THE TAX CHALLENGE

Managing When and How You're Taxed

There are three types of vehicles that you can use to set aside money for retirement. Proper allocation among these vehicles can allow you to help enhance your retirement distributions by controlling how and when you are taxed.

BEFORE: Typical Allocation – Heavily Invested in "Tax Me Later" and "Tax Me Now" Vehicles

Most people typically don't consider how their assets are taxed.

"TAX ME NOW"

- Mutual Funds
- Annuities
- CD/MMAs[1]
- Real Estate

NON-QUALIFIED
Invest with after-tax dollars; potential to enjoy capital gains rate on some investments

"TAX ME LATER"

- Traditional 401(k)[2]
- Traditional IRA/ SEP/SIMPLE
- 403(b)[2]
- 457(b)[2]

QUALIFIED
Invest with pre-tax dollars to enjoy tax-deferred growth

"DON'T TAX ME AGAIN"

- Municipal Bonds & Bond Funds[3]
- Life Insurance[4]
- Roth IRA/401(k)[5]

TAX-EXEMPT
Invest with after-tax dollars to enjoy income tax-free growth potential

AFTER: Balanced Approach – More Equal Diversification Among All Three Vehicles

GOAL: Money with greater tax control.

"TAX ME NOW"

- Mutual Funds
- Annuities
- CD/MMAs[1]
- Real Estate

"TAX ME LATER"

- Traditional 401(k)[2]
- Traditional IRA/SEP/ SIMPLE
- 403(b)[2]
- 457(b)[2]

"DON'T TAX ME AGAIN"

- Municipal Bonds & Bond Funds[3]
- Life Insurance[4]
- Roth IRA/401(k)[5]

After all, it's not necessarily how much money you have that is important… it's how much you get to keep that really matters.

Contact your financial professional to discuss how you can better diversify your portfolio among these three vehicles.

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[1] Certificate of Deposit/Money Market Accounts.

[2] Does not include amounts invested in Roth 401(k)/TSA/457(b).

[3] May be subject to Alternative Minimum Tax (AMT) and may impact taxation of Social Security benefits.

[4] Life insurance death benefits are generally income tax free pursuant to U.S. IRC §101(a). Contract cash values can be accessed during the insured's lifetime via loans and withdrawals. Loans are generally income tax free as long as the policy remains in force. Withdrawals are tax free to the extent of basis. Policies which are modified endowment contracts (MECs) receive less favorable tax treatment.

[5] Qualified distributions are income tax free. Roth IRA distributions are qualified if the account has been open for 5 tax years, and the owner is age 59½, dies, is disabled or is a first-time homebuyer ($10,000 lifetime limit). Roth 401(k) distributions are qualified if the plan participant has contributed to the account for 5 tax years, and is 59½, dies or disabled.

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