



FOUND MONEY™ TAX REFORM REPORT

Analysis for:

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Presented by:

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2018 Federal Tax Bracket Comparison

How might the new tax law changes affect your bottom line?

Tax Filing Status

Married Filing Jointly

	<u>2017(Tax Return)</u>	<u>2018(Estimate)</u>
Taxable Income (AGI minus deductions)	\$ 100,000	\$ 100,000
Marginal Tax Bracket (tax on last dollar earned)	25.0%	22.0%
Approximate Total Federal Tax (assuming ordinary income)	\$ 16,478	\$ 13,879
Effective Tax Rate (average tax rate)	16.5%	13.9%

2018 Potential Tax Savings Compared to 2017 \$ 2,599 or 15.8%

Married Filing Jointly	2017	10%	15%	25%	28%	33%	35%	39.6%
		\$0 - \$18,650	\$18,651 - \$75,900	\$75,901 - \$153,100	\$151,101 - \$233,350	\$233,351 - \$416,700	\$416,701 - \$470,700	\$470,701 +
2018	10%	12%	22%	24%	32%	35%	37%	
	\$0 - \$19,050	\$19,051 - \$77,400	\$77,401 - \$165,000	\$165,001 - \$315,000	\$315,001 - \$400,000	\$400,001 - \$600,000	\$600,001 +	

Key Points

- For the purposes of this report, we assume your taxable income stays the same in 2018
- Under tax reform, tax rates have decreased for nearly every individual
- A tax deduction reduces taxable income
- A tax credit directly reduces the amount of tax owed
- Your final tax liability is highly influenced by the following three (3) deductions/credits:
 - itemized deduction vs. standard deduction - under new law, the itemized deduction option has experienced changes while the standard deduction nearly doubled for 2018
 - the exemption of \$4,050 per person has been eliminated under new tax law - this served as a deduction
 - the child tax credit has doubled to \$2,000 per child under new tax law - up to \$1,400 is refundable if no tax is owed

Information in this section is meant to show the hypothetical impact of tax bracket changes under tax reform. The 2017 information is based off your 2017 tax return. The 2018 tax information is only an estimate. Your actual 2018 tax information will likely vary based on a number of different factors. For specific information about your taxes and tax liability, you should consult a tax professional. The information contained herein is not legal, tax, or accounting advice. For legal, tax, or accounting advice you should consult the appropriate professional, such as a lawyer, CPA, or tax advisor. The information provided in this document is for informational/educational purposes only and should not be relied upon to make any financial decisions. We are not affiliated with, or endorsed by, the Social Security Administration or any other government agency.





Interest, Dividends, and Capital Gains

How much interest, dividends, and capital gains did you have in 2017?

Interest

Taxable Interest (taxed as ordinary income)	\$ 3,000
Tax-Exempt Interest (not taxed at federal level)	\$ 1,000
	<u>\$ 4,000</u>

Dividends

Ordinary Dividends (taxed as ordinary income)	\$ 4,000
Qualified Dividends (long-term capital gain rates)	\$ 1,000
	<u>\$ 5,000</u>

Capital Gains or Losses

Short-Term Capital Gains/Losses (taxed as ordinary income)	\$ 5,000
Long-Term Capital Gains/Losses	\$ 1,000
	<u>\$ 6,000</u>

Total Interest, Dividends, and Capital Gains \$ **15,000**

Total taxes owed will vary depending on your specific situation

Key Points

- Taxable interest is subject to federal income tax and may come from savings accounts, CDs, bonds and other
- Tax-exempt interest is not subject to federal income tax and may come from municipal bonds
 - tax-exempt interest may still increase your Social Security tax or state tax
- When a company shares profits with its shareholders, this may be through a dividend
- Qualified dividends are dividends paid by a US corporation or a foreign corporation on a major US exchange
 - for dividend to be qualified, the owner of the stock must also meet a holding period guideline
- Ordinary dividends are any dividends that fall outside of qualified dividends
- When an asset is sold, a capital gain or loss may be "recognized"
- Short-term capital gains come from assets held 1 year or less and may be taxed as ordinary income
- Long-term capital gains come from assets held >1 year and have special tax treatment

The information in this section shows the income you received from interest, dividends, and capital gains in 2017. The amounts may vary in 2018 based on a number of different factors, including the type of financial vehicles you hold and the amount of dividends paid. The information contained herein is not legal, tax, or accounting advice. For legal, tax, or accounting advice you should consult the appropriate professional, such as a lawyer, CPA, or tax advisor. The information provided in this document is for informational/educational purposes only and should not be relied upon to make any financial decisions. We are not affiliated with, or endorsed by, the Social Security Administration or any other government agency.





Last Dollar Strategy

What is the potential impact when lowering the tax bracket for your last dollar earned?

Estimated 2018 Taxable Income	\$ 100,000
Estimated 2018 Marginal Tax Bracket (last dollar)	22%
Next Lower Tax Bracket (amount)	\$ 77,400
Distance to Next Lower Tax Bracket	\$ 22,600

Savings for Every Dollar Deducted from Income	\$ 0.22
Potential Tax Savings Using Last Dollar Strategy	\$ 4,972

Married Filing Jointly	2018	10%	12%	22%	24%	32%	35%	37%
		\$0 - \$19,050	\$19,051 - \$77,400	\$77,401 - \$165,000	\$165,001 - \$315,000	\$315,001 - \$400,000	\$400,001 - \$600,000	\$600,001 +

Key Notes

- The last dollar strategy provides an estimate on how close you are to lowering your tax bracket, and the savings you may find by lowering your taxable income.
- The taxable income above is only an estimate and your actual taxable income may vary.

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Roth Conversion Comparison

Could a Roth conversion be less costly in 2018?

Tax Filing Status

Married Filing Jointly

	<u>2017 (Tax Return)</u>	<u>2018 (Estimate)</u>
Taxable Income Before Conversion	\$ 100,000	\$ 100,000
Tax Liability Before Conversion	\$ 16,478	\$ 13,879
Roth Conversion Amount	\$ 20,000	\$ 20,000
Taxable Income After Conversion	\$ 120,000	\$ 120,000
Total Tax Liability After Conversion	\$ 21,478	\$ 18,279
Tax Resulting from the Conversion	\$ 5,000	\$ 4,400

2018 Roth Conversion Potential Savings \$ 600



Key Points

- Converting from a traditional IRA to a Roth IRA is one way to diversify your retirement tax buckets
- For some, it may result in less tax liability to convert to a Roth IRA in 2018 in comparison to 2017
- The deadline for completing a Roth conversion is 12/31 of that year
- You have until 10/15/2018 to recharacterize (reverse) your 2017 Roth conversion
- Going forward, you will not have the option to recharacterize your prior year Roth conversion

The information in this section is hypothetical and is meant to show the potential impact of a Roth Conversion in 2017 compared to 2018. The 2017 information is based off your 2017 tax return. The 2018 tax information is only an estimate. Your actual 2018 tax information will likely vary based on a number of different factors. For specific information about your taxes and tax liability, you should consult a tax professional. The information contained herein is not legal, tax, or accounting advice. For legal, tax, or accounting advice you should consult the appropriate professional, such as a lawyer, CPA, or tax advisor. The information provided in this document is for informational/educational purposes only and should not be relied upon to make any financial decisions. We are not affiliated with, or endorsed by, the Social Security Administration or any other government agency.





Roth Conversion Strategy

Could a Roth Conversion make sense in 2018?

Estimated 2018 Taxable Income	\$100,000
Estimated 2018 Marginal Tax Rate	22%

Next Tax Bracket (starting amount)	\$165,000
Marginal Tax Rate	24%

Roth Conversion amount (up to next tax bracket)	\$ 65,000
Marginal Tax Rate Applied	22%
Estimated Tax Owed on Roth Conversion	\$ 14,300



Key Points

- There are many factors to consider when determining if a Roth conversion may be right for you
- Here are a few key questions to ask:
 - What is your current tax bracket?
 - Will you be in a higher or lower tax bracket in retirement?
 - Do you have the cash available to pay the tax resulting from the Roth conversion?
 - Is this money needed within the next five years (potential 10% IRS penalty for principal withdrawal)?
 - Is avoiding required minimum distributions or leaving a tax-free inheritance important to you?

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Social Security Taxation

How much of your Social Security benefit may be subject to taxation?

First, determine your Social Security provisional income

Social Security Income \$ 63,000

1/2 of Social Security income	\$ 31,500
Wages (earnings or self-employment income)	\$ -
Interest (including tax-exempt), dividends and capital gains	\$ 15,000
Pension Income	\$ -
Taxable Retirement Account Withdrawals	\$ 30,000
Net Rental Income	\$ -
Other	\$ -

Social Security Provisional Income \$ 76,500

	Provisional Income Under \$32,000	Provisional Income \$32,000 - \$44,000	Provisional Income Over \$44,000
Percent of Benefit Taxable	0%	Up to 50%	Up to 85%

Choose Your Tax Status Married Filing Jointly

Total Social Security Income \$ 63,000

Amount Subject to Taxation \$ 33,625

Percent Subject to Taxation 53.4%

Key Points

- Determine your provisional income to learn how much of your Social Security income is taxable
- Retirement income sources such as Roth IRAs or qualifying life insurance withdrawals do not affect Social Security taxation
- The Social Security Maximization Report shows how to potentially optimize your Social Security benefits

The information below is based off your 2018 tax information. Your actual 2018 tax information may vary. If you received Social Security benefits in 2017, we used those benefit amounts for your Social Security Income. If you did not receive Social Security benefits in 2017, we used an estimate of your Social Security benefits based on your Primary Insurance Amount. In 2018, your Social Security benefit and the tax impact may differ from this information. The information contained herein is not legal, tax, or accounting advice. For legal, tax, or accounting advice you should consult the appropriate professional, such as a lawyer, CPA, or tax advisor. The information provided in this document is for informational/educational purposes only and should not be relied upon to make any financial decisions. We are not affiliated with, or endorsed by, the Social Security Administration or any other government agency.



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