

# How Gains Affect Your Finances

# Growth ETFs

## Invesco NASDAQ 100 ETF (QQQM)

Yield: 0.61% Expense Ratio (net): 0.15% 1-Yr: 25.21% 3-Yr: 15.32% NAV: \$211.71

## Vanguard Growth ETF (VUG)

Yield: 0.47% Expense Ratio (net): 0.04% 1-Yr: 32.07% 3-Yr: 15.31% NAV: \$412.93

## Vanguard Information Technology ETF (VGT)

Yield: 0.60% Expense Ratio (net): 0.10% 1-Yr: 26.97% 3-Yr: 17.35% NAV: \$606.78

## **Invesco S&P 500 Momentum ETF (SPMO)**

Yield: **0.48%** Expense Ratio (net): **0.13%** 1-Yr: **47.49%** 3-Yr: **21.06%** NAV: **\$98.19**

# Income ETFs

## JPMorgan Equity Premium Income ETF (JEPI)

Yield: 7.33%   Expense Ratio (net): 0.35%   1-Yr: 14.28%   3-Yr: 8.71%   NAV: \$59.29

## JPMorgan Nasdaq Equity Premium Income ETF (JEPQ)

Yield: 9.66%   Expense Ratio (net): 0.35%   1-Yr: **24.13%**   3-Yr: n/a   NAV: **\$56.86**

## Amplify CWP Enhanced Dividend Income ETF (DIVO)

Yield: 4.70%   Expense Ratio (net): 0.56%   1-Yr: 19.78%   3-Yr: 10.09%   NAV: \$42.45

**JEPI** and **JEPQ** are **covered call ETFs**

They sell covered calls on the S&P 500 Index

No shares are sold, all transactions are settled in cash

# Growth vs Income

## **Growth:**

Stock price increases, this is **growth**.

**Taxed as Capital Gains**

## **Income:**

ETF sells covered calls, this is **Income**.

**Taxed at your regular tax rate.**

# Qualified or Non-Qualified Dividend?

## **Growth:**

distributed as a dividend is “Qualified” if it meets the 61-day rule:

**Must own asset 60 days BEFORE and 61 days AFTER the dividend**

## **Income:**

All Income (Ordinary dividends, Premiums, Yields, Distributions) are “Non-Qualified” and **taxed as ordinary income.**

# Parking Cash

You can park proceeds from stock sales in “Cash” or

**You can park the proceeds in a “Buffer” ETF**

**Goldman Sachs U.S. Large Cap Buffer 1 ETF (GBXA)**

**Goldman Sachs U.S. Large Cap Buffer 2 ETF (GBXB)**

**Goldman Sachs U.S. Large Cap Buffer 3 ETF (GBXC)**

- **Protects against first 5% - 15% of losses on S&P 500**
- **Prevents further losses after 30%**

**Cons:**

- **Caps Gains**
- **Resets after 3 months**
- **Higher expense ratio (0.50%)**

# Capital Gains Trap

Whether sales are **Voluntary** or **Mandatory**

Capital Gains in a taxable account can:

1. Push you into a higher tax bracket (more Fed & State tax)
2. Cause your Social Security benefits to be taxed
3. Increase Medicare premiums

# Capital Gains Trap

**Provisional Income = Adjusted Gross Income (AGI) + tax-exempt interest income (bonds) + 50% SS benefits**

**AGI = all income** (wages, pension, dividends, capital gains etc) **minus** student loan interest, alimony, retirement contributions, Health Savings Account contributions

Provisional Income	Taxable Social Security Benefits
Less than \$32,000	\$0
\$32,000 - \$44,000	Lesser 50% benefits/50% Provisional Income above \$32,000
Above \$44,000	Lesser 85% benefits/85% Provisional Income above \$44,000



# 2025 Standard Deduction

Filing Status	2025 Standard Deduction
Single	\$15,000
Head of Household	\$22,500
<b>Married Filing Jointly</b>	<b>\$30,000</b>
Qualifying Surviving Spouse	\$30,000
Married Filing Separately	\$15,000

Filing Status	2025 Extra Standard Deduction
Single, 65+ or Blind	\$2,000
Single, 65+ and Blind	\$4,000
M., Filing Jointly, 1 Spouse 65+ or Blind	\$1,600
<b>M., Filing Jointly, Both 65+ or Blind</b>	<b>\$3,200</b>
M., Filing Jointly, Both 65+ and Blind	\$6,400

# Long-term Capital Gains Tax

## 2025 Long-term Capital Gains Tax Rates

Filing Status	0%	15%	20%
Single	\$1 - \$48,350	\$48,351 - \$533,400	Over \$533,400
Married Filing Jointly	<b>\$1 - \$96,700</b>	\$96,701 - \$600,050	Over \$600,050
Married Filing Separately	\$1 - \$48,350	\$48,351 - \$300,000	Over \$300,000
Head of Household	\$1 - \$64,750	\$64,751 - \$566,700	Over \$566,700

# Avoiding Capital Gains Trap

**Assume you want to live on \$120,000 per year:**

You and your spouse are retired

You're both 65+ and file Married Filing Jointly

Over the years you bought \$250,000 Facebook

Meta is worth \$1M today

**75% (\$750,000) is taxable** gains, 25% (\$250,000) is your cost basis.

**Method 1:**

Withdraw **\$33,200** from your **IRA** (offset by **\$33,200 Standard Deduction**)

Withdraw **\$86,800** from your **brokerage account**

75% (**\$65,100**) is gains, 25% (**\$21,700**) is cost basis

**\$65,100** is **below your \$96,700 Long-term Capital Gains threshold**

**You owe \$0 Federal tax...**

**The \$120,000 is Provisional Income and causes SS benefits to be taxed**

# Avoiding Capital Gains Trap

Provisional Income	Taxable Social Security Benefits
Less than \$32,000	\$0
\$32,000 - \$44,000	Lesser 50% benefits/50% Provisional Income above \$32,000
Above \$44,000	Lesser 85% benefits/85% Provisional Income above \$44,000

**Method 2** (assuming \$30,000 S.S.)

Withdraw **\$16,995** from your **IRA** (offset by your **\$33,200** Standard Deduction)

Withdraw **\$73,005** from your **Roth IRA** (does not count as Provisional Income)

Adjusted Gross Income is **\$31,995**

**\$31,995** is **within the \$32,000 Provisional Income threshold**

**You owe \$0 Federal tax, and \$0 Social Security tax**

# Tax Harvesting

Strategically sell appreciated assets to offset low income or a loss

Strategically sell depreciated assets to offset higher income

Need to do Roth conversions? **Use a Roth conversion calculator** to determine the **optimal amount** to convert.

**Do not Under or Over convert.**

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# Financial Market Education Group

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Required Minimum Distribution (RMD) Calculator

**Roth Conversion Calculator**

Determine the annual amount to convert to a Roth account to achieve your ideal IRA balance by age 72

**Retirement Calculator**

Calculate how much you need to save for retirement

# Required Minimum Distributions (RMDs)

As you approach age 73 the IRS sends you a love note.

“Dear taxpayer, you **MUST** withdraw money from your 401K or IRA”

**and pay taxes!!!**

It is roughly **3.65%** of your (IRA acct) balance and goes up each year.  
Use a **RMD Calculator** to determine your RMD amount.

**If you fail to take the RMD:**

The IRS calculates the tax you owe on that distribution **plus a 25% penalty!**



# What to do with RMDs?

1. **Don't need it, do an **In-Kind Transfer**.**

Transfer shares of the RMD to your brokerage account without converting them to cash. You stay invested and benefit from any growth that occurs.

Taxed as ordinary income.

2. Feeling charitable? **Make a **Qualified Charitable Distribution****

Donate your RMD to a 501c3 charitable organization and **eliminate it from your taxable income.**

Taking RMDs at the end of the year causes more growth (and more taxes).

**Don't need the money? Take the RMD at the beginning of the year.**

**Need the money? Take the RMD at the END of the year.**

**Leave some RMD funds in a Roth IRA.** If the market drops, use it to pay the taxes on your RMD.

# Remember

RMDs are calculated based on **last year's IRA ending balance**.

**What if the market drops before you take your RMDs?**

Makes no difference to the IRS. **You must use last year's ending balance.**

**8 out of 10 years, markets go up**, so taking RMDs at the beginning of the year causes you to **miss out on significant growth over the long haul**.

# 2025 Standard Deduction

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# Can RMDs Be Tax-Free?

Yes. Gradually reduce 401K/IRA balance so the **3.65% RMD** is below the **\$33,200** Standard Deduction. **Do this over several calendar years.**

## Example 1

IRA: **\$1,500,000**

RMD: **3.65%** of **\$1,500,000** = **\$54,750**

**\$54,750** - Standard Deduction **\$33,200** = **\$21,550 (taxed)**

## Example 2 (reduced amount in IRA)

IRA: **\$909,000**

RMD: **3.65%** of **\$909,000** = **\$33,178.50**

**\$33,178.50** - Standard Deduction **\$33,200** = **-\$21.50 (RMD is Tax Free)**

# Avoid the Provisional Income Trap

The **\$33,178.50 RMD** counts as **Provisional Income** which determines if your Social Security benefits are taxable.

## Example 1

RMD: **\$33,178.50**

Social Security: **\$30,000**

\$33,178.50 (RMD) + \$15,000 (1/2 Social Security)

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= **\$48,178.50 exceeds** Provisional Income thresholds:

Single: **\$25,000**    Married Filing Jointly: **\$32,000**

# Avoiding the Provisional Income Trap

Reduce the amount in your 401K or IRA (through Roth Conversions) to **\$465,000** so your RMD is **\$16,972.50**

## Example 2

RMD: **\$16,972.50**

Social Security: **\$30,000**

\$16,972.50 (RMD) + \$15,000 (1/2 Social Security)

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= **\$31,972.50** is less than Provisional Income threshold for  
Married Filing Jointly: **\$32,000**

**Your RMD and Social Security benefits are Tax-Free**

END.

Now, let's make some money!