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Strategies for keeping more of your earnings

Five steps for reducing investment taxes

You can enjoy tax season

Investing in a variable deferred annuity may mean you won't receive 1099 forms in up or down markets until you begin taking withdrawals.

The mounting tax bite

Did you know the American Taxpayer Relief Act of 2012 and the Tax Cuts and Jobs Act of 2017 created the following new or increased taxes for certain taxpayers?[1]

Medicare investment tax	3.8%
Medicare surtax	0.9%
Top income tax bracket	37%
State and local income taxes	up to 13.3%
Capital gains tax*	up to 20%
New limits on itemized deductions	

It's not just your salary that may be affected. Capital gains, dividends and interest income are also subject to new higher tax rates, meaning your investment returns may actually be lower than you think.

It may be time to look at ways to reduce both current income and investment taxes — and keep more of your earnings.

1 Applies only to taxpayers who have modified adjusted gross income in excess of certain threshold amounts.

* Capital gains tax occurs when you sell an asset above its purchasing price, hence paying taxes on the gains. The net investment income tax is an additional 3.8% tax on capital gains as well as dividends and distributions from investments.

Five steps to tax reduction

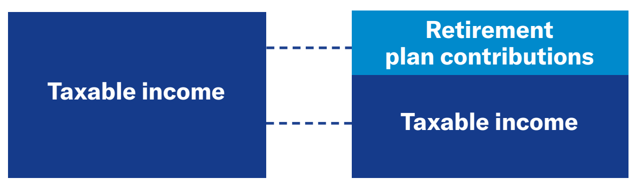
Minimizing your current income tax burden may be easier than you think. The key is to start with small, manageable steps:

Step 1 Max out your employee retirement plan if you can

If you're eligible for an employee retirement plan, the more you contribute, the more it will potentially help you in two ways. First, your contributions are deducted from your taxable income, lowering your current annual tax bill. Second, many employers offer matching contributions up to a limit. In addition, any earnings on these contributions are tax-deferred, helping your money to potentially grow faster, and potentially saving on income taxes if you withdraw your money in retirement when your tax rate may be lower.

Maximizing retirement plan contributions can help in two ways:

1. You can defer income taxes
You can deduct retirement plan contributions from your taxable income, lowering your current tax bill.



2. You can receive matching contributions

Some employers will match your contributions, up to a limit. So, if possible given your circumstances, you should try to contribute at least the amount the employer will match.

On **tax-advantaged** retirement plans, you pay ordinary income tax on withdrawals and distributions of taxable amounts (earnings and pretax contributions) that, if taken prior to age 59½, may also be subject to an additional 10% federal income tax penalty. Other taxes may also apply. Tax rules for nonqualified (NQ) annuities differ from IRAs, 401(k)s and other qualified plans. Please see the prospectus for further information. Consult your tax advisor if you have questions.

Please be advised this document is not intended as legal or tax advice. Accordingly, any tax information provided in this document is not intended or written to be used, and cannot be used, by any taxpayer for the purpose of avoiding penalties that may be imposed on the taxpayer. The tax information was written to support the promotion or marketing of the transaction(s) or matter(s) addressed, and you should seek advice based on your particular circumstances from an independent tax advisor.

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Step 2 | You should consider IRA opportunities

As you prepare for retirement, have you considered rolling over your existing retirement plan or contributing to an Individual Retirement Account (IRA)?[2] You can contribute up to $7,000 per year ($8,000 if you are age 50 or older) into one of two main types of IRAs — traditional or Roth. Here's what you need to know about both:

Traditional IRA

You can deduct traditional IRA contributions from your income in the year you make them. For example, if you make $50,000 per year and contribute $5,000 to a traditional IRA, your taxable income will be reduced to $45,000. Additionally, your contributions are tax-deferred. When you withdraw funds, that's when income taxes on both contributions and earnings must be paid.

Roth IRA

You make Roth IRA contributions **after tax**, meaning that no current tax deduction is allowed. For example, if you make $50,000 per year and contribute $5,000 to a Roth IRA, your taxable income will still be $50,000. However, your qualified distributions are **tax-free** rather than just **tax-deferred,** meaning you do not pay taxes on growth as you would with a traditional IRA.

You should talk to your financial and tax professional for a more complete explanation of the benefits, eligibility requirements and strategies for IRAs — including other IRA options such as Spousal IRAs and Roth IRA conversions — and for help determining if one may be right for you.

Step 3 | Understand marginal versus effective tax rates

Confusion over marginal and effective tax differences may cause you to actually overestimate your tax liability.

Simply put, marginal tax rates apply to your last dollar of income, while effective tax rates are the average rate of taxation on income. For example, if you're married filing jointly and your taxable income is $100,000, you're said to be in the 22% marginal tax bracket because your last dollar of income is subject to tax at a rate of 22%. But if you look at the chart below, you'll see that your effective tax rate is actually 12.11%.

Your financial and tax professional can recommend strategies that control when taxes are owed on your investment portfolio. These strategies can be very effective in lowering current tax liability.

2024 married filing jointly

Income level	Ordinary income rate		Capital gains rate
	Marginal bracket	Effective rate	
$50,000	12%	11.07%	0%
$75,000	12%	11.38%	0%
$100,000	22%	12.11%	15%
$125,000	22%	14.08%	15%
$150,000	22%	15.40%	15%
$175,000	22%	16.35%	15%
$200,000	22%	17.05%	15%
$250,000	24%	18.43%	15%
$300,000	24%	19.36%	15%

Marginal vs. effective tax rate examples — As you can see, someone at the top of the 24% marginal tax bracket may only have an overall effective tax rate of less than 20%. This is an important consideration when comparing investments that may have different tax characteristics.

2 Your eligibility for IRA contributions depends on whether you meet certain requirements.

Step 4

Get to know the powerful tax deferral abilities of variable annuities

You can benefit from another tax-advantaged tool that is variable annuities. Like IRAs and other qualified plans, annuities allow your contributions to grow on a tax-deferred basis, offering you similar income benefits of potentially faster accumulation and potentially lower taxes in retirement. On the opposite, nonqualified variable annuities have much higher contribution limits than IRAs.

We offer different annuities to choose from, depending upon your individual situation and needs, including:

Retirement Cornerstone®

Retirement Cornerstone® is an innovative variable annuity that helps you grow and protect your income stream — and what you'll leave behind — with flexibility designed to fit your life (learn more at **equitable.com/rcapp**).

Structured Capital Strategies® Income

Structured Capital Strategies® Income variable annuity provides a way for investors to accumulate retirement savings and help cover the gap in retirement income with guaranteed income that lasts a lifetime (learn more at **equitable.com/scsincomeapp**).

Structured Capital Strategies PLUS®

Structured Capital Strategies PLUS®, a variable and index-linked deferred annuity contract, offers you a way to save for retirement with a straightforward path through the ups and downs of the investment world so you can retire with confidence knowing your money is partially protected from market downturns (learn more at **equitable.com/scsapp**).

Investment Edge®

Investment Edge® variable annuity helps create an investment portfolio with greater diversification, tax-deferred growth potential in your wealth-building years, followed by tax-efficient distributions when you need retirement income.
Learn more at **equitable.com/ie.**

Do you own mutual funds?

If so, did you know that capital gains taxes are taken from your account every year, even if you don't sell them? This can have a big impact on account growth, as the chart below shows. Ask your financial professional if a variable annuity might be a good way for you to defer these taxes, allowing your assets to potentially grow more quickly.[3]

The power of tax deferral[4]
Assumes annual return of 8% and a tax rate of 24%

*Assumes lump-sum withdrawal or distribution.

Is one right for you? Your financial professional can help decide.

3 Annuities are long-term financial products designed for retirement purposes. In essence, annuities are contractual agreements in which payment(s) are made to an insurance company, which agrees to pay out an income or a lump-sum amount at a later date. There are contract limitations and fees and charges associated with annuities, which include, but are not limited to, mortality and expense risk changes, sales and withdrawal charges, administrative fees and charges for optional benefits. Amounts in a variable annuity's investment portfolios are subject to fluctuation in value and market risk, including loss of principal. A financial professional can provide cost information and complete details.

4 This hypothetical chart does not represent actual performance of any specific product or investment. Distributions taken prior to annuitization are generally considered to come from the gain, which is fully taxable, in the contract first. Once annuitized, a portion of each payment will be considered taxable and the remaining portion will be a nontaxable return of your investment in the contract. Once the investment in the contract is depleted, all remaining payments will be fully taxable. If the contract is tax qualified, generally, all payments will be fully taxable. Payments taken prior to age 59½ may be subject to an additional 10% federal tax penalty. Dividends and sales profits on annually taxed investments are generally taxed at capital gains tax rates, which can be lower than ordinary federal income tax rates. Using capital gains tax rates with the taxed-annually investment would reduce the difference between the taxed-annually and tax-deferred accounts shown above. Consider your personal investment horizon and income tax bracket, both current and anticipated, when making an investment decision. These factors, as well as changes in tax rates and the treatment of investment earnings, may further affect the results of this comparison. Actual results will vary. Rates of return will vary over time, particularly for long-term investments. Investments offering the potential for higher rates of return also involve a higher degree of risk.

Step 5 | Consult with your financial professional

These are just a few of the strategies and products you may want to consider.

For more information, you can contact your financial professional, who has the experience and an array of retirement investment strategies that can help you make smart choices about your future. To learn more about Equitable Financial's retirement planning products, visit **retirementguide.equitable.com**.

With the resurgence of investment taxes in America, you may need a revised plan.

Investment strategies analyzed

	Mutual funds	Variable annuities
Tax treatment of gains	Any gains on the sale of an investment are treated for tax purposes as capital gains. Dividends can be ordinary income or capital gain. Qualified dividends get special tax treatment.	Any gains and earnings within a variable annuity grow on a tax-deferred basis. When withdrawn, gains are taxed as ordinary income.
Tax treatment of losses	If clients suffer a loss when they sell, they can claim it as a tax deduction or to offset any gains from other investments.	Any losses in NQ annuities, upon surrender of contract, may or may not be tax-deductible or used to offset any gains from other investments.
Tax treatment upon transfer	If a client experiences a gain when they sell shares in a mutual fund in a taxable account in order to purchase shares of a different mutual fund, this exchange would trigger capital gains taxation.	a) Exchanges from one variable annuity contract to another (1035 Exchange) will not trigger any tax consequences. However, investors should consider the cost of the new variable annuity, surrender charges, the potential loss of any guaranteed option benefits and any impact to the death benefit. b) Exchanges or transfers from one variable annuity subaccount to another will not trigger any tax consequences.
10% tax penalty on withdrawals	No, not for an NQ account.	Yes, before age 59½ (certain exceptions may apply).
Guaranteed income for life	Generally not available.	Yes, choose from single life or joint life. Also, some contracts provide guaranteed withdrawal or other guaranteed benefits, typically for an additional charge.
Sales charge	Yes, you may pay an up-front sales charge. However, some funds are available load-waived.	Yes, you may pay an up-front sales charge. However, some funds are available load-waived.
Total fees/ expenses	Advisory, administrative and distribution, and service fees. These vary from fund to fund.	Portfolio management, administrative, advisory, and mortality and expense (M&E) risk charges. M&E charges pay for the insurance risks related to the death benefit. There are also additional charges for optional riders and benefits.
Stepped-up cost basis at death	Basis equals fair market value at death.	The existing cost basis carries over to the beneficiary. Gains are taxed as ordinary income as paid out.
Availability and access	No surrender charges.	Generally subject to surrender charges during the early years of contract ownership.

There are important differences to consider between mutual funds and variable annuities. When considering the benefits of investing in a mutual fund or variable annuity, it is important for the investor to consider their specific investment goals, time horizon and need or interest in tax deferral.

A mutual fund is an investment vehicle that is made up of a pool of funds collected from many investors for the purpose of investing in securities such as stocks, bonds, money market instruments and similar assets. Mutual funds may be suitable investments for both short-term savings and long-term investment and retirement goals. Mutual funds are operated by money managers, who invest the fund's capital and attempt to produce capital gains and income for the fund's investors. A mutual fund's portfolio is structured and maintained to match the investment objectives stated in its prospectus.

A deferred variable annuity is a long-term financial product designed for retirement purposes. In essence, an annuity is a contractual agreement in which payment(s) are made to an insurance company, which agrees to pay out an income or a lump-sum amount at a later date. Typically, variable annuities have mortality and expense charges, account fees, investment management fees, administrative fees and charges for special contract features. In addition, annuity contracts have exclusions and limitations. Distributions taken prior to annuitization are generally considered to come from the gain in the contract first. If the contract is tax qualified, generally all withdrawals are treated as distributions of gain. Withdrawals of gain are taxed as ordinary income and, if taken prior to age 59½, may be subject to an additional 10% federal tax. Variable annuities are subject to investment risks, including the possible loss of principal invested.

For more information about our retirement planning products, contact your financial professional or visit retirementguide.equitable.com.

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