

1. RULE: Never let “taxes” wag the tail of an investment puppy

Your Priority: MAXIMIZING GAINS and Sustain Purchasing Power

2. Tax--Who pays and how much?

USA population: 327 million people in USA (247M Adults)

Taxpayers 141 million people (57%)

Tax paid on Gross Earnings (AGI): \$10 trillion

Tax paid: \$ 1.5 trillion

Roughly 2/3 of all 70 yr olds pay no fed income tax

OR ~1/3 OR 33% WILL PAY TAXES!

3. More Income? Heads up.....

a. **Social Security**→ more is taxed

i.e. Increases from zero to 50% then 85%

b. **Required Minimum Withdrawals (RMD's)** from IRA/401K

Dollar Amounts are mandated using a federal table

c. **Extra income falls into higher tax rates**

i.e. 10%, 12%, 22%, 24%, 32%, 35%, 37%

Plus “Capital Gains” go from ZERO →15 or 20%

d. **Medicare Cost**→ “High Income Surcharges”

i.e. Single

UNDER \$85K ~\$135

OVER \$85K jumps to ~\$200/month

Over \$107K jumps to ~\$300/month

Over \$160K jumps to ~\$500/month

4. When to look @ tax deferred accounts

Total \$500K single or \$1M married

OR 10 years away from retirement

Possible Solutions?

Invest to receive your match; stop!

Use Roth's Accounts when possible

Roll over accounts in low income years

Consider a mix 50% PreTax and 50% After Tax

OR simply pay the taxes NOW!

Review when tax law changes

Adjust your plan

TAXable Income

Social Security

Pensions (the lucky few!)

Withdrawals (RMD's) of Traditional IRAs, 401(k)s & 403(b)s

+ 457(b), IRA-based plans: SEPs, SARSEPs, and SIMPLE IRAs

Annuities--taxable portion of any payouts

Rental Income

Military Retirement Pay

Investment gains

Stocks, Bonds and Mutual Funds

Dividends/Interest Income (i.e. savings accounts, treasury bonds, etc.)

Sale of your home or business/Capital gains

Income from any work

Gifts over \$15K

Alimony For divorces after December 31, **2018**, **alimony** payments are no longer **deductible** nor must the recipient declare the **amount** as **taxable income**.

NOT TAXABLE Income

ROTH IRAs and ROTH 401Ks

Interest from Municipal & State Bonds

Life Insurance Payouts

Military Disability Pensions & VA Benefits

Child support

Any previously taxed money

MISCELLANEOUS INFO:

Objective of 2018 tax overhaul:

Lower tax rates and expand income thresholds

More Income will be taxed at new Lower rates

65% will see taxes go down; 29% will see no change; 6% will pay more

INCOME LEVEL TO CONTRIBUTE TO A ROTH:

For **2018** Single--modified adjusted gross income (MAGI) must be under \$135,000

Reduced starting at **\$120,000**

For married filing jointly, the MAGI must be less than \$199,000

Reduced starting at **\$189,000**

For **2019** Singles MAGI must be under \$137,000;

Reduced starting at **\$122,000**

For married filing jointly, the MAGI is less than \$203,000

Reduced starting at **\$193,000**

RMD's (Required Minimum Distributions)

Mandatory Withdrawals start at age 70.5.

Use a Federal table. Use dollar amounts from last account statements of the year.

Withdrawals start at ~4%/year and Increases yearly

Example: \$1,000,000 IRA/401K the annual withdrawal will be: ~\$39,000

Capital Gains—2019

MARRIED filing jointly

Zero \$78,750

78,751 - \$488,850 will pay 15%

\$488,851 and above 20%

SINGLE

Zero 39,375

\$39,376 - \$434,550 will pay 15%

\$434,551 and above 20%

Social Security becomes taxable at Federal 2018:

MARRIED filing jointly

Zero \$32,000

\$32,001 to \$44,000 up to 50%

\$44,000 or higher up to 85%

SINGLE

Zero \$25,000

\$25,001 to \$34,000 up to 50%

\$34,000 or higher up to 85%.

Note: State tax varies (CA is zero)

No longer required to file tax returns--(not including Social Security)

\$11,950 for single filers age 65 or older

\$20,800 Married filers/both under 65