holding individual stocks or Exchange Traded Funds (ETFs) may offer greater tax deferral benefits than some mutual funds when held in taxable accounts.

TAXES IN RETIREMENT DISCLOSURES

This report is not intended and should not be construed to provide tax or financial advice. This report generated by Tax Clarity is intended as an educational starting point from which the recipient may begin a conversation with a qualified tax professional, such as an attorney, CPA, or Enrolled Agent. The report may inform the creation of a financial plan or the purchase of a financial product, but the recipient of this report acknowledges that no action, whether account, product or otherwise related, should be taken solely on its contents.

Although substantial care has been taken in the development of the tax calculations that underlie this report, several simplifying assumptions are made, including but not limited to:

1. The “Saver’s Credit” calculation is not processed independently for each member of a married couple. If a couple qualifies by AGI, it is assumed both members qualify.
2. This report considers long term capital gains and qualified dividends only and does not consider collectibles or other separate capital gains rates.
3. This report does not account for depreciation or depreciation recapture on rental properties.
4. The Qualified Business Income deduction assumes the full 20% deduction, not limited by the wages test or the capital asset test.
5. IRA deductions and above the line deductions are not limited by the software, but may be limited by IRS rules related to the type of plan, whether or not an individual participates in an employer-sponsored plan, and overall income.
6. This report does not reflect the child tax credit phase out.
7. This report does not calculate the Additional Child Tax Credit (ACTC).

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