17300 Henderson Pass, Suite 240
San Antonio, TX 78232
(210)918-8998
www.fladvisors.com

Income Tax Review
for
John & Joan Smith

Our tax planning analysis section will summarize the tax consequences of our recommendations. The objective of our analysis is to identify potential opportunities to reduce income, estate, and gift transfer tax by using deductions, taking advantage of tax credits, and taking exclusions. The following sections will show how you can reduce tax liability; however, we recommend that you visit with your accountant or accounting firm to adjust for any changes in tax legislature. Financial Life Advisors (FLA) is not an accounting firm.

Current Tax Observations

2012

AGI	$ 165,325
Taxable Income	$ 134,254
Total Tax	$ 24,325 and 18.1% of taxable income
Tax Bracket	25% marginal, 15% on capital gains

- Large charitable contributions $15k
- Capital loss carryforward almost used up
- Eligible for, but no Roth IRA contributions made

2013

AGI	$ 215,134
Taxable Income	$ 195,830
Total Tax	$ 33,910 and 17.32% of taxable income
Tax Bracket	25% marginal, 15% on capital gains

- Large capital gains $40k

2014

AGI	$ 143,680
Taxable Income	$ 118,300
Total Tax	$ 21,212 and 17.9% of taxable income
Tax Bracket	25% marginal, 15% on capital gains

- Low income for Joan
- Short-term capital gains $3k
- Eligible for, but no Roth IRA contributions made

Immediate Observations

- Short-term capital gains should be avoided.
- Since brokerage assets exist, any year a Roth funding is available, it should be utilized.

Investment Tax Planning

Passive Investment Strategy

- Reduce portfolio turnover both inside funds and from limited periodic rebalancing.
- Generally reduced expenses on overall portfolio.

Asset Location

- Shift ordinary income and dividend income (especially ordinary) into tax-sheltered accounts. See investment review for more information.

Future Income Tax Considerations

Income Smoothing

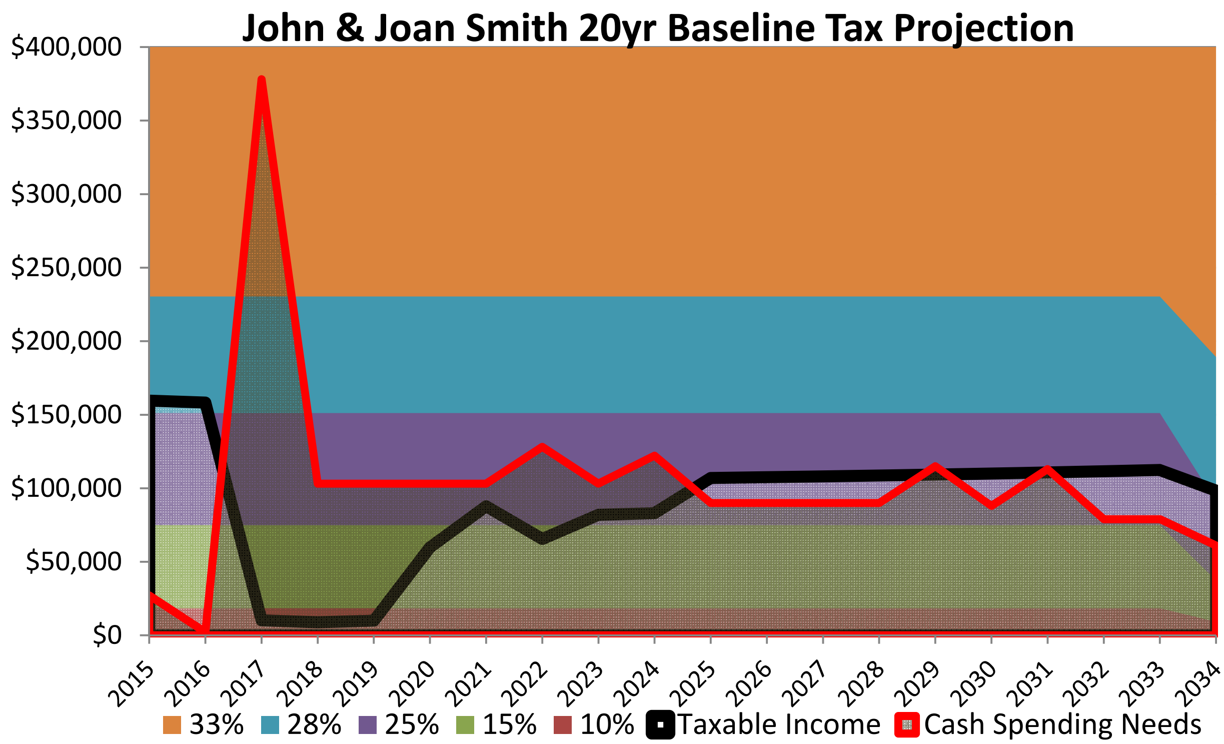
- Due to pension, delayed Social Security, and Required Minimum Distributions (RMD) your taxable income will be in the same bracket as you are now.
- We project your 70+ bracket to be 25% married and 28% single.
- In early retirement, you have a reduction in baseline income (no Social Security or RMDs).
- Taxable income can be controlled through distribution source (taxable accounts vs. IRA).
- Roth conversions should be considered to lower future RMDs and extend portfolio longevity.
- The vacation home will require specific tax planning:
    - IRA/annuity distributions will be taxable and would create up to 33% marginal rates to fully fund the vacation home.
    - Brokerage assets will trigger capital gains at rates up to 15% and severely deplete non-qualified assets.
    - Some possible combination of brokerage, IRA, and financing should be explored at the time of purchase.

Itemized Deduction Bunching

- By "bunching" or doubling up every other year, itemized deductions can be larger one year, and then the standard deduction can be used in "off" years. This effectively increases your two-year total deductions, netting you further tax reductions with no additional spending.
- Typically, property tax and charitable contributions can be bunched. You should also plan elective medical and professional fees in the years of bunching to maximize the tax benefit.

Higher Single Tax Brackets

- Most income sources will remain (besides the lower SS amount) if one spouse passes. This means a higher tax burden % and lower overall income. This could justify more aggressive income acceleration in early years to avoid potential higher effective rates for a single survivor.



2015 Married Filing Jointly

10% on taxable income from $0 to $18,450, plus

15% on taxable income over $18,450 to $74,900, plus

25% on taxable income over $74,900 to $151,200, plus

28% on taxable income over $151,200 to $230,450, plus

33% on taxable income over $230,450 to $411,500, plus

35% on taxable income over $411,500 to $464,850, plus

39.6% on taxable income over $464,850.

2015 Single Filing Status

10% on taxable income from $0 to $9,225, plus

15% on taxable income over $9,225 to $37,450, plus

25% on taxable income over $37,450 to $90,750, plus

28% on taxable income over $90,750 to $189,300, plus

33% on taxable income over $189,300 to $411,500, plus

35% on taxable income over $411,500 to $413,200, plus

39.6% on taxable income over $413,200.

Medicare Premiums

- Managing your adjusted gross income could help save you on monthly Medicare premium surcharges.

Medicare Part B Premiums

If your yearly **MAGI** in 2013 (for what you pay in 2015) was		You pay (in 2015)
File individual tax return	**File joint tax return**	
$85,000 or less	$170,000 or less	$104.90
above $85,000 up to $107,000	above $170,000 up to $214,000	$146.90
above $107,000 up to $160,000	above $214,000 up to $320,000	$209.80
above $160,000 up to $214,000	above $320,000 up to $428,000	$272.70
above $214,000	above $428,000	$335.70

MAGI (Modified Adjusted Gross Income)