Key Considerations for Taking Withdrawals from Your Investments

By Brett DUSCH
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AFTER A COLD, RAINY, AND SOMETIMES EVEN SNOWY APRIL, spring has finally arrived here in Pittsburgh. And, as I've noticed in recent client meetings, people of all ages are excited to get out again. When I came to HBKS in August 2021, many of our meetings were conducted remotely or over the phone, as some clients were still uncomfortable coming into the office. Now, nearly all of our meetings with local clients have been in person.

Another trend I've noticed in recent meetings is that people are traveling again. And not just to a family member's home nearby or a local lake spot, but to the West Coast, to national parks, even to Europe. Four folks in the past month have told me they are going to Italy this spring or summer. With COVID restrictions on the decline globally, people seem more excited than ever to travel.

Some folks with big travel plans have been saving up for the moment. And to those folks, kudos! But others who don't have their savings account to the point where they can budget their dream trip can still take heart. Capital gains rates are at historically low levels, and, given the down market to start 2022, investment gains are lower — in many cases, there are losses — making it a good time, at least from a tax perspective, to take distributions.

As such, a review of the 2022 tax implications of taking distributions from a variety of investment vehicles:

INDIVIDUAL/JOINT TAXABLE ACCOUNTS AND INDIVIDUAL STOCKS

- For investments owned more than one year, any gains on distributions will be taxed at long-term capital gain rates, based on the following chart arranged by filing status and taxable income:

FILING STATUS	0% RATE	15% RATE	20% RATE
Single	Up to $41,675	$41,676-$459,750	Over $459,750
Married filing jointly	Up to $83,350	$83,351-$517,200	Over $517,200
Married filing separately	Up to $41,675	$41,676-$258,600	Over $258,600
Head of Household	Up to $55,800	$55,801-$488,500	Over $488,500

https://www.bankrate.com/investing/long-term-capital-gains-tax/#:~:text=Long%2Dterm%20capital%20gains%20tax%20rates%20for%20the%202022%20tax%20year&text=In%202022%2C%20individual%20filers%20won,rate%20climbs%20to%2020%20percent.

• For investments owned one year or less, any gains on distributions will be taxed at your income tax bracket rate, as follows:

RATE	SINGLE	MARRIED FILING JOINTLY	MARRIED FILING SEPARATELY	HEAD OF HOUSEHOLD
10%	$0-$10,275	$0-$20,550	$0-$10,275	$0-$14,650
12%	$10,275-$41,775	$20,550-$83,550	$10,275-$41,775	$14,650-$55,900
22%	$41,775-$89,075	$83,550-$178,150	$41,775-$89,075	$55,900-$89,050
24%	$89,075-$170,050	$178,150-$340,100	$89,075-$170,050	$89,050-$170,050
32%	$170,050-$215,950	$340,100-$431,900	$170,050-$215,950	$170,050-$215,950
35%	$215,950-$539,900	$431,900-$647,850	$215,950-$539,900	$215,950-$539,900
37%	$539,900+	$647,850+	$539,900+	$539,900+

https://smartasset.com/taxes/2021-capital-gains-tax-rates

TRADITIONAL/SEP/SIMPLE IRA AND 401k/403b

• People age 59.5 or older can take distributions from IRAs without penalty. Distributions are taxed as ordinary income as outlined in the previous above.

• Distributions taken before age 59.5 result in a 10 percent penalty, with the exception of "qualified purposes," such as a first-time home purchase, to pay for higher education or medical expenses, or to cover certain long-term unemployment expenses or expenses related to permanent disability)

• You can begin taking distributions from your most recent 401k at age 55; the age 59.5 rule applies to any prior 401k accounts, such as from previous jobs. Qualified public safety workers can begin 403b distributions at age 50.

ROTH IRA/ROTH 401k/403b

• People age 59.5 or older can take distributions from Roth IRAs without penalties or taxes. Like traditional IRAs, distributions taken earlier are subject to a 10 percent penalty, with the same exceptions.

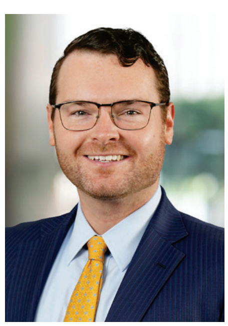
• For Roth 401ks and 403bs, the same ages, 55 and 50 for qualified public safety workers, apply.

ANNUITIES

• Qualified annuity distributions are taxable as income; non-qualified annuities are taxable via the exclusion ratio: your lump-sum premium divided by your monthly benefit times your life expectancy in months. The calculation gives you the percentage of your monthly payment that is not taxable.

If you have a big trip or large expense on the horizon, and your aren't sure of the most efficient way to fund it, contact our advisory team at **724-934-8200**, or email me at **bdusch@hbkswealth.com**. We'll help you develop a plan that works best for you.

IMPORTANT DISCLOSURES



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