Will taxes really be lower in retirement?

Questioning the impact of taxes on retirement income is crucial

Considering the impact of taxes on retirement income is an important part of insightful planning. Based on demographics, recent economic events in the United States associated with the pandemic, and thought and policy leadership on many fronts, lower taxes in the future seem unlikely.

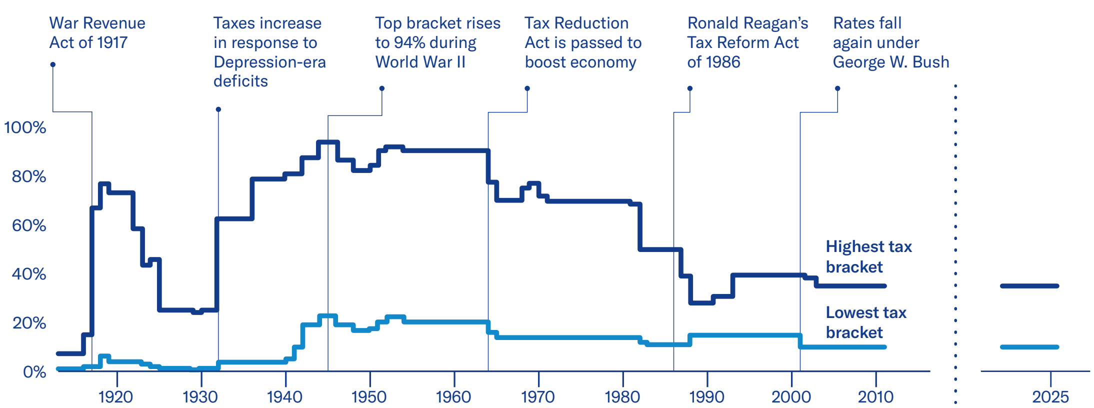
1

Personal income taxes today are already at a low rate, compared to taxes throughout American history.

Current federal tax rates in America are relatively low, with the highest tax bracket at 37% and the lowest at 10%. We haven't seen rates like these consistently since the 1930s. However, due to the way lawmakers structured the 2017 Tax Cuts and Jobs Act, it is possible they could increase again as early as 2026.

Here are three important conversations to have with clients about the role of taxes in saving for retirement:

Tax rates over the past century



We are at a very low personal income tax rate, compared to taxes throughout history.

Recent tax rates represent a continuation of this trend, with the lowest tax bracket at 10% and the highest at 37%.

2

Economic, legislative and social events suggest increased taxes are on the horizon.

The retirement of the Baby Boomer generation is a seismic demographic event that will require the federal government to fund Social Security, Medicare and Medicaid at unprecedented levels. Bridging the gap between outlay for those programs and current funding sources could mean raising taxes.

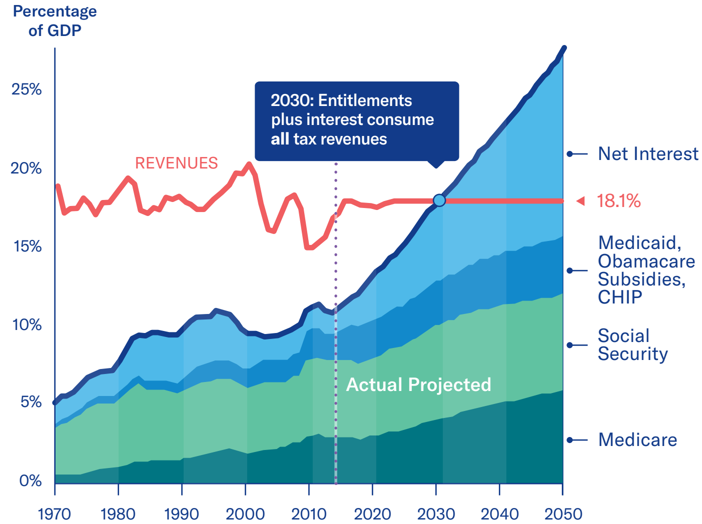
3

Tax rates may change based on individual circumstances.

Many savers experience life changes that affect tax rates in retirement. Losing a spouse could result in paying higher taxes as a single vs. married taxpayer. In addition, paying off a mortgage or not having dependent children may also increase their effective tax rate. A young working family with children will more often have a lower effective tax rate than a retired individual or couple.

Tax-smart strategies to manage retirement savings are available and advisable at every stage of life.

Entitlements on track to soon exceed tax revenues



Sources: Congressional Budget Office and Office of Management and Budget

As GDP continues to rise, so does the cost of Medicare, Social Security, Medicaid, the Affordable Care Act and interest. Revenues are not rising at an equal rate, but they could with an increase in taxes.

Contact your financial professional to learn more about tax-smart strategies that can help reduce your tax burden.

Visit us at equitable.com/tax-smart.

Many Americans worry they won't have enough income to live on in retirement. That's why Equitable became a founding member of the Alliance for Lifetime Income (ALI), which brings together 24 of the nation's leading financial services organizations to educate Americans on the importance of protected lifetime income. Learn more about how you can make a difference for your clients in their retirement by visiting **resources.protectedincome.org.**

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