

TAXABLE VS. TAX-ADVANTAGED SAVINGS

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INTRODUCTION

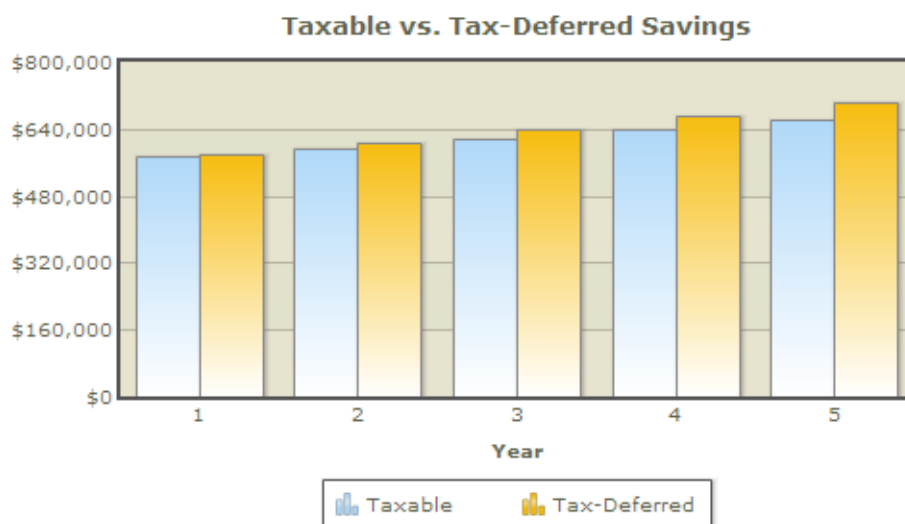
Tax-deferral can have a dramatic effect on the growth of an investment. Use this calculator to determine the future value of an investment being subject to income tax each year versus deferring the tax until withdrawal.

SUMMARY OF INPUT

| | |
|----------------------------------|-----------|
| Starting balance | \$550,000 |
| Number of years for the analysis | 5 |
| Annual rate of return | 4.95% |
| Tax rate | 25.00% |

ANALYSIS

It appears that by saving in a tax-deferred vehicle you would accumulate \$700,285 (\$662,714 after taxes on the earnings) vs. \$659,961 in a taxable savings account.



| Year | Taxable | | | | Tax-Deferred | | |
|------|-------------------|----------------|----------------|----------------|-------------------|----------------|----------------|
| | Beginning Balance | Return @ 4.95% | Taxes @ 25.00% | Ending Balance | Beginning Balance | Return @ 4.95% | Ending Balance |
| 1 | \$550,000 | \$27,225 | \$6,806 | \$570,419 | \$550,000 | \$27,225 | \$577,225 |

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| | | | | | | | |
|---|---------|--------|-------|---------|---------|--------|---------|
| 2 | 570,419 | 28,236 | 7,059 | 591,596 | 577,225 | 28,573 | 605,798 |
| 3 | 591,596 | 29,284 | 7,321 | 613,559 | 605,798 | 29,987 | 635,785 |
| 4 | 613,559 | 30,371 | 7,593 | 636,337 | 635,785 | 31,471 | 667,256 |
| 5 | 636,337 | 31,499 | 7,875 | 659,961 | 667,256 | 33,029 | 700,285 |

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