Help boost your potential for accumulating retirement income

Make the most of your retirement savings with a tax-deferral strategy

Think tax deferral is too complicated? Think again. Our high-level guide will walk you through the basics of tax deferral — and how the right strategy can help you increase your savings while minimizing your taxes.

Here are the basics — and the benefits

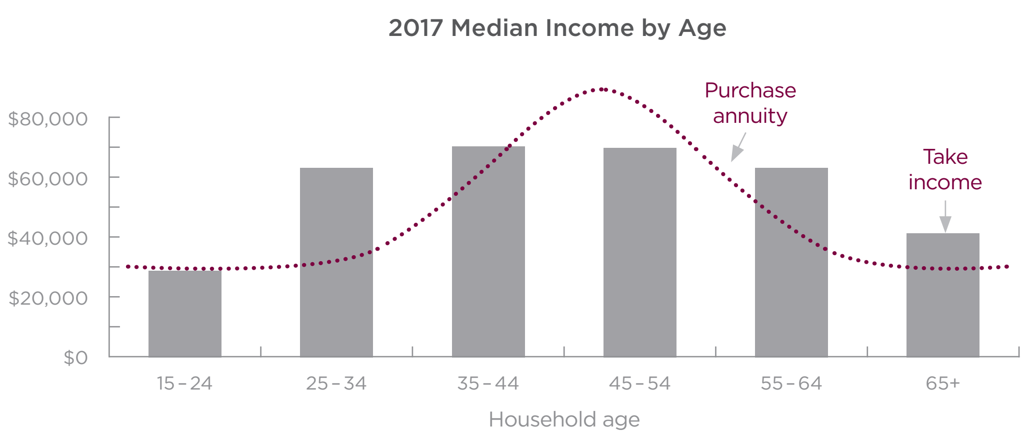
Tax-deferred investments allow earnings to accumulate tax free until the investor makes a withdrawal.

There are multiple benefits to deferring taxes on your investments.

Tax-deferred growth	Lower tax rate at the time of withdrawal
This means instead of paying taxes annually on investment growth, income tax is paid only on withdrawals, leaving the investment to grow unhindered.	Investments are usually made when a person is earning higher income and is taxed at a higher tax rate. Typically, withdrawals are made when a person is earning little or no income from work and is taxed at a lower rate. See the chart on the next page for 2019 tax rates.

One way to take advantage of these benefits is to purchase a deferred annuity in your peak earning years and then take income when you're in a lower tax bracket.

Income declines as investors age



Source: consus.gov, "MEDIAN INCOME IN THE PAST 12 MONTHS (IN 2017 INFLATION-ADJUSTED DOLLARS)"; Table ID: S1903

2019 tax rates affecting high earners

Federal Income tax rates		
Married, filling jointly	Single	Tax rate
$168,401-$321,450	$84,201-$160,725	24%
$321,451-$408,200	$160,726-204,100	32%
$408,201-$612,350	$204,101-$510,300	35%
$612,351 or more	$510,301 or more	37%

Tax rates for long-term capital gains and qualified dividends		
Married, filling jointly	Single	Tax rate
$78,750 - $488,850	$39,375 - $434,550	15%
>$488,850	>$434,550	20%

Investment Income Medicare Tax[1]		
Married, filling jointly	Single	Tax rate
$250,000	$200,000	3.8%

Find the right distribution strategy

From an income tax perspective, there are three main types of retirement investment accounts:

1. **Taxable investment accounts**
Income generated within the account is taxed each year to the account owner (e.g., interest from savings accounts or CD's; dividends, capital gains from stocks, bonds or mutual funds, etc.)

2. **Tax-deferred investment accounts**
Income generated within the account is not taxed until distributions are taken from the account (e.g., traditional IRAs, traditional qualified retirement plans such as 401(k)/403(b) and nonqualified annuities)

3. **Tax-free investment accounts**
Income generated within the account is never taxed, even when distributions are made (provided certain qualifications are met) (e.g., Roth IRAs, life insurance)

A deferred annuity is only one of many tax-efficient portfolio strategies. Let's take a closer look at other ways that can help minimize impact of taxes on your overall portfolio.

Prioritize your source of retirement income for maximum tax efficiency.

Future income taxed at same or lower tax rate	Future income taxed at higher tax rate
1. Taxable account 2. Tax-deferred account 3. Tax-free account	1. Tax-deferred account 2. Taxable account 3. Tax-free account

Diversifying across each asset category (taxable, tax-deferred and tax-free) can help minimize the impact of taxes on your portfolio, helping to maximize your portfolio's overall long-term growth.

Your next steps

Work with your advisor to see how a tax-efficient investment strategy can help you save more for retirement.

Source: IRS.gov

[1]Investment Income Medicare tax applies to the lesser of (a) net investment income or (b) modified adjusted gross income exceeding $200,000 for individuals or $250,000 for married, filing jointly.

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