Taxes: Why They Suck & How to Minimize Their Impact

LIFETIME INCOME CASE STUDY

Presented by ***Puplava Financial Services, Inc.***
Registered Investment Advisor

Lukas & Ana Mueller

<u>Important Notice:</u>

This is a hypothetical illustration based on real life examples. Names and circumstances have been changed. The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual. To determine which investments or strategies may be appropriate for you, consult with a financial advisor prior to investing.

ESSENTIAL INFORMATION

Client:	Lukas & Ana Mueller.
Ages:	Lukas and Ana are both age 47.
Retirement:	Both want to retire at age 65.
Life expectancy:	Lukas age 88. Ana age 92.
Risk tolerance:	Moderately Aggresive.
Investment objective:	Growth with Capital Preservation.

WHO ARE LUKAS & ANA?

Name: Lukas

Age: 47

Job: Software Developer

Lukas has been working for the same company since college. Up to this point, he has managed all his own investments but is becoming increasingly concerned about market conditions and wants help from a professional. He is an aggressive buy and hold investor who has large exposures in small cap and emerging market stocks. He is concerned about taxes after a large raise at work this year boosted their income.

Name: Ana

Age: 47

Job: School Psychologist

Ana is looking for help to manage their finances, especially college planning since they have two children in high school. Their oldest will start college in the fall and she is concerned about their ability to pay for it while saving for retirement. Given they both have great incomes, Ana is also concerned about managing taxes.

LUKAS AND ANA'S CURRENT RISK TOLERANCE?

Most Conservative **1** - **2** - 3 - 4 - 5 - 6 - 7 - 8 - **9** - **10** Most Aggressive

Current Risk Score

4

Portfolio Risk Score

7

WHAT IS IMPORTANT TO LUKAS & ANA?

Minimizing taxes

Protecting their nest egg

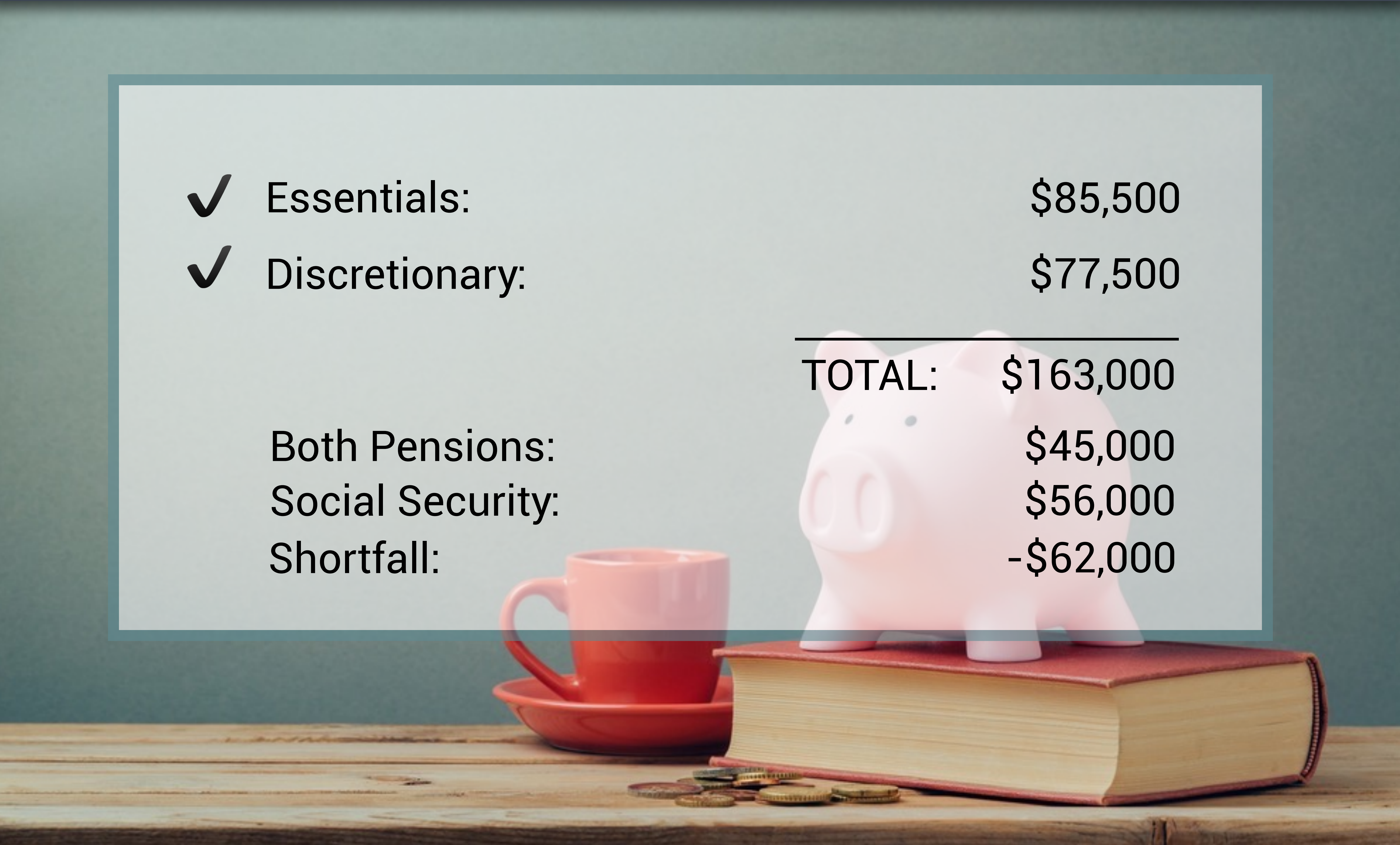
Saving for retirement

Affording college expenses

LUKAS & ANA'S CURRENT BUDGET

✓ Essentials:	$145,800
✓ Discretionary:	$97,200
TOTAL:	$243,000
Lukas's Salary:	$225,000
Ana's Salary:	$90,000
Surplus:	$72,000

LUKAS & ANA'S RETIREMENT BUDGET



LUKAS & ANA'S ASSETS

Non-Investment Assets

✓ Primary Residence:	$620,000

Investment Assets

✓ Lukas's Retirement:	$632,000
✓ Ana's Retirement:	$265,000
✓ Joint/ROS accounts:	$225,000
Total Investment Assets	$1,122,000
Total Assets:	$1,742,000
Liabilities:	-$37,000
Net Worth:	$1,705,000

LUKAS & ANA'S FINANCIAL PLAN CHALLENGES

1. Reducing risk in their investment portfolio.
2. Managing competing goals of paying for college and saving for retirement.
3. Minimizing amount of taxes they have to pay.

HOW WILL PRESIDENT TRUMP'S TAX PLANS AFFECT LUKAS & ANA?

What is your income?	**$225,000**		
Are you married?	**Yes**		
What is your spouse's income?	**$90,000**		
Details and Provisions:	**Current Law**		**Trump**
Taxable Income	$294,624		$285,000
Income Tax	$72,639		$66,300
Income Tax After Credits and AMT	**$72,639**	**VS.**	**$66,300**
Employee Payroll Tax	$12,500		$12,500
Employer Payroll Tax	$11,915		$11,915
Total Income and Payroll Tax Burden	**$97,053**		**$90,174**
Change	- -		**-$6,339**

GOAL BASED RECOMMENDATIONS FOR LUKAS & ANA

What are our goals?	Strategy
Minimizing tax costs.	Greater use of tax-loss harvesting. Under the current Trump Administration, Lukas and Ana may also take all long-term capital gains this calendar year to avoid potential tax changes.
Reducing the future impact of taxes.	Ana will begin to make max contributions to the optional 457 plan in addition to max out the 403b. The 457 will allow her to save an additional $18,000 per year tax-free.
Protecting the nest egg.	Portfolio will be repositioned to focus on dividend payers and short-term bonds. Exposure to less risker asset classes will better align with their risk tolerance and current market conditions.
Paying for their children's college.	For college, they will utilize a bond ladder to cover future anticipated expenses. They will commit to paying the costs equivalent to a 4-year public university and their kids will need to cover the difference on their own if necessary.

Disclosures:

1. *Bonds are subject to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rates rise and bonds are subject to availability and change in price.*

2. *The payment of dividend is not guaranteed. Companies may reduce or eliminate the payment of dividends at any given time.*

3. *Fixed annuities are long-term investment vehicles for retirement purposes. Gains from tax-deferred investments are taxable as ordinary income upon withdrawal. Guarantees are based on the claims paying ability of the issuing company. Withdrawals made prior to age 59 1/2 are subject to a 10% IRS penalty tax and surrender charges may apply.*

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If you have any specific questions or comments, please give us a call at

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We're happy to speak with you.

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