



# Asset location planning



## Agenda

**1**

Taxes, taxes, taxes

**2**

What is asset location?

**3**

How it works

**4**

Next steps



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As we talk about asset location, these are the main topics of discussion.

## Addressing key financial pain points



Taxes



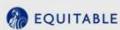
Liquidity/  
emergency  
funds



Financial  
freedom



Protection



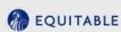
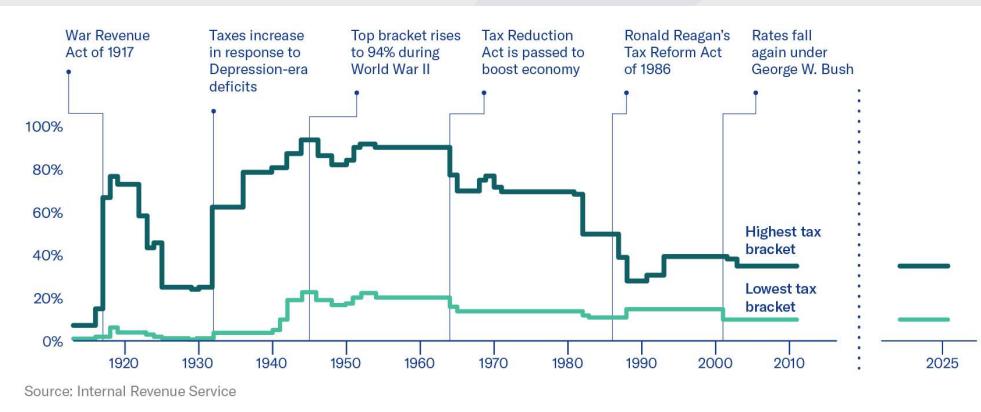
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There are four key pain points that standout in today's world. The first is the discussion around taxes and taxation. Not just our current taxes being paid, but the uncertainty of taxation into retirement. A second area of concern is in building Contingency capital with the goal of it to be adequate to address a personal or a business situation, such as medical bills. The third area tends to be asset protection for these and other assets within a portfolio. In our litigious society, keeping as much of a portfolio protected from creditors is of consideration. The fourth area is adequate protection to support the financial freedom goals you have and have for others should an untimely death occur. All deaths would be untimely but keeping insurance in the context of self completing your accumulation and income goals for loved ones.

**Do you find these same issues to be challenging in your current situation?**

## The uncertainty of future tax rates

Tax rates over the last century



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As we navigate these pressing financial concerns, a critical pillar of our planning revolves around taxes—not just the taxes we pay today, but the uncertainty surrounding future tax rates and policies. This uncertainty underscores the need for proactive retirement income planning, with a focus on tax efficiency and diversification.

Let's explore how refining your approach to tax management can empower you to achieve your financial freedom goals.

**Have you heard the saying, "Don't place all your eggs in one basket"?**



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Read Slide

## Understanding tax account types

Not all accounts are created equal when it comes to taxes — generally there are three buckets:



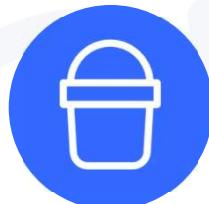
### Tax-deferred accounts (TDAs)

Traditional IRA  
401(k), 403(b)  
457(b) or (f)  
Defined contributions  
Defined benefits  
Annuities  
Health Savings Account



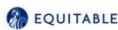
### Taxable accounts

Brokerage account  
Savings account  
CDs  
Separately managed accounts



### Tax-free accounts (TFAs)

Roth IRA  
Roth 401(k)  
Health Savings Account  
529  
Cash value life insurance<sup>1</sup>



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To effectively refine your approach to tax management and retirement planning, it's vital to understand how your assets are positioned across the three tax buckets: taxable, tax-deferred, and tax-free. Each bucket plays a unique role in managing your taxes now and in the future, offering opportunities to balance flexibility, efficiency, and diversification in your financial strategy. Let's dive deeper into how each of these buckets can contribute to your long-term financial goals.

**Taxable Account:** You will pay taxes on interest and/or capital gains each year from your brokerage, CD, Money Market and savings accounts.

**Tax Free Account (TFAs):** Will be invested after tax, but you will not pay taxes on any distributions from these assets.

**Tax Deferred Account (TDAs):** Will be invested pretax and grow tax-deferred. All distributions from your tax-deferred accounts will be fully taxable at ordinary income tax rates when withdrawn (will not be subject to 10% penalty if withdrawn after age 59½).

## Taking control of your taxes using asset location



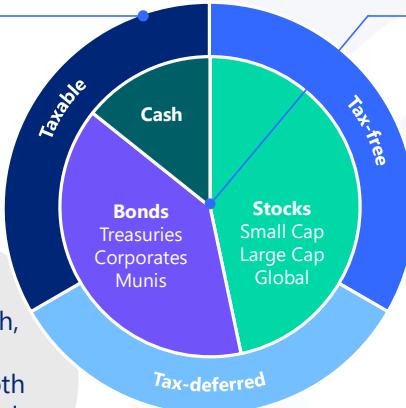
### Asset location

#### Tax management

##### Tax location of the assets you own

The placement of assets in taxable, tax-deferred and tax-free accounts with the goal of minimizing your taxes.

By using both,  
you are  
managing both  
**asset risk** and  
**tax risk**



### Asset allocation

#### Risk management

##### Investment options to meet your risk profile

The selection of a diversified portfolio of stocks, bonds, cash and alternatives aligned with an investor's goals, time horizon and risk tolerance.



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The principle is simple: risk management. If all your investments are concentrated in one area, a downturn could result in significant losses.

**This is where asset allocation comes in.** By spreading your investments across different asset classes—such as stocks, bonds, and real estate—you reduce the risk of a single investment derailing your financial plan and create a smoother path toward long-term growth. For example, investing 100% in cryptocurrency could be disastrous if the market crashes, but diversification helps protect your portfolio.

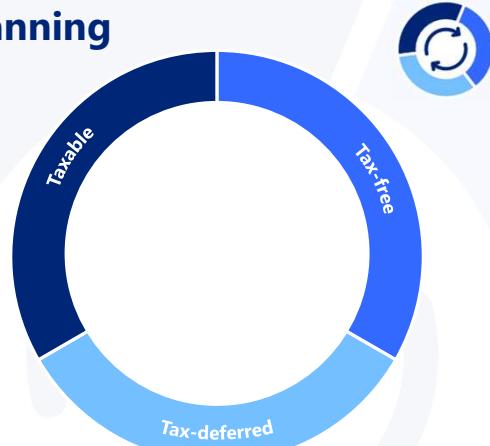
**The same idea applies to asset location.** Just as you diversify your investments, you should also diversify where you hold them. Dividing your savings across Taxable, Tax-Deferred, and Tax-Free accounts shields you from unpredictable tax changes and allows for greater flexibility when accessing your funds. Relying solely on one tax strategy is as risky as investing in only one asset.

**By diversifying both your investments through asset allocation and your savings through asset location, you reduce risks, create balance, and maintain control over your financial future.**

## The three phases of asset location planning

## 1 Setup

- Would you rather pay taxes on your investments now, later or never?
- What types of accounts do you hold — taxable, tax-deferred or tax-free?
- How do you decide how much to save in each account?



## Setup

## Placement

## Withdrawals

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### 3 Potential phases/components of Asset Location Planning

**1. Setup:** creating all three asset location ‘buckets’ for maximum long-term tax diversification and distribution optionality

**Spreading your money among a variety of different types of investments is an important way to reduce risk.**

## The three phases of asset location planning

### 2 Placement

- What are your short-term, intermediate and long-term goals? How do you want your assets distributed among these time horizons?
- Do you prioritize growth, income or preserving capital?
- How comfortable are you with market ups and downs?



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### 3 Phases/components of Asset Location Planning:

**2. Placement:** placement of various asset classes within client's overall asset allocation across all asset location buckets as tax-efficiently as possible (i.e how much should I put in my different tax accounts).

Investment portfolio allocations generally focus on risk vs. reward considerations. It is important diversifying the investment of your personally owned assets across different asset classes, that make up your portfolio.

## The three phases of asset location planning



### 3 Withdrawals

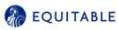
- What's your ideal retirement income?
- When do you dream of retiring? Is it before the traditional age of 59½?
- What do you foresee as your largest expense in retirement?

**At this phase, demonstrate the power of asset location planning by minimizing taxes and improving after-tax returns during retirement.**

Setup

Placement

Withdrawals



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### 3 Phases/components of Asset Location Planning:

**3. Withdrawals:** demonstrating the power of asset location planning through tax minimization and improved after tax returns/cash flows

So, where are you in your asset location planning journey?

## Case study: Ron Barrymore



### Age 35

- He has no spouse or children and is planning on retiring by the time he is 60 so he is eligible for retirement benefits without penalty.
- He is concerned about the impact of taxes to his withdrawals once he retires.
- Ron wants to be able to fund \$120,000 from his retirement income each year to maintain his lifestyle in retirement.

Let's look at the hypothetical impact with and without asset location.



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Let's look into the asset location journey of Ron Barrymore...

In 25 years, Ron wants to be able to fund \$120,000 from his retirement income each year to maintain his lifestyle in retirement.

### Without asset location\*

Single person – retirement withdrawal goal: \$120,000



### With asset location planning\*\*

Single person – retirement withdrawal goal: \$120,000



Total annual tax savings of \$11,993 (40.1%)

Ron Barrymore aims to maintain a retirement income of \$120,000 annually. His income is derived from different financial buckets, each with its own tax implications. Here's how his income and taxes are structured:

#### 1. Tax-Deferred Bucket

**Income/Withdrawal:** \$96,000  
**Tax Rate:** 15.98%  
**Tax Paid:** \$28,127

This bucket typically includes accounts like traditional IRAs or 401(k)s, where taxes are deferred until withdrawal. When Ron withdraws \$96,000, he pays a tax rate of 15.98%, resulting in \$28,127 in taxes.

#### 2. Taxable Bucket

**Income/Withdrawal:** \$24,000  
**Tax Rate:** 7.5%  
**Tax Paid:** \$1,800

This bucket includes investments that are taxed as they earn income, such as dividends or capital gains. He withdraws \$24,000 and pay a tax rate of 7.5%, resulting in \$1,800 in taxes.

#### 3. Tax-Free Bucket

**Income/Withdrawal:** \$0  
**Tax Rate:** 0%  
**Tax Paid:** \$0

This bucket might include Roth IRAs or other tax-free investments. Currently, he is not withdrawing any income from this bucket, so no taxes are paid.

Total Retirement Income and Taxes  
**Total Yearly Retirement Income:** \$120,000  
**Total Tax Paid:** \$29,927  
**Effective Tax Rate:** 14.96%

The effective tax rate is calculated by dividing the total tax paid (\$29,927) by the total retirement income (\$120,000), which results in an effective tax rate of 14.96%

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This time, Ron is utilizing the tax-free bucket within their strategy, thanks to asset location planning. This choice illustrates the annual taxes that this person has saved in the distribution phase, allowing him the freedom to use that money for anything that he needs/desires.

#### 1. Tax-Deferred Bucket

**Income/Withdrawal:** \$40,000  
**Tax Rate:** 12.45%  
**Tax Paid:** \$14,934

This bucket typically includes accounts like traditional IRAs or 401(k)s, where taxes are deferred until withdrawal. When Ron withdraws \$40,000, they pay a tax rate of 12.45%, resulting in \$14,934 in taxes.

#### 2. Taxable Bucket

**Income/Withdrawal:** \$40,000  
**Tax Rate:** 7.5%  
**Tax Paid:** \$3,000

This bucket includes investments that are taxed as they earn income, such as dividends or capital gains. He withdraws \$40,000 and pay a tax rate of 7.5%, resulting in \$3,000 in taxes.

#### 3. Tax-Free Bucket

**Income/Withdrawal:** \$0  
**Tax Rate:** 0%  
**Tax Paid:** \$0

This bucket might include Roth IRAs or other tax-free investments. Currently, he is not withdrawing any income from this bucket, so no taxes are paid.

Total Retirement Income and Taxes  
**Total Yearly Retirement Income:** \$120,000  
**Total Tax Paid:** \$17,934  
**Effective Tax Rate:** 8.97%

The effective tax rate is calculated by dividing the total tax paid (\$17,934) by the total retirement income (\$120,000), which results in an effective tax rate of 8.97%

## Case study: Aaron and Ivana Smith



### Ages 48 and 45

- Two children
- Planning on retiring in the next 15 years (once Ivana is eligible for retirement benefits without penalty)
- Concerned about the impact of taxes to their withdrawals once they retire

Let's look at the hypothetical impact with and without asset location.



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Let's look into asset location story about our married couple Aaron and Ivana Smith...

In 15-20 years, Aaron and Ivana want to be able to fund \$300,000 from their retirement income each year to maintain their lifestyle in retirement.

### Without asset location\*

Married couple – retirement withdrawal goal: \$300,000



### With asset location planning\*\*

Married couple – retirement withdrawal goal: \$300,000



Total annual tax savings of \$24,835 (82.9%)

Aaron and Ivana Smith aim to maintain a retirement income of \$300,000 annually. Their income is derived from different financial buckets, each with its own tax implications. Here's how their income and taxes are structured:

#### 1. Tax-Deferred Bucket

**Income/Withdrawal:** \$200,000  
**Tax Rate:** 11%  
**Tax Paid:** \$21,904

This bucket typically includes accounts like traditional IRAs or 401(k)s, where taxes are deferred until withdrawal. When Aaron and Ivana withdraw \$200,000, they pay a tax rate of 11%, resulting in \$21,904 in taxes.

#### 2. Taxable Bucket

**Income/Withdrawal:** \$100,000  
**Tax Rate:** 15%  
**Tax Paid:** \$7,500

This bucket includes investments that are taxed as they earn income, such as dividends or capital gains. They withdraw \$100,000 and pay a tax rate of 15%, resulting in \$7,500 in taxes.

#### 3. Tax-Free Bucket

**Income/Withdrawal:** \$0  
**Tax Rate:** 0%  
**Tax Paid:** \$0

This bucket might include Roth IRAs or other tax-free investments. Currently, they are not withdrawing any income from this bucket, so no taxes are paid.

Total Retirement Income and Taxes  
**Total Yearly Retirement Income:** \$300,000  
**Total Tax Paid:** \$29,404  
**Effective Tax Rate:** 9.8%

The effective tax rate is calculated by dividing the total tax paid (\$29,404) by the total retirement income (\$300,000), which results in an effective tax rate of 9.8%.

This time, Aaron and Ivana are utilizing the tax-free bucket within their strategy, thanks to asset location planning. This choice illustrates the annual taxes that this person has saved in the distribution phase, allowing them the freedom to use that money for anything that they need/desire.

#### 1. Tax-Deferred Bucket

**Income/Withdrawal:** \$100,000  
**Tax Rate:** 5%  
**Tax Paid:** \$5,019

This bucket typically includes accounts like traditional IRAs or 401(k)s, where taxes are deferred until withdrawal. When the couple withdraws \$100,000, they pay a tax rate of 5%, resulting in \$5,019 in taxes.

## 2. Taxable Bucket

**Income/Withdrawal:** \$100,000  
**Tax Rate:** 0%  
**Tax Paid:** \$0

This bucket includes investments that are taxed as they earn income, such as dividends or capital gains. They withdraw \$100,000 and pay a tax rate of 0%, resulting in no taxes.

## 3. Tax-Free Bucket

**Income/Withdrawal:** \$100,000  
**Tax Rate:** 0%  
**Tax Paid:** \$0

This bucket might include Roth IRAs or other tax-free investments. Currently, they are not withdrawing any income from this bucket, so no taxes are paid.

Total Retirement Income and Taxes  
**Total Yearly Retirement Income:** \$300,000  
**Total Tax Paid:** \$5,019  
**Effective Tax Rate:** 1.7%

The effective tax rate is calculated by dividing the total tax paid (\$5,019) by the total retirement income (\$300,000), which results in an effective tax rate of 1.7%.

### CALCULATIONS:

Without Asset Location \* The tax calculations show \$50,000 in gross Social Security benefits, with 85% (\$42,500) taxable. IRA/401(k) distributions amount to \$150,000, and long-term capital gains (LTCG) are \$50,000. After a \$46,700 standard deduction, taxable income is \$195,800. Within this, \$145,800 is ordinary taxable income: \$23,850 taxed at 10% (\$2,385), \$73,100 at 12% (\$8,772), and \$48,850 at 22% (\$10,747), totaling \$21,904 in ordinary tax. No LTCG remains within the 0% bracket threshold, so the entire \$50,000 is taxed at 15%, resulting in \$7,500 LTCG tax. Total tax liability is \$29,404, with a 9.80% effective tax rate.

With Asset Location \*\* The tax calculations include \$50,000 of gross Social Security benefits, of which 85% (\$42,500) is taxable. IRA/401(k) distributions total \$50,000, and long-term capital gains (LTCG) are \$50,000. After applying the \$46,700 standard deduction, taxable income is \$95,800. Ordinary taxable income of \$45,800 is taxed at 10% (\$23,850 = \$2,385) and 12% (\$21,950 = \$2,634), resulting in \$5,019 of ordinary income tax. All \$50,000 of LTCG qualifies for the 0% LTCG tax rate, making it tax-free. Total tax liability is \$5,019, with an effective tax rate of 1.67%.



## So, where are you in your asset location journey?



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It's wise to prepare for your later years as soon as possible, with a strategy that can help you make the most of what you have so you can achieve the freedom to pursue your passions.

As we conclude, let's revisit the key question: '**Where am I in my asset location story?**' This reflection is crucial whether you're in the setup, placement, or withdrawal phase.

### Call to Action:

I encourage you to evaluate your current financial plan. Determine which phase you are in your asset location journey and take proactive steps in connecting with a financial professional to optimize your financial plan.

This is not just about minimizing taxes today, but about securing your financial future.

## Important information

1 Loans and withdrawals reduce the policy's cash value and death benefit and increase the chance that the policy may lapse. If the policy lapses, matures, is surrendered or becomes a modified endowment, the loan balance at such time would generally be viewed as distributed and taxable under the general rules for distributions of policy cash values.

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Contributions to a Roth IRA may generally be withdrawn tax-free at any time. Earnings may generally be withdrawn income tax-free if the individual has held amounts in a Roth IRA for at least 5 years and the withdrawal is made after age 59½. If the withdrawal is made before the 5-year period and age 59½, income taxes and an additional 10% federal income tax penalty may apply. Other exceptions may apply.

Cash value life insurance is a contractual agreement in which premiums are paid to an insurance company, and the company in return for those premiums provides a benefit to a named beneficiary upon proof of the insured's death and a policy cash value. Cash value life insurance policies have exclusions, limitations and terms for keeping the policies in force. Fees and charges associated with cash value life insurance include but are not limited to cost of insurance charges, surrender charges, administrative fees and charges for optional benefits. Please see the policy's specifications for more complete information.

Under current federal tax rules, loans taken from a cash value life insurance contract will generally be free of current income tax as long as the policy remains in effect until the insured's death, does not lapse or mature, and is not a modified endowment contract. This assumes the loan will eventually be satisfied from income tax-free death proceeds. Loans and withdrawals reduce the policy's cash value and death benefit and increase the chance that the policy may lapse. If the policy lapses, matures, is surrendered or becomes a modified endowment, the loan balance at such time would generally be viewed as distributed and taxable under the general rules for distributions of policy cash values.

The sample case study is hypothetical and is provided here for general discussion only.

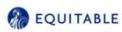
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