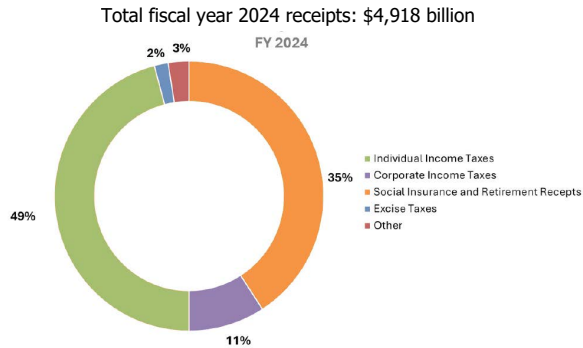


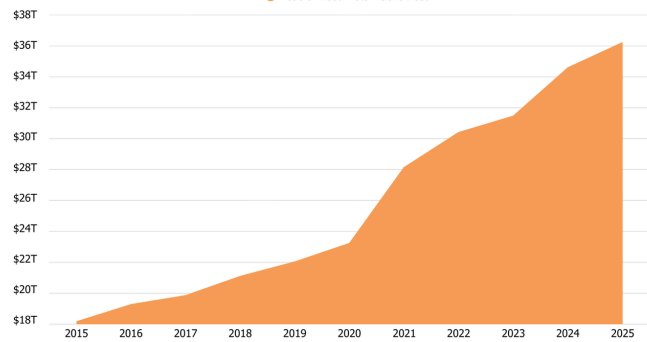
Fiscal Headwinds

Half of Federal Revenue comes from Individual Income Taxes



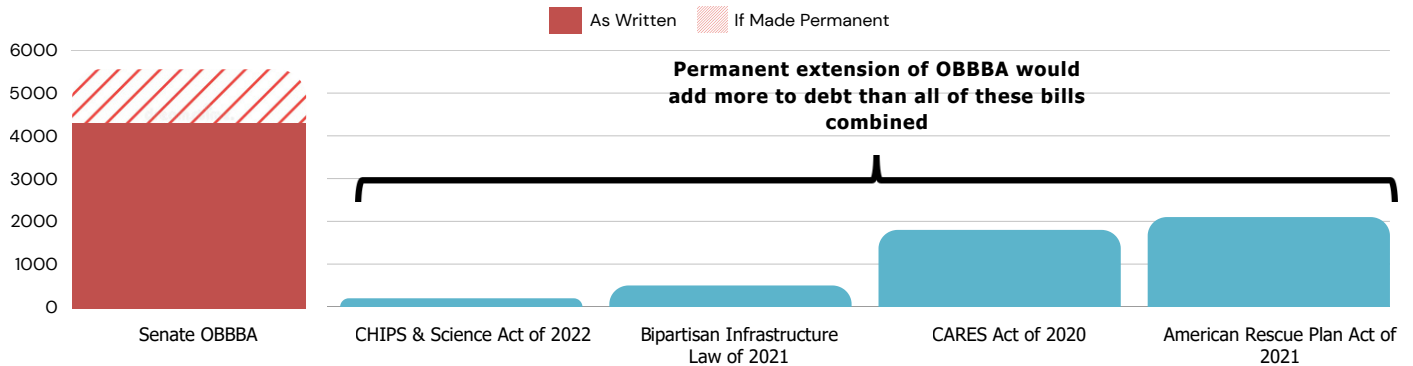
Source: <https://www.pgpf.org/article/chart-pack-individual-taxes/>

Federal Debt Growth (+99% Last 10 Years)



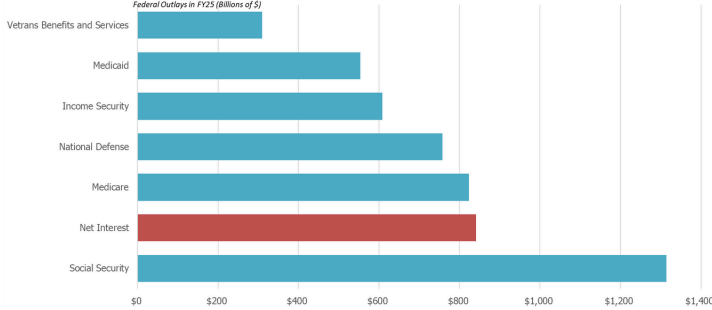
Source: <https://fred.stlouisfed.org/seriesGFDEBTN>

OBBBA adds more to the deficit than any recent legislation



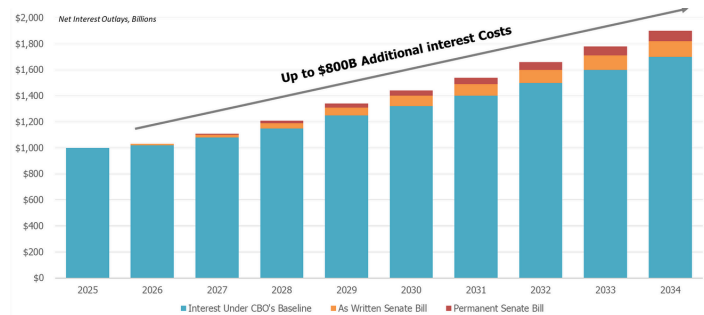
Source: <https://www.crfb.org/blogs/senate-obbba-charts>

Net interest was the second largest spending category to date for the federal government



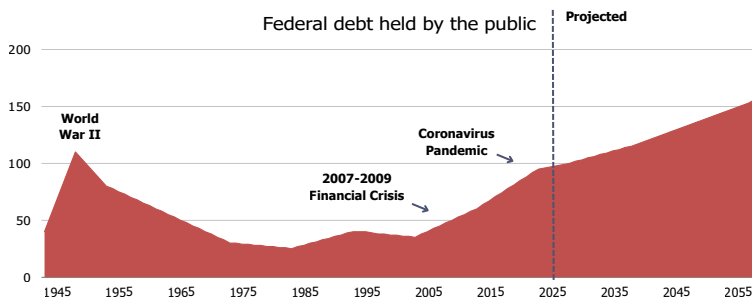
Source: <https://www.pgpf.org/programs-and-projects>

Annual Interest Costs Approach \$2T under OBBBA



Source: <https://www.crfb.org/blogs/senate-obbba-charts>

Record Debt to GDP with OBBBA



Source: <https://www.cbo.gov/publication/61270>

Larger deficits and increased expenses will likely continue to crowd out other spending and leave fewer options for future tax relief or new priorities.



Four Ways to Reduce Future Income Taxation

Long-term savings strategies should consider current income taxes and rapidly increasing federal debt.

Federal income taxes have been historically low for a number of years, but we don't know when they will go up again.

1940	1960	1980	2000	current
81.1%	91%	70%	39.6%	37%

Highest federal tax rate source: www.irs.gov

Roth IRA & Roth 401(k)

Roth accounts trade a deduction today for tax-free qualified withdrawals in the future; earnings come out income-tax-free if IRS rules are met. Roth IRAs have income-based eligibility limits for new contributions, while Roth 401(k) accounts are subject to plan contribution caps. Roth accounts are not subject to required minimum distributions (RMD).

Roth Conversions

Moving pre-tax qualified plan money to a Roth conversion does not have income limits, but the converted amount is generally taxable in the year of conversion, so non-qualified funds must be available for the tax liability. Future qualified withdrawals from the Roth account are tax-free. Conversions are irrevocable and must follow IRS distribution rules.

Municipal Bonds (and Muni Bond Funds)

Interest on most municipal bonds is exempt from federal income tax and may be state-tax-exempt (if you live in the issuing state); however, the interest is included in calculating taxes on Social Security payments and it may be subject to Alternative Minimum Tax (AMT).

Selling individual bonds (or distributions of gains from municipal bond funds) can trigger taxable capital gains, even when the interest is tax-exempt.

Cash Value Life Insurance

Properly structured permanent life insurance offers income-tax-free death benefit protection and tax-free access to cash values. There are no IRS income or annual contribution limits on premiums (subject to underwriting limits). Cash value is available without IRS penalties prior to age 59 1/2 and there are no required minimum distributions (RMD).

Why This Matters Now:

As demonstrated by the first graph in this document, income taxes fund over half of federal revenues today. Debt and interest costs are rising, which crowds out room for future tax relief. Building sources of tax-free income during your accumulation years can create flexibility if future rates are higher.