

IRA Deduction Analysis

John J. Sample

A. IRA Deductibility for 2020

A1. Participant in Employer Qualified Plan?	Yes
A2. Annual Income Threshold	75,000
A3. Adjusted Gross Income	65,000
A4. Calculated Maximum Deduction Based on IRS Formula	7,000
A5. Potential Income Tax Savings for 2020	1,540

B. IRA Contribution

B1. Taxable Income	53,000
B2. Age on December 31, 2020	50
B3. Maximum IRA Contribution Allowed for 2020	7,000
B4. Annual IRA Contribution	7,000
B5. Income Tax Savings *	1,540
B6. Out of Pocket Cost (B4 - B5)	5,460

C. IRA Accumulation

C1. Current Account Balance	6,500
C2. Retirement Age	67
C3. Retirement Age Value of One-Time Contribution From B4 **	30,942
C4. Retirement Age Value of Annual Contributions From B4 **	204,825

D. Taxable Savings Equivalent

D1. Current Account Balance	6,500
D2. Retirement Age	67
D3. Retirement Age Value of One-Time Contribution From B6 ***	22,919
D4. Retirement Age Value of Annual Contributions From B6 ***	145,741

E. Potential Additional Earnings (C4 - D4)

E1. Accumulation at Hypothetical 5.00% Rate of Return	\$59,083 17 Years
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* Income tax savings are based on the approximate savings that would occur by reducing your taxable income by contributing to an IRA. Calculations are based on the 2020 federal income tax table, Single status, and taxable income of 53,000. Income at this level is taxed as high as 22%. Neither Michael J. Prestwich or employees provide tax, legal, or accounting advice. You should consult with your attorney or qualified tax advisor regarding these matters.

** Based on a hypothetical 5.00% rate of return, which is not a guarantee of any actual investment performance or to be construed to represent any particular investment fund. Amount does not take into account any applicable taxes, fees, or expenses and assumes the reinvestment of distributions. Amounts withdrawn from an IRA are generally taxable in the year of withdrawal and may be subject to a 10% penalty if withdrawn prior to age 59½.

*** Calculations based on a hypothetical 5.00% taxable rate of return, less annual taxes in a 22% tax bracket, which equals a 3.90% net return. Amount does not take into account any applicable fees or expenses and assumes the reinvestment of distributions.