



# Tax Diversification Guide

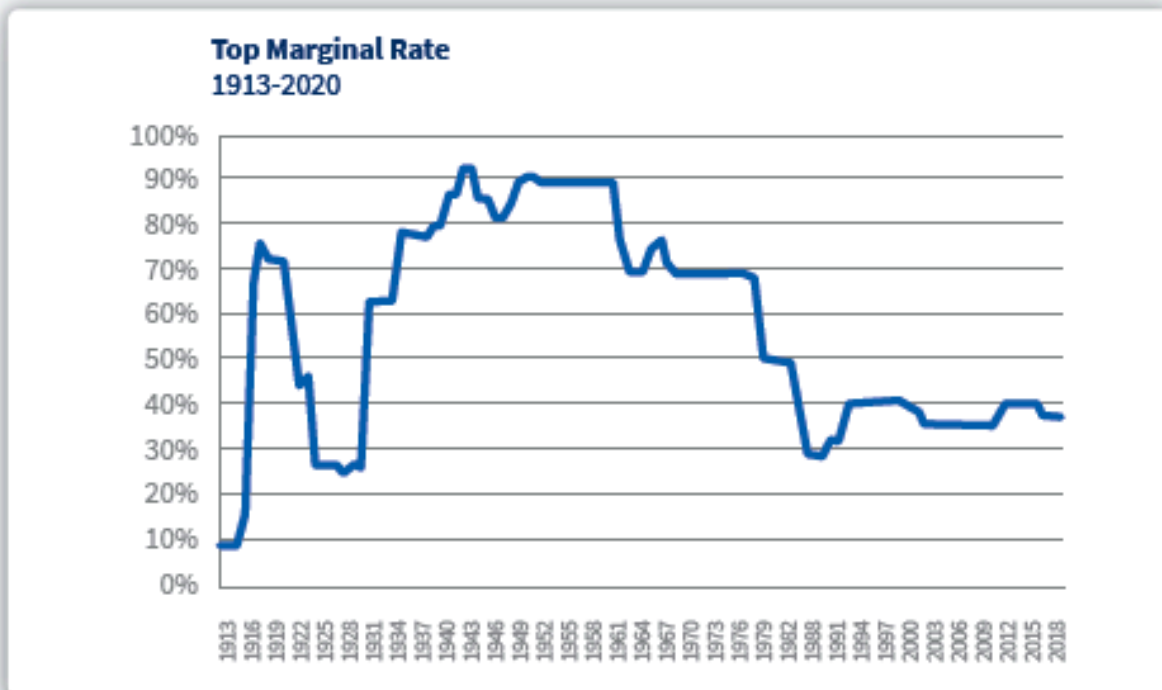
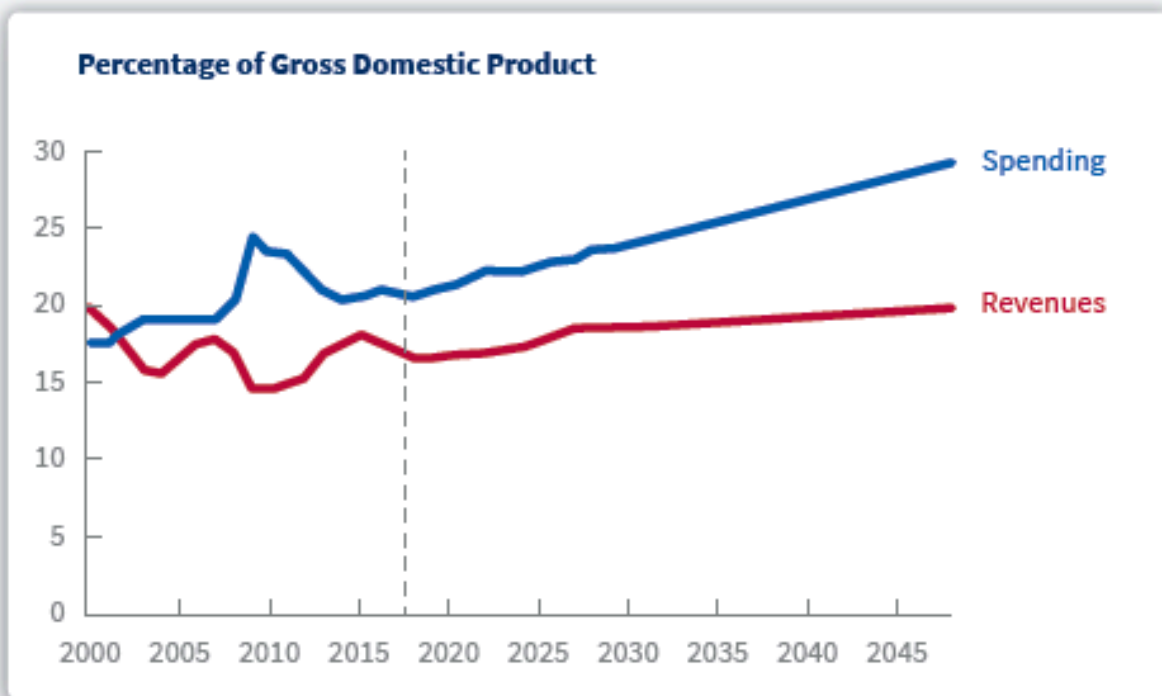


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# Will income taxes increase in the future?



1. Congressional Budget Office, The 2018 Long-Term Budget Outlook, page 6, found at: <https://www.cbo.gov/system/files?file=2018-06/53919-2018ltbo.pdf>

2. Data from "Historical Highest Margin Income Tax Rates 1913-2020, Tax Policy Center, found at <https://www.taxpolicycenter.org/statistics/historical-highest-marginal-income-tax-rates>

# The taxman cometh...

## Even in retirement



### **Distributions from tax-deferred accounts**

Subject to ordinary income tax (possibly at higher rates than today)

- 401(k)
- IRAs
- Annuities



### **Investment growth/withdrawals**

Subject to capital gains taxes and net investment income tax



### **Social security income**

Up to 85% of social security income taxed when “combined income”<sup>\*</sup> exceeds income thresholds (currently \$34,000 (individual); \$44,000 (joint filers))



### **Medicare Premiums**

Additional premiums due for taxpayers whose modified adjusted gross income (MAGI) exceeds thresholds

\*Combined income = AGI + nontaxable interest + ½ of your social security benefit  
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# Common retirement investment options

## Pre-tax Contributions



### Pre-tax contributions

401(k)  
IRA  
SEP/SIMPLE  
403B



Withdrawals may be  
subject to 100%  
income tax

## After-tax contributions



### Taxable

Mutual funds  
Stocks Annuities  
Real estate



Withdrawals may be  
subject to capital gains,  
and even ordinary  
income tax

## After-tax contributions



### Tax Advantaged

Muni bonds  
Roth IRA  
Life insurance



Withdrawals can be  
accessed income  
tax-free








# Managing taxes with life insurance options

**Adding cash value life insurance to your retirement portfolio can help protect your savings and provides advantage discussed below:**

**Retirement income from policy withdrawals and loans, which do not affect your:**

- Income tax bracket
- Medicare premiums
- Capital gains
- AGI or MAGI
- Social Security benefits

-  - Income tax-free death benefit for your beneficiaries
-  - Tax-deferred growth
-  - No retirement contribution limits
-  - No penalties for early access to cash
-  - Tax-free access to death benefit for long-term care costs when an LTC rider is added to the policy



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