Tax-advantaged investing

Keeping more of what you earn

Presented to:

Name of organization to go here

Month XX, 2023

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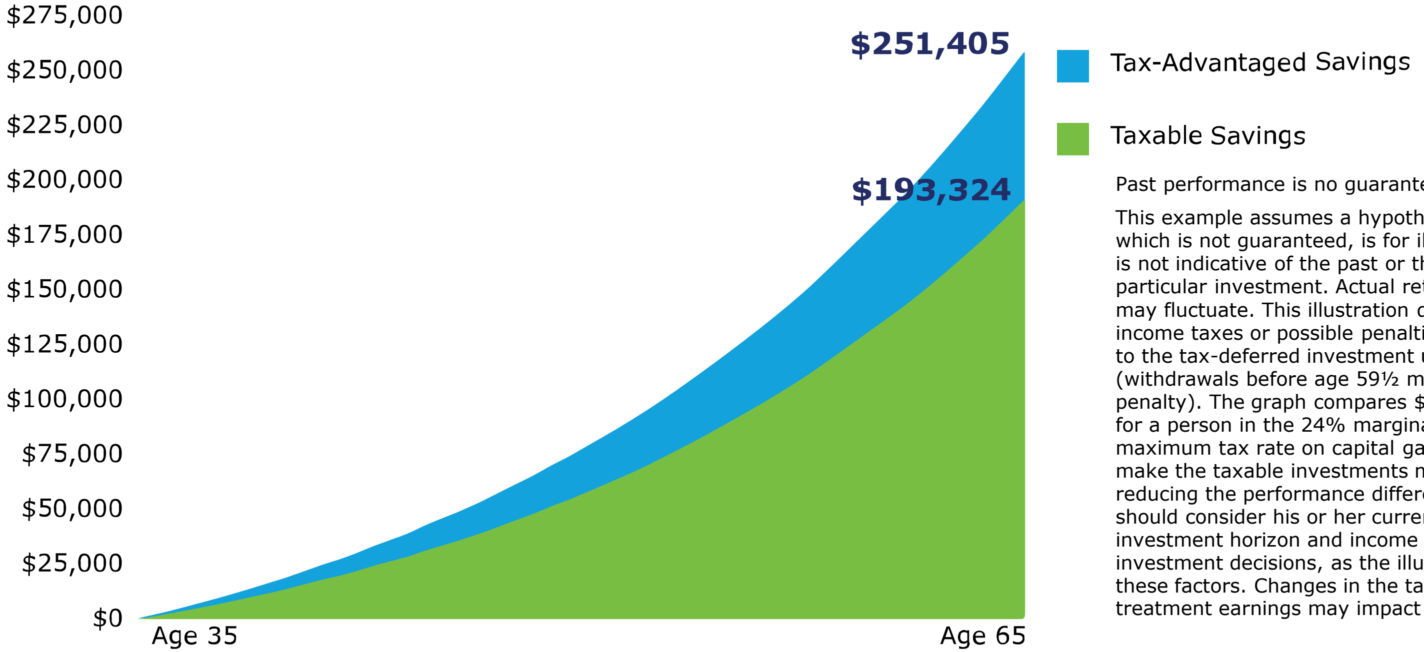
Keeping more with tax-advantaged investing

- The average American will pay over $480,000 in taxes throughout their lifetime—an average of 34.49% of all lifetime earnings[1]
- You can seek to avoid paying more taxes than necessary
- The government allows certain investments that provide tax advantages

[1] Life of Tax: What Americans Will Pay in Taxes Over a Lifetime, Self Financial, Inc., 2022.

Savings comparison

Tax-deferred investing can really pay off



Past performance is no guarantee of future results.

This example assumes a hypothetical 6% rate of return which is not guaranteed, is for illustrative purpose only and is not indicative of the past or the future performance of any particular investment. Actual returns and principal value may fluctuate. This illustration does not assume ordinary income taxes or possible penalties that would be applicable to the tax-deferred investment upon withdrawal (withdrawals before age 59½ may be subject to a 10% penalty). The graph compares $3,000 annual investments for a person in the 24% marginal tax bracket. Lower maximum tax rate on capital gains and dividends could make the taxable investments more favorable, thereby reducing the performance difference shown. An investor should consider his or her current and anticipated investment horizon and income tax bracket when making investment decisions, as the illustration may not reflect these factors. Changes in the tax rates and the tax treatment earnings may impact comparative results.

Tax-advantaged investments

- 401(k)s/403(b)s
- IRAs
- Annuities
- Municipal bonds and municipal bond mutual funds
- 529 plans

Saving for retirement

401(k) retirement plan account

- Contributions are made using pre-tax dollars, so you do not pay federal income taxes on your contributions
- You are not taxed on your earnings or growth
- Tax payments are deferred until you start to withdraw funds at retirement age
- Many 401(k) plans offer a matching contribution from your employer

Types of 401(k) plans

Traditional 401(k)

- Contributions excludable from gross income
- Taxes paid on contributions and earnings when withdrawn
- Required minimum withdrawals begin at age 72

Roth 401(k)

- Contributions includable in gross income
- Tax-free qualified withdrawals
- No required minimum withdrawals if account rolled over to a Roth IRA

Withdrawals prior to age 59½ may be subject to a 10% penalty tax. In addition, for Roth 401(k) withdrawals, the "growth" earnings portion of the withdrawals may be taxed as ordinary income if the account has been established for less than five years or withdrawals are made prior to age 59½.

IRA – Individual Retirement Account

- Contributions to an IRA range from fully or partially tax-deductible to non-deductible
- Generally, taxes are not due until you begin withdrawing funds from the account
- Unqualified withdrawals are subject to a 10% tax penalty in addition to ordinary income tax
- IRAs require that you take minimum distributions beginning at age 72

Traditional vs. Roth IRA

	Traditional IRA	Roth IRA
Tax advantages	**Tax-deductible contributions** possible **Tax-deferred** asset growth potential	**No tax** on potential asset growth **Tax-free** qualified distributions
Eligibility	Anyone with earned income	Anyone with earned income (subject to income limitations)
Distributions	Required by April 1 of year after IRA owner reaches age 72 and by December 31 each year thereafter	Only required after owner's death

Withdrawals prior to age 59½ may be subject to a 10% penalty tax, in addition to the federal and state income taxes applicable to traditional IRA withdrawals. For Roth IRA withdrawals, the "growth" earnings portion of the withdrawals may be taxed as ordinary income if the account has been established for less than five years or withdrawals are made prior to age 59½.

Annuities

- Financial instruments that pay income on a regular, periodic basis for a set amount of time
- Amount you contribute to an annuity is not taxed when it is withdrawn, but your earnings are taxed at your income tax rate when you make withdrawals
- Withdrawals made before age 59½ may also be subject to an additional 10% early withdrawal penalty from the IRS

Types of annuities

Fixed annuities

- Fixed rate of return
- Guarantee your options for taking income

Variable annuities

- Potentially higher returns
- Don’t guarantee your principal or earnings

Variable annuities are subject to certain charges, including mortality expense fees and may be subject to surrender charges. Investing in securities is subject to risk, including fluctuation in value. Withdrawals prior to age 59½ will be subject to ordinary income taxes and may also be subject to an additional 10% tax penalty. Guarantee is based on the claims-paying ability of the insurer.

Earning for today

Municipal bonds

- Municipal bonds finance the building of highways, schools and other public projects
- Income generated by municipal bonds is exempt from ordinary federal income tax
- In most states, the income from these bonds is also free from state tax for residents of the state that issues the bond
- Income from municipality-issued bonds is often free from local income tax for residents of that municipality

Tax-exempt and taxable bond comparison

	24.0%	32.0%	35.0%	37.0%
Tax-exempt yield	Taxable yield equivalents			
3.0%	3.95%	4.41%	4.62%	4.76%
3.5%	4.61%	5.15%	5.38%	5.56%
4.0%	5.26%	5.88%	6.15%	6.35%
4.5%	5.92%	6.62%	6.92%	7.14%
5.0%	6.58%	7.35%	7.69%	7.94%
5.5%	7.24%	8.09%	8.46%	8.73%
6.0%	7.89%	8.82%	9.23%	9.52%
7.0%	9.21%	10.29%	10.77%	11.11%

Yields quoted are for illustrative purposes only and are not indicative of the past or future performance of any particular investment. The maximum marginal tax rate for each bracket was used in calculating the taxable yield equivalent. These tax rates do not take into account the 3.8% tax on net investment income. Furthermore, additional state and local taxes paid on comparable taxable investments were not used to increase federal deductions.

Municipal bond mutual funds

- Offer the same classic advantage that almost every mutual fund offers
- Allow you to invest in an affordable, professionally-managed form
- Offer diversification, liquidity and professional management

Income may be subject to the federal alternative minimum tax and state and local taxes.

Saving for college

The benefits of 529 plans

- Sponsored by states, state agencies or educational institutions
- Allow account holder to establish an account for a student beneficiary in order to pay for the beneficiary’s eligible elementary, secondary and college expenses
- Offer significant tax advantages while benefiting the next generation

Protecting your earnings

Tax-advantaged investing

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Advisor name
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