

Long Term Income Outlook

In order to estimate the possible outcomes of a dynamic plan – one that adjusts and adapts to changing circumstances – we have simulated the experiences of hypothetical households that increased and decreased income according to the plan reported on here. The information below summarizes the results of these plan tests.

Lifetime Income Experience

This section reports on total simulated overall income compared to what was planned for.

87% Scenarios Above Plan

↑

Average: 51% above planned

↑

Best case: 194% above planned

87% of simulated scenarios had more total income over time than planned. On average, total lifetime income was 51% higher than planned. In the best case, total lifetime income was 194% higher than planned.

13% Scenarios Below Plan

↓

Average: 5% below planned

↓

Worst case: 35% below planned

13% of simulated scenarios had less total income over time than planned. On average, total lifetime income was 5% lower than planned. In the worst case, total lifetime income was 35% lower than planned.

Income Adjustments

Dynamic plans involve adjustments to income due to inflation and changes in other financial and economic circumstances. The results below report on the size and frequency of these adjustments in the plan tests.

Average Increase

5.7% every 2.1 years

Largest increase: 85.7%

90% of increases: 5% - 32.1%

On average, simulated scenarios had a 5.7% increase in income every 2.1 years. The largest single increase in any simulated scenario was 85.7%, but 90% of increases were between 5% and 32.1%.

Average Decrease

-6.1% every 8.2 years

Largest decrease: 20.4%

90% of decreases: 0.5% - 10%

On average, simulated scenarios had a 6.1% decrease in income every 8.2 years. The largest single decrease in any simulated scenario was 20.4% but 90% of decreases were between 0.5% and 10%.*

* Note that reductions in income from an above-plan level to another above-plan level are not included in these statistics since they do not result in income below plan.

Short Term Income Plan

Based on your inputs and chosen assumptions, including an investment portfolio balance of \$2,810,000, your plan calls for monthly income of \$13,473 (\$11,933 after taxes). These amounts may change over time. The plan reported on here includes a plan for income adjustments. The Income Adjustment Plan below shows estimates of when this plan would call for a change in income.

Proposed Income



This month

\$13,473

\$11,933 after taxes

Balance




\$2,810,000

Income Adjustment Plan



\$14,147 (\$674 increase)

Portfolio ≥ \$2,950,500 (+5%)



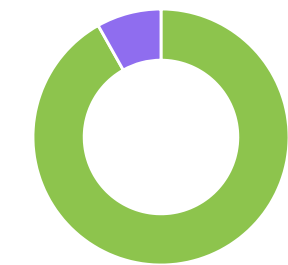
\$12,799 (\$674 decrease)





Portfolio ≤ \$1,959,608 (-30.3%)

If your portfolio balance were at or above \$2,950,500 (5% more than your current balance), your plan would call for a \$674 increase in income to \$14,147.

If your portfolio balance were at or below \$1,959,608 (30.3% less than your current balance), your plan would call for a \$674 decrease in income to \$12,799.

Income Analysis



Source	Amount	%
 Portfolio Withdrawals	\$12,373	91.8%
 Social Security	\$0	0%
 Portfolio Contributions	\$0	0%
 Other Income	\$1,100	8.2%

Based on your inputs and chosen plan parameters, the chart above shows how much of this plan's first (or current) month of income comes from portfolio withdrawals, Social Security, and other sources.

Balance Sheet

Net worth is the difference between assets and liabilities. Assets are things you own, such as a home, a business, and investment accounts. Liabilities are things you owe, such as the balance on a mortgage and other debt. The information below reflects your inputs.

Total Assets \$3,310,000	Total Liabilities \$156,000	Net Worth \$3,154,000
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Investment Accounts	\$2,810,000
Joint Account - Jon Doe and Jane Doe	\$965,000
Traditional IRA - Jon Doe	\$650,000
Traditional IRA - Jane Doe	\$850,000
Roth IRA - Jon Doe	\$125,000
Roth IRA - Jane Doe	\$220,000
Non-Investment Accounts	\$105,000
Checking & Savings	\$105,000
Other Assets	\$395,000
Rental Property II	\$185,000
Rental Property I	\$210,000

Liabilities	\$156,000
Mortgage	\$74,000
Rental Property Loans	\$66,000
Truck Loan	\$16,000



2022 TAX REPORT FOR JON DOE

SCENARIO: 2022 RETURN

KEY FIGURES

Total Income:	\$234,400	Filing Status:	Married Filing Jointly	Tax Exempt Interest:	\$0
AGI:	\$234,400	Marginal Rate:	24.0%	Qualified/Ordinary Dividends:	
Deductions:	\$27,300	Average Rate:	15.3%		\$3,500 / \$4,200
Taxable Income:	\$207,100	2023 Safe Harbor:	\$39,480	ST/LT Capital Gains:	\$0 / \$13,000
Total Tax:	\$35,890			Carryforward Loss:	\$0

MARGINAL TAX BRACKET INFORMATION

The marginal tax rate for your *ordinary income* is as follows:

Marginal Rate	Ordinary Income Threshold	
10.0%	\$0 to \$20,550	
12.0%	\$20,550 to \$83,550	
22.0%	\$83,550 to \$178,150	
24.0%	\$178,150 to \$340,100	You: \$190,600
32.0%	\$340,100 to \$431,900	
35.0%	\$431,900 to \$647,850	
37.0%	\$647,850 and above.	

The marginal tax rate for your *capital gains and qualified dividends income* is as follows:

Marginal Rate	Taxable Income Threshold	Qualified Income (\$16,500 Total)
0.0%	\$0	\$0
15.0%	\$83,350	You: \$207,100 \$16,500
20.0%	\$517,200	\$0

MODIFIED ADJUSTED GROSS INCOME TIERS

Planning Opportunity	Limits	Over/Under?
Net Investment Income Tax	\$250k	Under
Coverdell ESA	\$190k - \$220k	Over
Roth IRA Contribution	\$204k - \$214k	Over
Lifetime Learning Credit	\$160k - \$180k	Over
Student Loan Interest Deduction	\$145k - \$175k	Over
American Opportunity Credit	\$160k - \$180k	Over
Child Tax Credit	\$400k - \$440k	Under
Qualified Adoption Expenses Credit	\$223k - \$263k	In Phaseout
Saver's Credit	\$41k - \$68k	Over
IRA Contribution Deductibility - Covered Spouse	\$109k - \$129k	Over
IRA Contribution Deductibility - Non-Covered Spouse	\$204k - \$214k	Over

SCHEDULE D - CAPITAL GAINS/LOSSES

The tax return listed the following sources of capital gains/losses:

SHORT TERM

Description	Amount
Short Term Gain/Loss for 2022	\$0

LONG TERM

Description	Amount
Long Term Gain/Loss for 2022	\$13,000

TOTAL

Total Gains/Losses for 2022	\$13,000
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MEDICARE PART B/D PREMIUMS FOR 2024

Medicare Parts B and D premiums can be impacted by Modified Adjusted Gross Income* (MAGI). Amounts below are in addition to the base premiums. Amounts are monthly.

*MAGI = AGI + Tax-Exempt Interest

MAGI Threshold	Part B Premium Adjustment	Part D Premium Adjustment
\$0 to \$182,000	\$0	\$0
\$182,000 to \$228,000	\$68	\$12
\$228,000 to \$284,000	\$170	\$32
\$284,000 to \$340,000	\$272	\$52
\$340,000 to \$750,000	\$374	\$71
\$750,000 and above.	\$408	\$78

You:
\$234,400

OBSERVATIONS

- Income is within 10% of the threshold for the 3.8% Net Investment Interest Tax (NIIT). Consider strategies to reduce taxable income and be mindful of realized capital gains.
- You are in the 24.0% marginal bracket. Depending on your age and income projections, you might consider a Roth conversion.
- Your Modified Adjusted Gross Income (MAGI) suggests you are not eligible to contribute directly to a Roth IRA. You do have eligible compensation though, so you might discuss the feasibility of the "Backdoor Roth" strategy.
- Jon is over the age of 70.5, and thus is eligible to make tax-free Qualified Charitable Distributions (QCDs) from IRAs to qualifying charitable organizations.
- Jon is age 71 in 2022, and thus will be required to start required minimum distributions (RMDs) on retirement accounts next year.
- Review employer-provided benefits to ensure you are taking full advantage of any pre-tax options.

· NIIT = AGI + Excluded Foreign Earned Income

· Coverdell, Lifetime Learning, American Opportunity, Child Tax Credit MAGI, Adoption Credit, Saver's Credit = AGI + Excluded Foreign Earned Income + Housing

· Roth MAGI = AGI - Taxable Roth Conversions + IRA Deduction + Student Loan Interest Deduction + Tuition Deduction + Excluded Foreign Earned Income + Housing

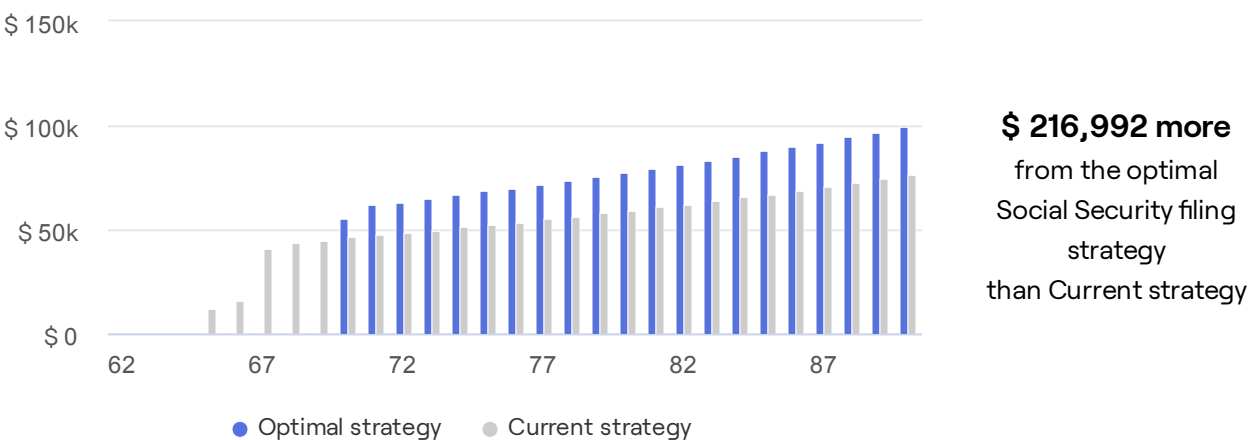
· Student Loan Deduction MAGI = AGI not including student loan interest

· IRA Deduction MAGI = AGI + Student Loan Interest Deduction + Tuition and Fees Deduction + Excluded Foreign Earned Income + Housing

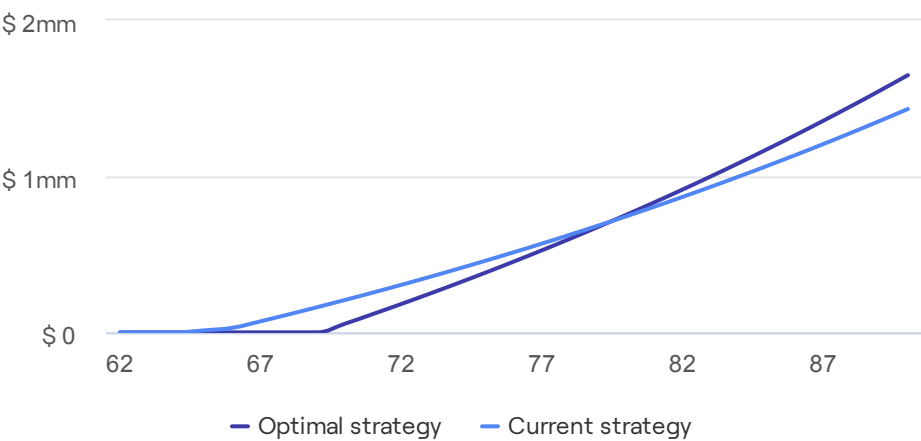
Optimal Social Security Strategy

There are as many as 700 different Social Security filing strategies that can be tested in order to identify the optimal Social Security benefit for your specific retirement needs. Compare your optimal strategy to others to see the potential benefit of optimization.

Annual cash flow comparison



Cumulative cash flow comparison



To obtain maximum Social Security benefit

1. Donna applies own spousal benefit at age 67.
2. Harvey applies own retirement/spousal benefit at age 70.

PharmD Financial Planning LLC



Doe, Jon & Jane

The following is a list of your accounts held through PharmD Financial Planning LLC and the respective tax forms that you will need from each account to complete your 2021 tax return. Please note that we only have tax information on the accounts through our office.

Account Name	Number	Tax Form	Special Notes:
SEI - Traditional IRA - Jane	***561	1099	None
SEI - Roth IRA - Jon	***425	1099	None
SEI - Traditional IRA - Jon	***741	1099	QCD & Roth Conversion

PLEASE REMEMBER THE FOLLOWING:

The deadline for companies to make all form 1099's available is February 16th. Different types of accounts (e.g. IRA, Joint, etc.) are generated at different times and may arrive separately.

In an effort to save stress (and money), many companies are no longer mailing 1099's and are instead posting them online. **1099's are available on February 1st online in your client portal.**

All Traditional IRA, Rollover IRA and ROTH IRA accounts will generate a form 5498 which is not typically needed for tax preparation.

If you are missing a 1099 or if you have any questions or concerns regarding your accounts through our office, please contact us at **derek@pharmdfp.com**. Once your 2021 tax return is complete, please send us a copy so that we can continue providing you with the best possible tax strategies.

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2022 · WHAT WILL HAVE THE LEAST TAX IMPACT: HARVESTING CAPITAL GAINS OR ROTH CONVERSIONS?



Start Here

