Tax efficiency checklist

Uncover assets that may help you reach your financial goals. In the area below, fill in the primary purpose of each asset. For example, you may have $5,000 in savings for the purpose of buying a new car. Other examples of a primary purpose might include retirement, education, a large purchase, leaving a legacy or an emergency fund.

Tax now (see disclosures)		
	Amount	Primary purpose
Savings[1]		
Checking[1]		
CDs[1]		
Mutual funds[1]		
Stock dividends[1]		
Bonds[1]		
U.S. Treasuries[1,2]		
Other		
TOTAL		

Tax later (see disclosures)		
	Amount	Primary purpose
IRAs[3,4,5]		
401(k), 403(b) and other pension plan assets[3,4,5]		
Variable annuities[3,5]		
Fixed annuities[3,5]		
Stocks—capital appreciation[1]		
U.S. savings bonds[6]		
Other		
TOTAL		

Tax never* (see disclosures)		
	Amount	Primary purpose
Roth IRAs[5,7]		
Roth 401(k)[5,7]		
Municipal bonds[8]		
Life insurance cash value[9]		
Life insurance death benefit[9] This amount is not included in total.		
Health savings account[10]		
Other		
TOTAL		

[1]Any interest, dividends or capital appreciation is subject to taxation when realized.

[2]U.S. Treasuries are generally exempt from state and local income tax.

[3]Gains subject to income tax when withdrawn.

[4]Generally funded with pre-tax dollars.

[5]Distributions prior to age 59 1/2 may incur a 10% premature distribution penalty; all distributions may incur surrender charges.

[6]Generally exempt from state income tax. Special tax benefits may apply.

[7]Funded with after-tax dollars; gains may be tax-free.

[8]Interest is free from federal income tax; may be subject to state income tax, federal alternative minimum tax, and capital gains tax.

[9]The primary purpose of life insurance is for the death benefit protection. Withdrawals may be available income tax-free to the extent of basis. Lifetime distributions of the cash value are subject to possible income taxation and penalties could reduce the death benefit and could cause the contract to lapse

[10]Eligibility requirements and annual contribution limits apply. Contributions are not subject to federal income taxes and can grow tax-free. State tax exemptions may apply. Distributions to pay for eligible expenses are tax-free. Distributions to pay for ineligible expenses will be taxed and, for induviduals who are not disabled or over age 65 are subject to a 20% tax penalty.

*The withdrawal of dividends or the amount of a loan or partial surrender may be subject to ordinary income taxes.

Tax efficiency checklist

Keep in mind that this checklist only considers income tax treatment of the listed assets, which also may be subject to state and federal estate and/or inheritance tax.

Time diversification

If you project your life on a timeline, there are a number of short- and long-term goals that you will likely be planning and saving for, like a new home, college education for your children, retirement, travel or charitable giving.

How and when you plan to use the money are important factors in deciding the most tax-efficient type of investment to help you reach your goals.

Investment diversification

Investment diversification is the process of allocating investments across a variety of asset classes. Diversification alone cannot protect against losses in a declining market, but it can be an effective way to miniminze risk. In addition, there are types of investments that can provide a hedge against inflation. As such, investment diversification is an important component for investors who have multiple goals with different time horizons

Income tax diversification

Income tax diversification helps you position your assets more income tax-efficiently and increase your total spendable income. Different types of investments are taxed at different times. For example:

- **Tax now** assets are liquid and are best positioned for current and short-term needs. They include savings and checkings accounts, certificates of deposit and U.S. Treasuries.
- **Tax now** assets are generally earmarked for longer-term needs, like college and retirement funding. They include qualified plans, traditional IRAs and annuities.
- **Tax never** assets generally offer preferential income tax treatment on the accumulated value and its distribution. They can include Roth IRAs, municipal bonds and life insurance, and are funded with after-tax dollars. Health savings accounts (HSA) can be funded with either pre- or after tax dollars, but fall into the tax never category.

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