

# NET UNREALIZED APPRECIATION (NUA) VS. IRA ROLLOVER CALCULATOR

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## INTRODUCTION

Consideration of NUA strategy is important if you are distributing highly appreciated employer securities from your prior employers qualified plan, such as a 401(k). Cost basis, the value of the employer contributions on your behalf, is subject to ordinary income tax upon distribution. In addition, the 10% early distribution penalty\* may apply unless you have an exception (i.e., attained age 55 or older and separated from service). Taking in-kind distributions allows the appreciation (NUA) above the cost basis to be taxed at the more favorable capital gains tax rate. For this reason, upon separation from service, it may be more tax advantageous to transfer the employer securities to a regular taxable account instead of rolling the assets into an IRA where future distributions will be taxed as ordinary income.

\* Please refer to [www.irs.gov](http://www.irs.gov) for further information on exceptions to the early distribution penalty.

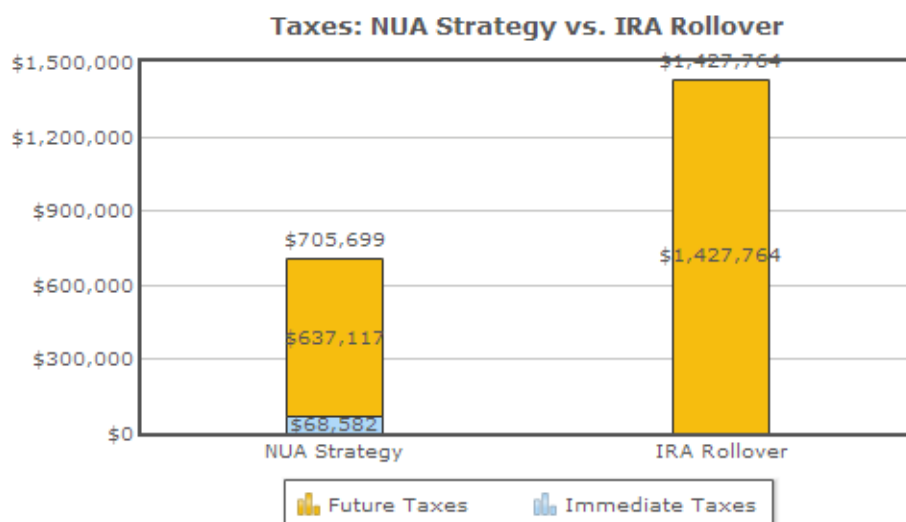
## SUMMARY OF INPUT

Current 401(k) company stock balance	\$2,531,724
Total stock purchases (cost basis)	\$214,319
Anticipated investment return	12.00%
Holding period after 401(k) (years)	5
Holding period after 401(k) (months)	0
Marginal income tax rate	32.00%
Capital gains tax rate	15.00%
Separated from service PRIOR to age 55?	No
Current distribution PRIOR to age 59 1/2?	No
Final distribution PRIOR to age 59 1/2?	No

## ANALYSIS

It appears that you may save up to \$722,065 in taxes by taking advantage of the capital gains NUA tax break rather than implementing a rollover into a qualified plan like an IRA.

	NUA Strategy	IRA Rollover
Current 401(k) Distribution		
Net Unrealized Appreciation (NUA)	\$2,317,405	\$0
Tax Summary		
Immediate Income Tax	\$68,582	\$0
10% Penalty Tax	\$0	\$0
Total Immediate Taxes	\$68,582	\$0
At Final Distribution		
Balance at Final Distribution	\$4,461,763	\$4,461,763
Additional Capital Gains	\$1,930,039	\$0
Tax Summary		
Tax on Additional Capital Gains	\$289,506	\$0
Tax on NUA	\$347,611	\$0
10% Penalty Tax	\$0	\$0
Income Tax on Final IRA Distribution	\$0	\$1,427,764
Total Future Taxes	\$637,117	\$1,427,764
Total Taxes Paid	\$705,699	\$1,427,764



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