



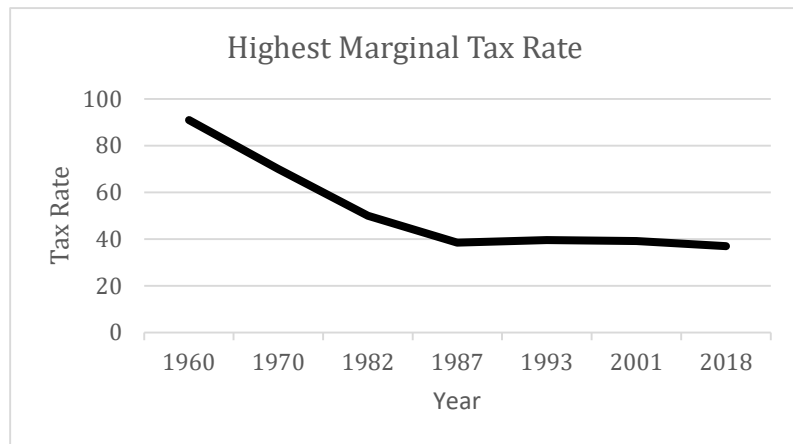
BENNETT, BENNETT & JOHNSON FINANCIAL SERVICES

Since we recently experienced Tax Day—the date that income tax returns must be filed and payments must be submitted to the IRS—the second quarter commentary’s main focus is tax planning. As your financial planner, we develop and implement strategies to help you legally and ethically avoid overpaying the IRS during retirement. We carefully plan and help you implement tax planning strategies, including Roth conversions, qualified charitable distributions, and additional planning for required minimum distributions.

The Biden administration recently proposed to increase the top tax bracket to 39.6%, which would affect households with an income greater than \$400,000.¹ Consider how this compares to historical top tax brackets. The Tax Equity and Fiscal Responsibility Act of 1982 reduced the top tax bracket for couples earning over \$85,600 to 50%.² Prior to this tax cut, the top bracket was 70% for couples earning over \$215,000. Looking back further in American history, the top bracket in 1963 was 91% for couples earning over \$400,000. With the top bracket currently at 37%, do you think taxes are likely to increase?

Personally, we believe that tax planning will become even more important in the future, as federal income tax rates are at

historically low levels while government spending is at historically high levels. We believe that congress will increase tax rates to generate needed federal revenue.³ If you expect a tax rate increase during retirement, it is important to plan and prepare now. The following chart illustrates how the top margin tax rate has decreased



dramatically since 1960; however, government spending and the national debt have grown tremendously. The current downward trend of the tax rate cannot sustain current government spending.

¹ Levine, J., & Kitces, M. (2021, September 15). *Analyzing Biden's new "American families plan" tax proposal*. Nerd's Eye View | Kitces.com. Retrieved April 20, 2022, from <https://www.kitces.com/blog/biden-american-families-plan-bill-proposed-increase-tax-capital-gains-retirement-reform/>

² Library of Congress. (1982, August 18). *H.R.4961 - 97th Congress (1981-1982): Tax equity and ...* Congress.gov. Retrieved April 20, 2022, from <https://www.congress.gov/bills/97th-congress/house-bill/4961>

³ Tax Foundation. (2021, August 24). *Historical U.S. federal individual income tax rates & brackets, 1862-2021*. Tax Foundation. Retrieved April 20, 2022, from <https://taxfoundation.org/historical-income-tax-rates-brackets/>

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