



# The Rising- Tax Risk

Insert  
Advisor  
Photo  
Here

Presented by:

INSERT ADVISOR NAME

INSERT PRACTICE NAME



Income in  
Retirement

Growth

Taxes

This information is not intended to provide tax, legal or investment advice. Be sure to speak with a qualified professional in these areas before making any decisions about your personal situation. This presentation is not intended to present all the features, requirements and limitations of any savings approach, including tax-deferred savings vehicles.

## Tax-Deferred Saving

TODAY



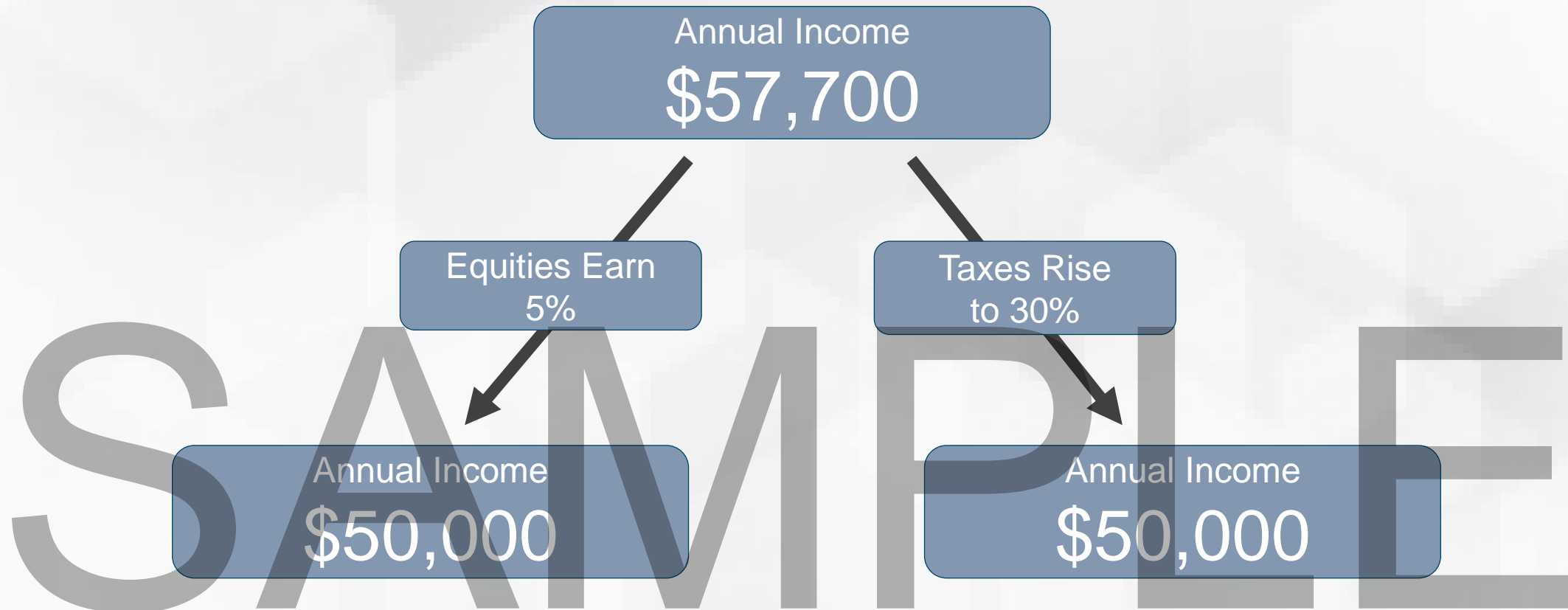
TAXES  
OWED

Rising Tax Risk

SAVING FOR RETIREMENT

# 64-Year Old | Retiring at 65 | \$1M IRA | Income to Age 85

50/50 Portfolio | Equities Earning: 8%, Fixed Income Earning 3.5% | Effective Tax Rate: 20%



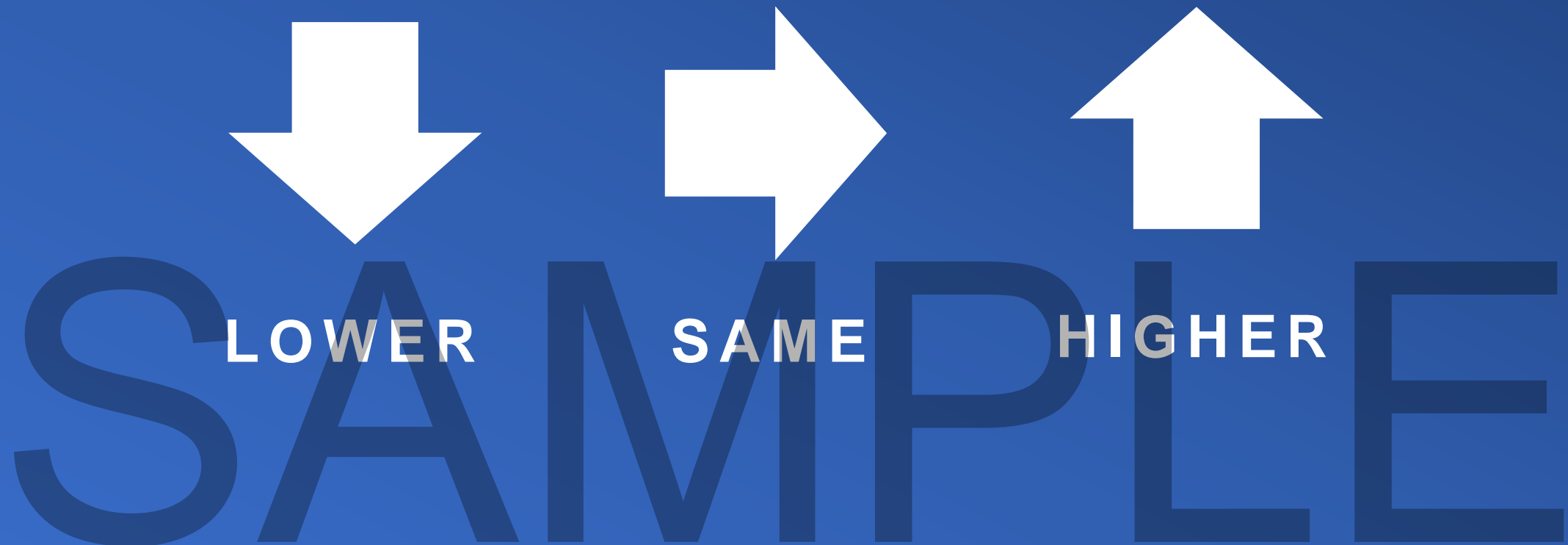
Assumes a 50/50 portfolio split between equities and fixed income, with fixed income earning 3.5%. Projections created using income analysis software available at [StonewoodFinancial.com](https://www.stonewoodfinancial.com). This is a hypothetical example provided for illustrative purposes only. It does not represent a real life scenario and should not be constructed as advice designed to meet the particular needs of an individual's situation. This presentation is not intended to present all the features, requirements and limitations of any savings approach, including tax-deferred savings vehicles. Withdrawals from most tax deferred and retirement plans are subject to ordinary income taxes, and if taken before age 59-1/2 may incur an additional 10% federal penalty. This information is not intended to provide tax, legal or investment advice. Be sure to speak with a qualified professional in these areas before making any decisions about your personal situation.



# WHERE ARE TAX RATES HEADING?

# SAMPLE

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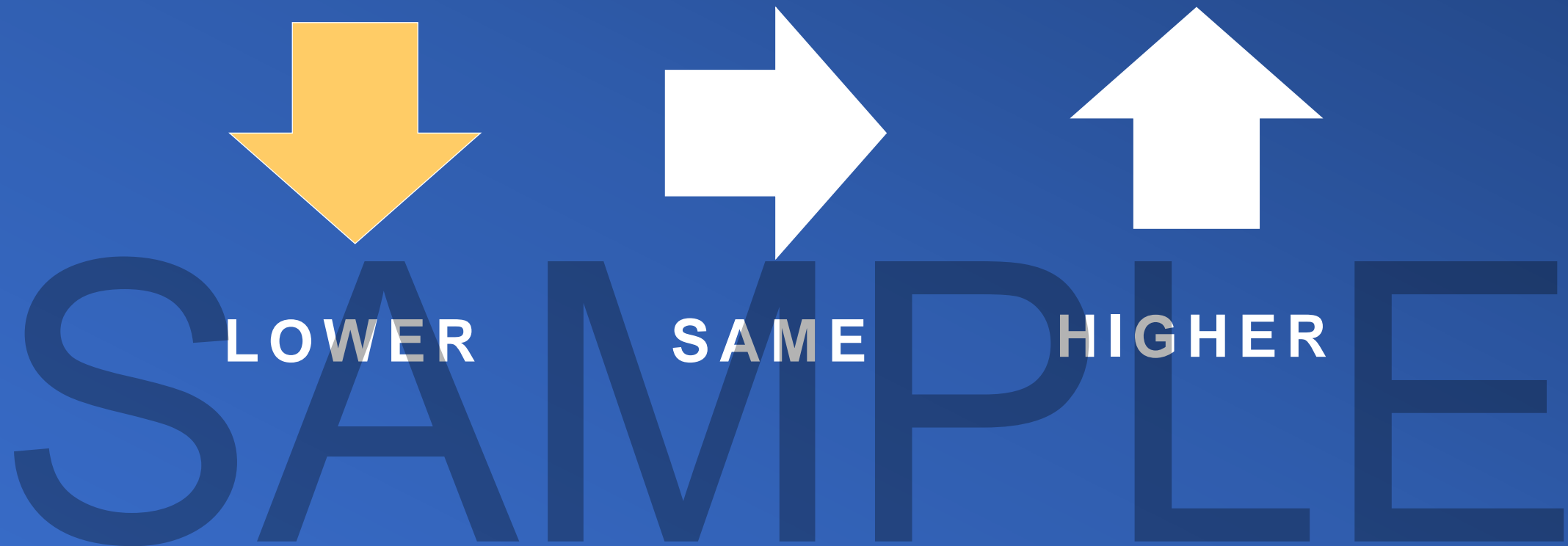
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# SITUATIONAL



# SAMPL

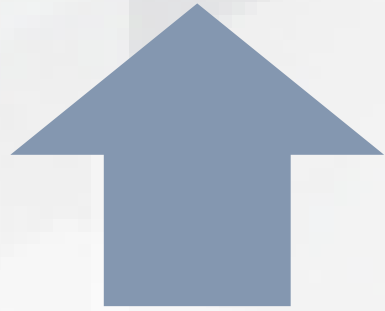
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## Tax-Deferred Saving



Working Years =  
Higher Bracket

**Defer Taxes**



Retirement Years =  
Lower Bracket

**Pay Taxes**

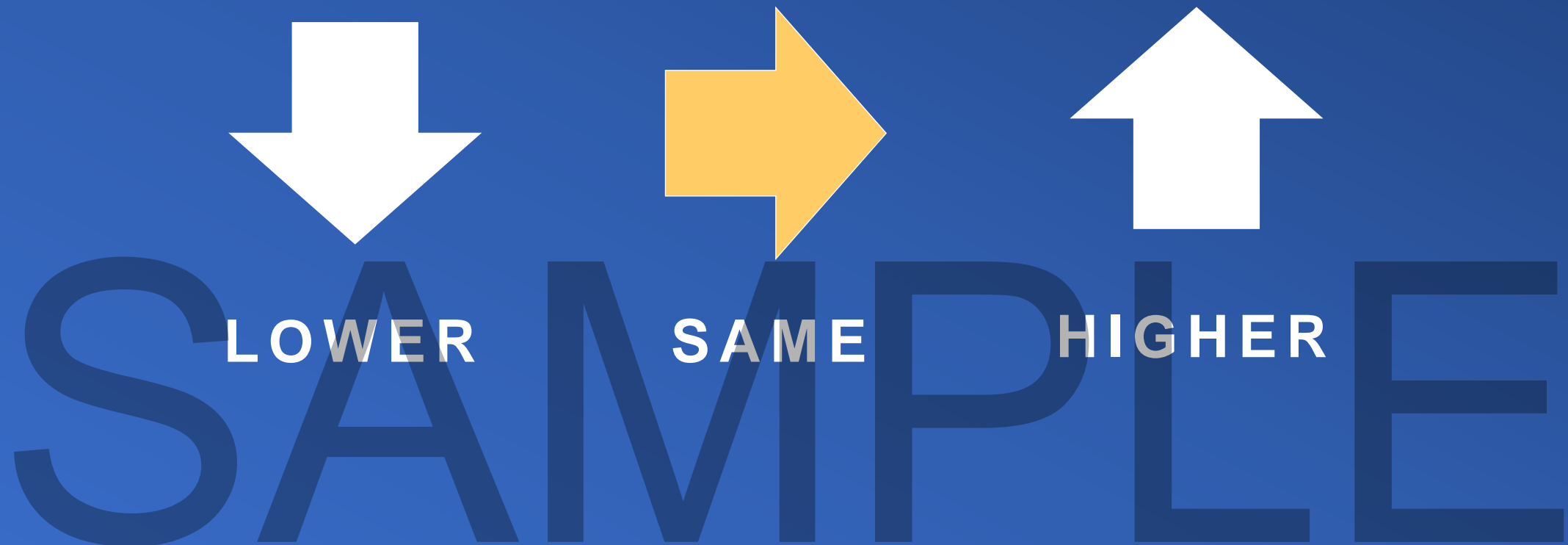
# Tax-Deferred Saving

**GREATEST  
GENERATION**

**BOOMERS  
& BEYOND**

SAMPLE

The word 'SAMPLE' is rendered in large, light gray capital letters. A vertical orange line runs through the center of the word, between the 'M' and 'P'. Overlaid on the letters are two orange stick figures. The first figure, positioned over the 'A' and 'M', is an elderly person leaning on a cane. The second figure, positioned over the 'P' and 'L', is a group of three people standing together.



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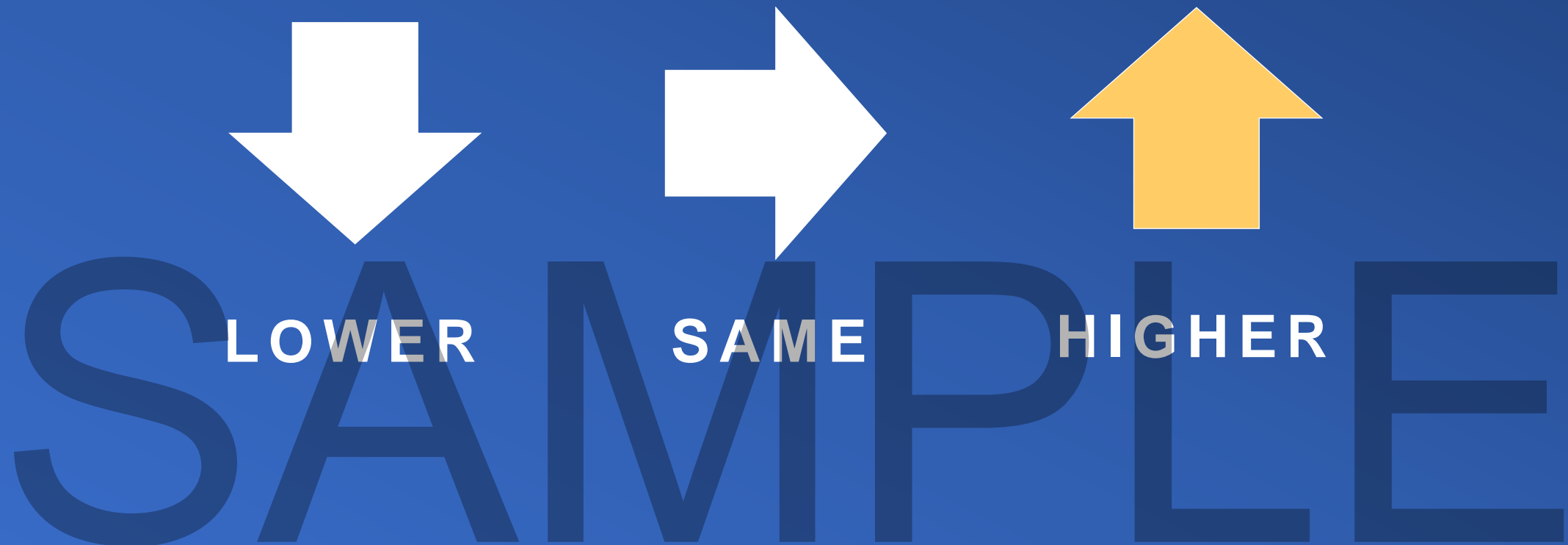


# LEGISLATIVE



# SAVING PEOPLE

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Federal debt of

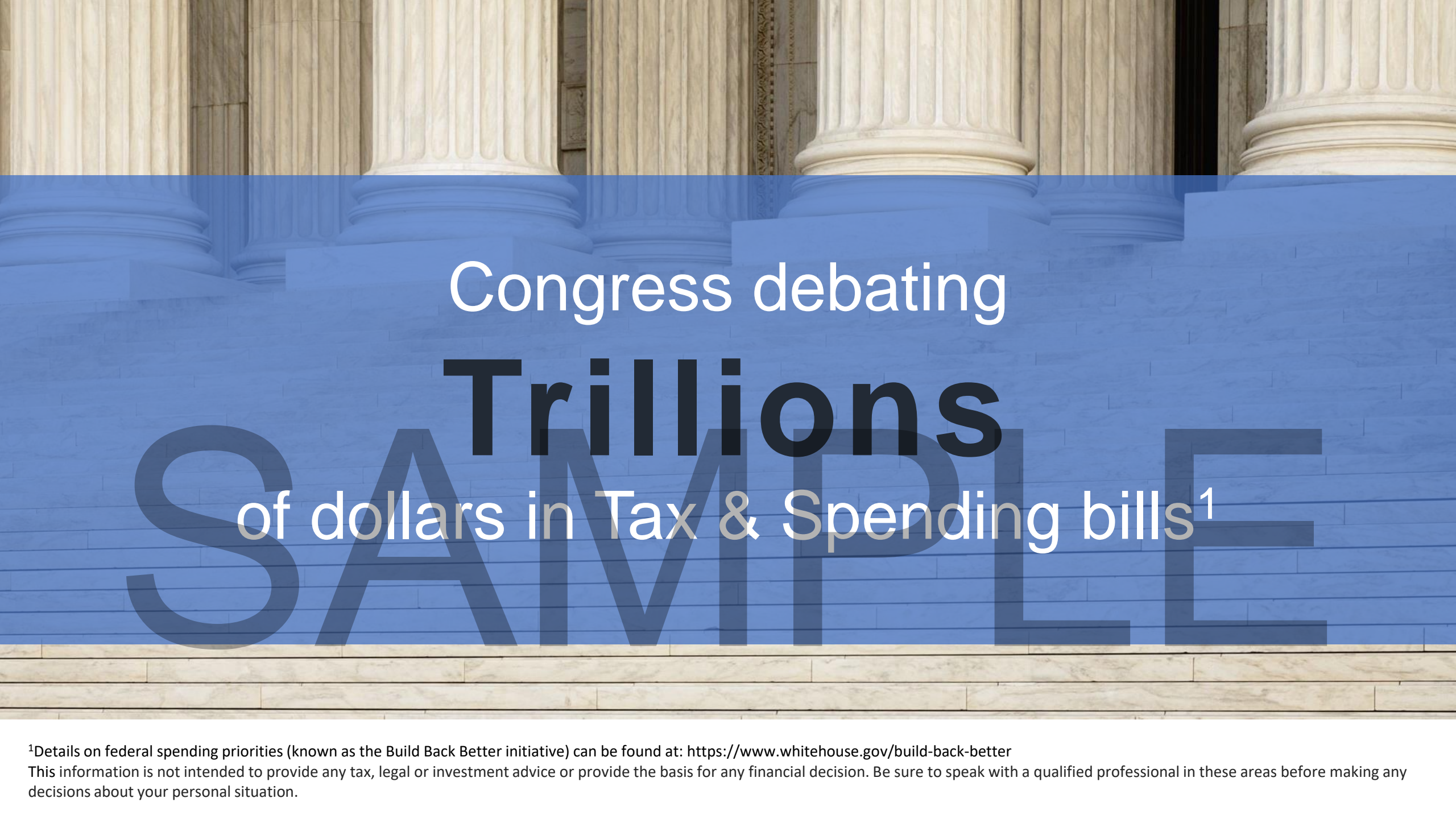
**\$31 + Trillion**

is now larger than  
the U.S. economy<sup>1</sup>

<sup>1</sup>"Federal Debt: Total Public Debt," Federal Reserve Economic Data (FRED), accessed 08/19/23. Current U.S. deficit tracking available online: <https://www.cbo.gov/topics/budget>

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# Congress debating **Trillions** of dollars in Tax & Spending bills<sup>1</sup>

<sup>1</sup>Details on federal spending priorities (known as the Build Back Better initiative) can be found at: <https://www.whitehouse.gov/build-back-better>

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“Nobody making under  
**\$400,000**  
will have their taxes  
raised, period.”<sup>1</sup>

<sup>1</sup>Interview, “Squak Box,” CNBC, May 22, 2020, available online: <https://grabien.com/getmedia.php?id=924585&key=abc063773066b1510402dc54a4a6a700>

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# 3 WAYS FUTURE TAXES COULD BE HIGHER

# SAMPLE

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# BRACKETS

SAMPLE



# DEDUCTIONS



SAMPLE

# NEW TAXES



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**“LEGISLATIVE RISK”**

SAMPLE



# MICRO

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**Goal:**  
Reduce taxes  
this year



# MACRO

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**Goal:**  
Reduce taxes  
over lifetime

# “MACRO” ANALYSIS



SAMPLE

- 64-YEAR OLD
- 25% TAX LIABILITY
- \$500,000<sup>1</sup> IRA
- 5% ANNUAL GROWTH

SAMPLE

<sup>1</sup>This hypothetical example does not consider every product or feature of tax-deferred accounts and is for illustrative purposes only. It should not be deemed a representation of past or future results, and is no guarantee of return or future performance. Your tax bracket may be lower or higher in retirement, unlike this hypothetical example. Every effort has been made to ensure the accuracy of these numbers. This information is not intended to provide tax, legal or investment advice. Be sure to speak with a qualified professional in these areas before making any decisions about your personal situation.



## Potential Taxes: \$500,000 IRA Example

- **64-year old** with **25% tax** liability
- IRA worth **\$500,000<sup>1</sup>** and growing at **5%** annually
- Money from RMDs not used for income and is reallocated to other financial vehicle earning taxable growth at **5%** annually
- Account holder **lives to age 90**.

	Keep IRA
Receives RMDs to age 90	Per IRS rules
Total taxes paid on RMDs at withdrawal	\$ 204,272
Taxes paid on growth of reallocated assets	\$ 96,444
Taxes paid by heirs on remaining IRA value at death	\$ 156,152
<b>TOTAL TAXES PAID</b> (hypothetical example)	<b>\$ 456,868</b>

<sup>1</sup>This hypothetical example does not consider every product or feature of tax-deferred accounts and is for illustrative purposes only. It should not be deemed a representation of past or future results, and is no guarantee of return or future performance. Your tax bracket may be lower or higher in retirement, unlike this hypothetical example. Every effort has been made to ensure the accuracy of these numbers.

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# CONVERT TO TAX-FREE SAMPLE

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# Potential Taxes: Roth IRA Example

- **64-year old** with **25% tax** liability
- IRA worth **\$500,000** and growing at **5%** annually
- Account holder **lives to age 90**.

Converts to a Roth IRA

Converts traditional IRA to Roth IRA	\$ 500,000
Taxed paid on Roth conversion	\$ 125,000
Taxes paid on Roth IRA growth	\$ 0
Taxes paid on remaining Roth IRA value at death	\$ 0
<b>TOTAL TAXES PAID</b> (hypothetical example)	<b>\$ 125,000</b>

This hypothetical example does not consider every product, feature or requirement of tax-deferred and Roth accounts and is for illustrative purposes only. It should not be deemed a representation of past or future results, and is no guarantee of return or future performance. Your tax bracket may be lower or higher in retirement, unlike this hypothetical example. Income from Roth conversion accounts may incur a penalty if the account has been open for less than 5 years or if accessed before age 59 ½. Every effort has been made to ensure the accuracy of these numbers.

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## Potential Tax Impact<sup>1</sup>

Current Pre-Tax Qualified Account \$500,000



### SAMPLE

The values below show two scenarios:

- (1) The total taxes paid if you live to age 90, assuming you continue to keep your qualified account, take RMDs when required, and reinvest these RMDs in a taxable account
- (2) The total taxes paid if you live to age 90, assuming you roll over your qualified account to a Roth account today

Keep Qualified Account		Convert to Roth	
Total taxes paid on RMDs at time of withdrawals	\$204,272	Taxes paid on conversion	\$125,000
Taxes paid on reinvested RMDs	\$96,444	Taxes paid on Roth account growth	\$0
Taxes paid on remaining account value at death	\$156,152	Taxes paid on remaining Roth account value at death:	\$0
<b>TOTAL TAXES PAID:</b>	<b>\$456,868</b>		<b>\$125,000</b>

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## Total Potential Taxes Paid

**\$450,000**  
over time

**\$125,000**  
currently

Please remember that converting an employer plan account to a Roth IRA or life insurance policy is a taxable event. Be sure to consult with a qualified tax advisor before making any decisions regarding your IRA.

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# WHAT IF TAXES RISE?

# SAMPLE

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# THE MIDDLE QUINTILE



# SAMPLE

# THE MIDDLE QUINTILE

	2000	2020
Tax Bracket	28% <sup>1</sup>	22%

SAMPLE

Based on tax bracket rates for single filing

<sup>1</sup>Tax Policy Center <https://www.taxpolicycenter.org/statistics/household-income-quintiles>, accessed 01/26/23 Source: U.S. Census Bureau Historical Income Tables

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**MIDDLE QUINTILE**  
Tax Bracket Rates  
in 2000 were nearly

**30% HIGHER**

than in 2020<sup>1</sup>

SAMPLE

<sup>1</sup>Congressional Budget Office via *Historical Average Federal Rate Rates for All Households*, Tax Policy Center, July 29, 2019, Accessed 01/26/23

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- 64-YEAR OLD
- \$500,000<sup>1</sup> IRA
- 5% ANNUAL GROWTH
- 32.5% TAX LIABILITY  
STARTING IN 5 YEARS

SAMPLE

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# Potential Taxes: \$500,000 IRA Example

- **64-year old** with **25% & 32.5% tax** liability
- IRA worth **\$500,000<sup>1</sup>** and growing at **5%** annually.
- Money from RMDs not used for income and is reallocated to other financial vehicle earning taxable growth at 5% annually
- Account holder **lives to age 90**.

Keep IRA

Receives RMDs to age 90	Per IRS rules
Total taxes paid on RMDs at withdrawal	\$ 265,554
Taxes paid on growth of reallocated assets	\$ 110,313
Taxes paid by heirs on remaining IRA value at death	\$ 202,998
<b>TOTAL TAXES PAID</b> (hypothetical example)	<b>\$ 578,865</b>

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# Potential Taxes: Roth IRA Example

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Converts to a Roth IRA

Converts traditional IRA to Roth IRA	\$ 500,000
Taxed paid on Roth conversion	\$ 125,000
Taxes paid on Roth IRA growth	\$ 0
Taxes paid on remaining Roth IRA value at death	\$ 0
<b>TOTAL TAXES PAID</b> (hypothetical example)	<b>\$ 125,000</b>

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## Total Potential Taxes Paid

over time

~~\$450,000~~

\$580,000

???

currently

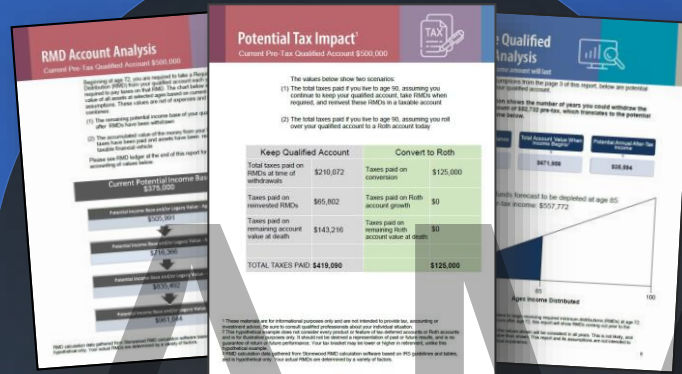
\$125,000

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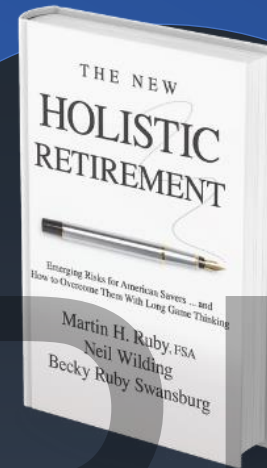
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# HOW MIGHT WE HELP YOU?



## Tax Analysis



## Complimentary Book

The tax analysis is designed to provide general information on the subjects covered. The financial professional does not and is not providing tax or legal advice. Supplemental reports are not complete without all pages and are not valid unless accompanied by a complete illustration from the insurance carrier. This information is not intended to provide tax, legal or investment advice. Be sure to speak with a qualified professional in these areas before making any decisions about your personal situation.

# HOW MIGHT WE HELP YOU?

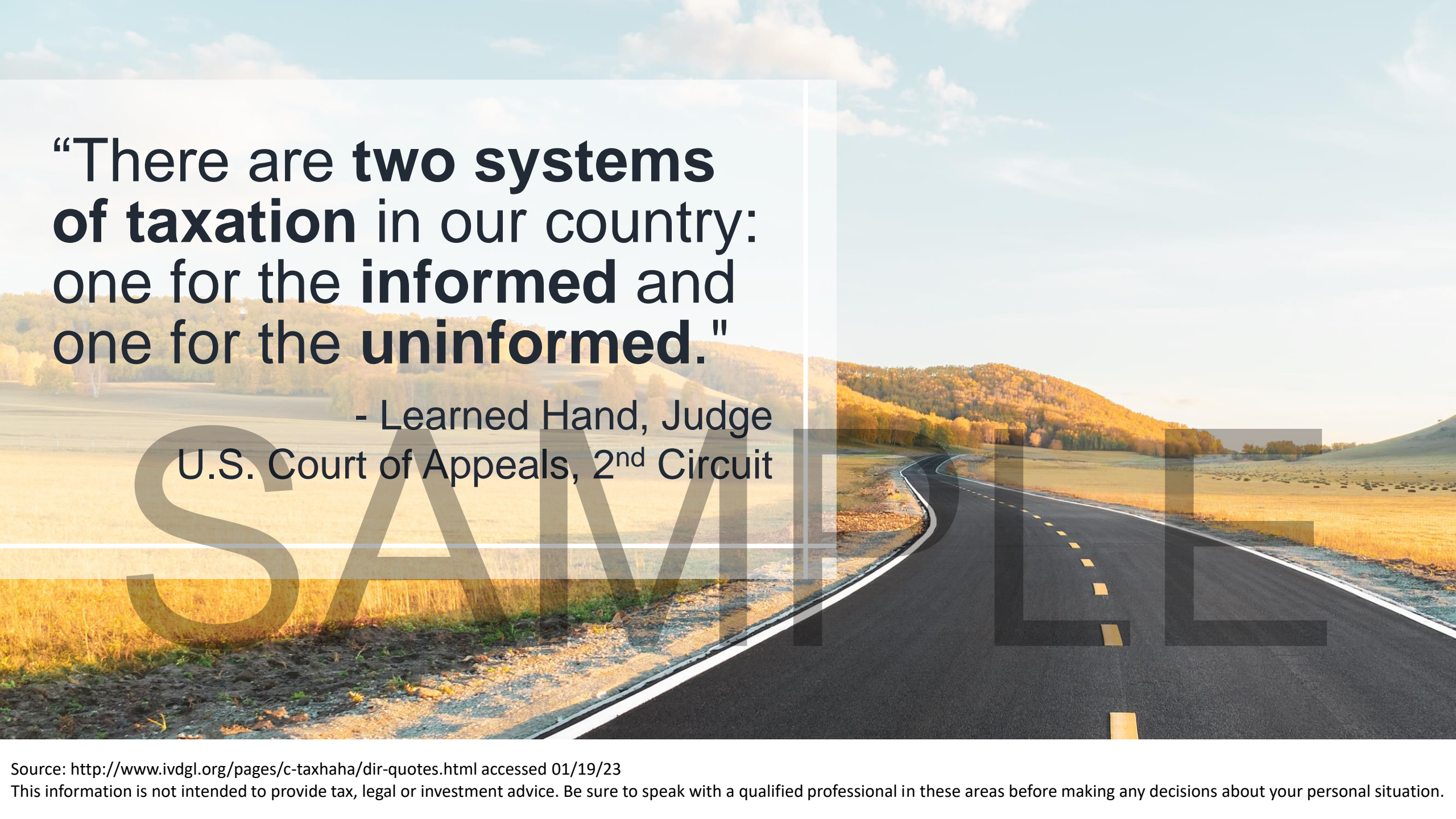


**Complimentary  
Tax Analysis**

SAMPLE

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“There are **two systems of taxation** in our country: one for the **informed** and one for the **uninformed**.”

- Learned Hand, Judge  
U.S. Court of Appeals, 2<sup>nd</sup> Circuit