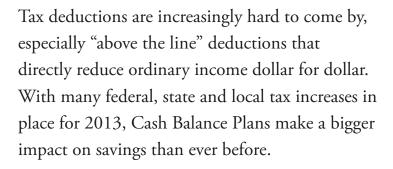
# Tax Advantages of Cash Balance Retirement Plans

# REDUCING THE PAIN OF RECENT TAX HIKES



## Four Key 2013 Tax Changes: **How Does a Cash Balance Plan Help?**

Cash Balance contributions reduce both taxable income and adjusted gross income (AGI), so high income earners may move into a lower tax bracket. All of the following taxes may be reduced or **eliminated** by contributing to a Cash Balance Plan:

#### 1. Investment Tax

An additional 3.8% tax on unearned net income is now imposed on individuals making more than \$200,000 (or \$250,000 for married couples). The new surtax is in addition to the capital gains and dividend tax increase from 15% to 20%.

### 2. Top Marginal Income

The top marginal tax rate has increased to 39.6% for individuals earning more than \$400,000 (or \$450,000 for married couples).

#### 3. Medicare Tax

There is an additional 0.9% Medicare payroll tax on income above \$200,000 for individuals (or \$250,000 for married couples).

#### 4. Phase-Out of Tax Deductions

The ability to itemize certain tax deductions has been phased out for individuals making more than \$250,000 (or \$300,000 for married couples).



Federal Tax Increases As of January 1, 2013		
Тах Туре	2012 Rates	2013 Rates
Investment tax	0%	3.8%
Top marginal income tax	35%	39.6%
Medicare tax	2.9%	3.8%
Capital gains tax	15%	23.8%
Dividend tax	15%	23.8%

## **Examples of Tax Savings:**

#### **Business Owner**

Age 55, married filing jointly, two children

- \$400,000 adjusted gross income (\$350,000 wages, \$50,000 investment income)
- No Cash Balance contribution: will pay \$103,000 in federal taxes
- \$150,000 Cash Balance contribution: will pay \$51,000 in federal taxes

Federal Tax Savings:\* \$52,000

## Medical Group Partner

Age 60, married filing jointly, no children

- \$600,000 adjusted gross income (\$550,000 wages, \$50,000 investment income)
- No Cash Balance contribution: will pay \$180,500 in federal taxes
- \$200,000 Cash Balance contribution: will pay \$103,400 in federal taxes

Federal Tax Savings:\* \$77,100



Learn more about how a Cash Balance Plan can Call (877) CB-Plans