Lincoln Financial Group

Control what you can

Tax moves today for the tomorrow you have planned

If you've been thinking about how recent events will affect your retirement plans, you're not alone. **Here's what pre-retirees had to say about their retirement portfolio in a recent study:**

70% Are more pessimistic about their retirement plans than before the pandemic[1]

56% More than half are now rethinking their retirement plan[1]

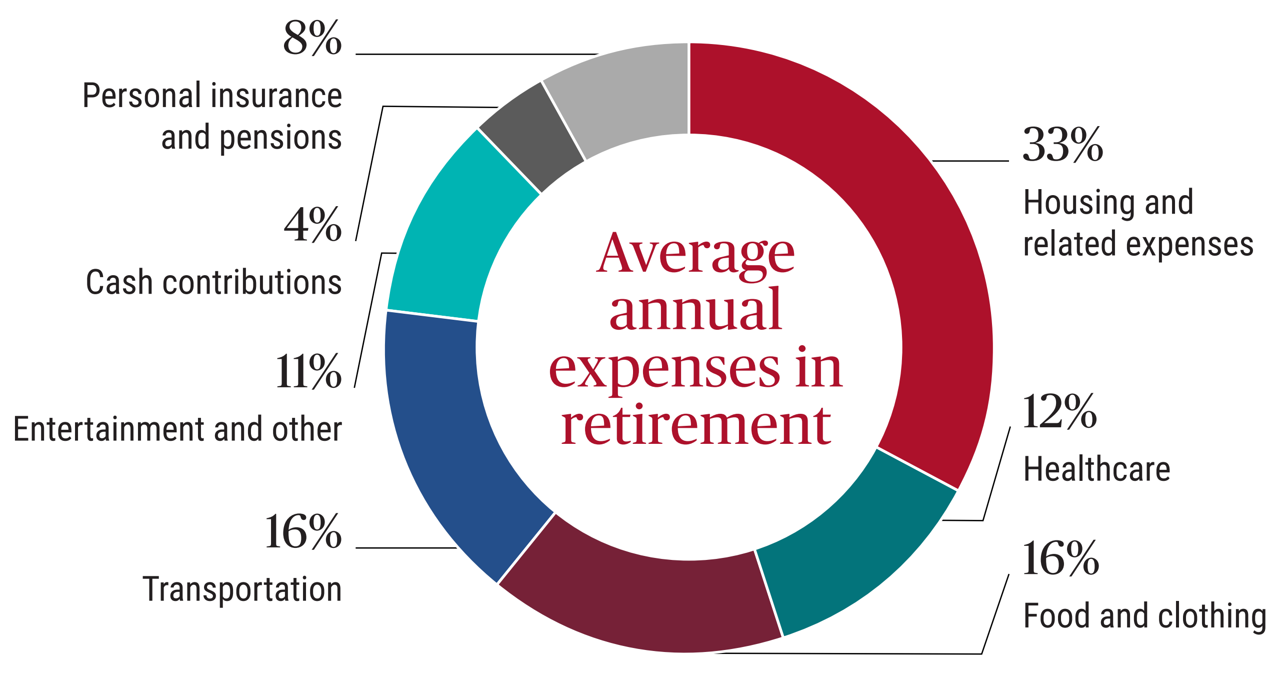
33% Only 1/3 are confident they will have the income they need in retirement[1]

When the world around us feels out of control, it can be empowering to shift focus onto matters within our control — like taxes.

That's right, taxes. Tax-smart investing today does more than help you control the tax outcomes for next year's tax bill — it helps maximize growth so you can better reach your long-term goals.

Planning ahead:

Don't underestimate – or forget – taxes in retirement[2]



But what about taxes?

If your tax rate is between **22% – 37%**, taxes are likely to be your **second-largest expense** in retirement.

If you need the same amount of income in retirement, chances are you will pay the same amount — or even more — in taxes.

How taxes can hurt portfolio returns

Taxable investments as part of your retirement portfolio may affect your taxes today and your long-term growth potential.

Taxes can be a real drag on your portfolio

U.S. Equity	International Equity	Fixed Income
2.1% lost to taxes each year[3]	1.1% lost to taxes each year[3]	1.4% lost to taxes each year[3]

Every dollar paid in taxes is a dollar less invested for your long-term goals.

Portfolio activity can be costly

How costly? Your taxes could be as high as

40.8% **Short-term gains*** Taxed at ordinary income tax rates

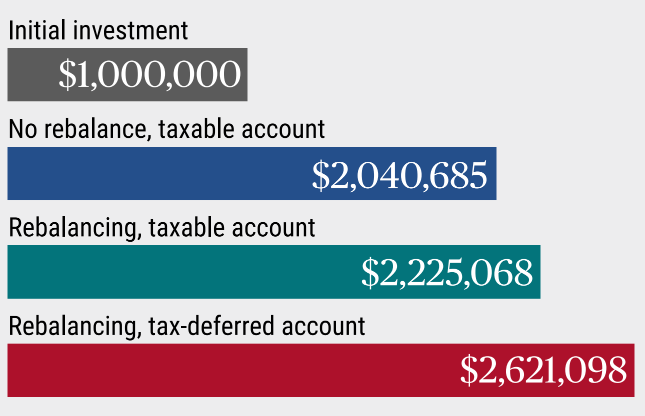
23.8% **Long-term gains*** Taxed at ordinary income tax rates

* Includes potential 3.8% Medicare tax. Source: IRS.gov.

It's not what you make, it's what you keep

The good news is: You can make smart decisions now that may benefit you in the future.

Case study: Minimize taxes to maximize returns.



Even with a passive strategy and lower turnover, **tax deferral resulted in an almost $600,000 difference** after 20 years.[4]

Staying consistent with your target investment strategy can require systematic rebalancing, but that can generate a tax bill. Doing it in a tax-deferred account can save you a substantial amount year over year.

Who should consider a tax-smart investment strategy?

Are you:

- Trying to reduce taxes for retirement?
- A high income earner?
- In a higher income tax bracket?
- Preserving assets for later use?
- Paying too much tax on taxable accounts?
- Planning to pass along wealth to loved ones?

Talk to your financial professional today and see if there are strategies that can help you reduce taxes!

Download this resource

Alliance for Lifetime Income, "COVID-19 Retirement Reset Tracker Survey," May 2020.

1 LIMRA, "Retirement Income Reference Book, 4th Edition," 2019.

2 Morningstar; Industry average annualized tax drag by asset class. Three years ending on June 30, 2020.

3 Morningstar Direct. Funds: Vanguard S&P 500 Index (60%) and Vanguard Total Bond Market Index (40%) invested over 20 years beginning 1/1/2000. Taxes paid by sale of shares (37% federal/20% capital gains);

4 1% advisory fee charged annually.

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