

The Tax Man Cometh: Understanding Investment Tax Consequences



Porter – 9 Years Old



Vanguard Advisor's Alpha[®]

The value-add of best practices in wealth management

Vanguard Advisor's Alpha strategy	Module	Benefit of moving from the scenario described to Vanguard Advisor's Alpha methodology
		Typical value added for client (basis points)
Suitable asset allocation using broadly diversified funds/ETFs	1	> 0*
Cost-effective implementation (expense ratios)	2	30
Rebalancing	3	14
Behavioral coaching	4	0 to > 200
Asset location	5	0 to 60
Spending strategy (withdrawal order)	6	0 to 120
Total return versus income investing	7	> 0*
<i>Total potential value added</i>		Up to, or even exceed, 3% in net returns

* Value is deemed significant but too unique to each investor to quantify

Notes: We believe implementing the Vanguard Advisor's Alpha framework can up to, or even exceed, 3% in net returns for your clients and also allow you to differentiate your skills and practice. The actual amount of value added may vary significantly, depending on client circumstances and time horizon.

Source: Vanguard.

How are investment account earnings taxed?

Taxable versus Tax-Advantaged Accounts

How are Inherited Assets Taxed?

Potential Tax-Saving Tips

- Tax-Loss Harvesting
- Exchange Traded Funds versus Mutual Funds
- Municipal Bonds/Money Markets
- Qualified Charitable Distributions

What is Tax-Loss Harvesting?

Exchange Traded Funds versus Mutual Funds

What are Qualified Charitable Distributions?

Important Reminders for Widows

- Make sure to get your basis stepped up
- Tax filing status
- How filing status change could affect your tax bracket
- How filing status could affect Medicare Part B & D premiums

2024 Federal Income Tax Brackets

Income tax

	If taxable income is over	But not over	The tax is	Of the amount over
Married/Filing jointly and qualifying widow(er)s	\$0	\$23,200	\$0 + 10%	\$0
	\$23,200	\$94,300	\$2,320 + 12%	\$23,200
	\$94,300	\$201,050	\$10,852 + 22%	\$94,300
	\$201,050	\$383,900	\$34,337 + 24%	\$201,050
	\$383,900	\$487,450	\$78,221 + 32%	\$383,900
	\$487,450	\$731,200	\$111,357 + 35%	\$487,450
	\$731,200		\$196,669.50 + 37%	\$731,200
Single	\$0	\$11,600	\$0 + 10%	\$0
	\$11,600	\$47,150	\$1,160 + 12%	\$11,600
	\$47,150	\$100,525	\$5,426 + 22%	\$47,150
	\$100,525	\$191,950	\$17,168.50 + 24%	\$100,525
	\$191,950	\$243,725	\$39,110.50 + 32%	\$191,950
	\$243,725	\$609,350	\$55,678.50 + 35%	\$243,725
	\$609,350		\$183,647.25 + 37%	\$609,350

2024 Medicare Part B Premium

If your yearly income in 2022 was:			
File individual tax return	File joint tax return	File married & separate tax return	You pay (in 2024):
\$103,000 or less	\$206,000 or less	\$103,000 or less	\$174.70
above \$103,000 up to \$129,000	above \$206,000 up to \$258,000	not applicable	\$244.60
above \$129,000 up to \$161,000	above \$258,000 up to \$322,000	not applicable	\$349.40
above \$161,000 up to \$193,000	above \$322,000 up to \$386,000	not applicable	\$454.20
above \$193,000 and less than \$500,000	above \$386,000 and less than \$750,000	above \$103,000 and less than \$397,000	\$559.00
\$500,000 or above	\$750,000 or above	\$397,000 or above	\$594.00



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