





# Tax Asset Classes Chart (one-sided)

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## TAX ASSET CLASSES

**Interest Income**  
- Taxable

- Money market
- Corporate bonds
- US Treasury bonds

**Attributes**

- Annual income tax on interest
- Taxed at highest marginal rates

**Dividend Income**

- Equity securities
- REITs

**Attributes**

- Qualified dividends at LTCG rate
- Returns of capital dividend
- Step-up basis at death

**Capital Gain Income**  
- Preferential Rate  
- Deferral until sale

- Equity securities

**Attributes**

- Deferral until sale
- Reduced capital gains rate
- Step-up basis at death

**Tax Exempt Interest**

- Bonds issued by state and local governmental entities

**Attributes**

- Federal tax exempt
- State tax exempt

**Pension and IRA Income**  
- Tax Deferred

- Pension plans
- Profit sharing plans
- Annuities

**Attributes**

- Growth during lifetime
- RMD for IRA and qualified plans
- No step-up

**Real Estate and Oil & Gas**  
- Tax Preferences

- Real Estate
- Oil & Gas

**Attributes**

- Large up front IDC deductions
- Depreciation allowances

**Roth IRA and Insurance**  
- Tax Free Growth/Benefits

- Roth IRA
- Life Insurance

**Attributes**

- Tax free growth during lifetime
- No 72 RMD
- Tax free distributions out to beneficiaries
- Life expectancy
- Tax deferred growth
- Tax exempt payout at death

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# Bracket Management Chart

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## Robert S. Keebler, CPA/PFS, MST, AEP: Bracket Management

**15 Impactful Bracket Management Ideas**

- 1. Differential AMT/LTCG Characteristics:** Contribute to Traditional AMT/AMT in high income years to avoid potential AMT in low income years.
- 2. Roth IRA/529 Contributions:** Contribute to Roth IRA/529 in low income years to reduce taxable income during retirement years and reduce investment income during retirement years.
- 3. Roth IRA/529 Contributions:** Make Roth contributions in the current year to avoid AMT in future years.
- 4. Charitable Deductions:** Charitable deductions to avoid AMT in high income years.
- 5. Capital Gains Harvesting:** Harvest gains in low income years to fill up the 0% and 15% brackets and reduce taxable income in high income years.
- 6. Charitable Deductions:** Harvest gains in high income years to offset capital gains.
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- 15. Charitable Deductions:** Harvest gains in high income years to offset capital gains.

**"Flying Below the Radar"**

**2021 Federal Income Brackets**

**Tax Rate Asset Allocation**

**Bracket Management Checklist**

- Determine the client's current tax bracket.
- Project the client's future tax brackets.
- Determine if and when the client will reach the 25% and 35% brackets.
- Use the projections to build the client's portfolio according to the Tax Rate Asset Allocation chart.
- Build the portfolio with an understanding of the Tax Rate Asset Allocation chart.
- Consider Impactful Bracket Management Ideas 1-8 for all clients.
- Consider Impactful Bracket Management Ideas 9-15 for all clients, but especially those not "Flying Below the Radar".

**Taxation of Retirement Distributions**

Asset	Tax Rate	Example
IRA/401(k)	15%	100,000
Roth IRA/401(k)	0%	100,000
529 Plan	0%	100,000
Charitable Deduction	0%	100,000
Capital Gains Harvesting	0%	100,000

**2021 Bracket, Threshold and Limitation Detail**

Bracket	Rate	Threshold	Limitation
0%	0%	\$0 - \$10,275	\$0
15%	15%	\$10,275 - \$47,783	\$0
25%	25%	\$47,783 - \$100,000	\$0
35%	35%	\$100,000 - \$500,000	\$0
37%	37%	\$500,000 - \$1,000,000	\$0
39.6%	39.6%	>\$1,000,000	\$0

# Capital Gains Harvesting Chart

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## Robert S. Keebler, CPA/PFS, MST, AEP: Capital Gains Harvesting Chart

**Flowchart:**

If the asset is sold this year, will a higher capital gains rate apply than generally applies in the future?

- Yes: Do you need cash immediately?
  - Yes: Does it make sense to borrow against the asset?
    - Yes: Sell asset and pay tax.
  - No: Order the sale until income tax rate is lower or as low as possible.
- No: Can you defer the sale?
  - Yes: Revisit selling next year.
  - No: Consider a CTR, installment sale, tax-free exchange/rollover, etc.

**Summary of Concept**

Long-term capital gains rates increased in 2013 from 15% to 20% those in the top tax bracket. In addition, many high income taxpayers may be subject to the new 3.8% tax on net investment income and phase-outs of deductions against income. Given the varied tax rates, many taxpayers who expect their rates to increase may actually realize a tax benefit by accelerating realization of gains.

Use this chart as a starting point for evaluating whether to harvest capital gains in the current year.

**Long-Term Capital Gain Rates**

Rate	Single	Married	Trusts
0%	\$0 - \$40,000	\$0 - \$80,000	\$0 - \$2,700
15%	\$40,001 - \$44,100	\$80,001 - \$121,500	\$2,701 - \$11,250
20%	>\$44,100	>\$121,500	>\$11,250

**Important Thresholds**

Rate	Single	Married	Trusts
3.8% NIT (MAGI)	\$200,000	\$250,000	\$133,050
3.8% NIT (Taxable Income)	\$184,000	\$232,800	\$164,000

**Gain Harvesting Scenario:**

John purchased a stock in XYZ Corp. in November 2020, but will need to sell to use the cash to pay for 2021.

- From a tax perspective, John should not sell. Since the stock was purchased recently (1-yr), selling now would generate a short-term capital gain, taxed as ordinary income.
- Steve and Katie have combined taxable income of \$50,000. They will have a need to sell assets for cash in 2021.
- Steve and Katie should take gains at least up to the top of the 0% bracket (\$80,000 for married couples) and pay 0% tax on the gains.
- Jim and Mary are retired, but are not yet collecting Social Security. The taxable portion of their Social Security will bump them into the 22% tax bracket.
- Jim and Mary should sell assets to "fill up" the 0% tax bracket and get a "free" basis increase.
- Patrick does not plan to retire for another seven years. He has no cash needs beyond what his current salary provides. He is in the 24% tax bracket, so he would pay 24% capital gains tax in 2021.
- Patrick should not sell assets in his investment account as the ROI on the 2013 Gain Harvesting strategy will have diminished by the time he needs cash in retirement.
- Chris has greater than \$200,000 in salary income in 2021, and would like to sell stock with a low basis. He plans to retire at the end of 2022.
- Chris should defer selling the low basis stock in 2021. If he sold now, Chris would be subject to the 3.8% NIT, thereby paying 18.8% tax rate on capital gains. If he can wait until 2022, when he has no salary income, he could be taxed much less.

**Gain Harvesting Return on Investment (after tax)**

Scenario	2021	2022	2023	2024	2025	2026	2027	2028
John (0% vs 24%)	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Steve & Katie (0% vs 22%)	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Jim & Mary (0% vs 24%)	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Patrick (0% vs 24%)	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Chris (0% vs 18.8%)	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%



