

## **2011 TAX AND FINANCIAL PLANNING TABLES**

Tax planning is an important component  
for your overall financial plan.

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## **WHAT YOU WILL SEE IN THIS BROCHURE**

- I. 2011 Income Tax Changes**
  - II. Tax Rates**
  - III. Key Tax Rules**
  - IV. Important Deadlines**
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## **THE IMPORTANCE OF TAX PLANNING**

Careful planning throughout the year can assist you in reducing the taxes you pay – as well as help you achieve your financial goals. This guide provides an overview of tax rates, credits, deductions and related considerations that may apply to you.

Tax planning should not be done in isolation, but instead should be driven by your overall financial goals and integrated with your total financial plan. By developing and implementing appropriate strategies to lessen or shift current and future tax liabilities, you can improve your prospects of meeting long- and short-term objectives. For example, accurately projecting your income taxes can help you determine the cash flow available to you in the coming year.

Keep in mind that tax laws are often complex and frequently change. As a consequence, you should consult your tax advisor before making investment and tax decisions.

## I. 2011 INCOME TAX CHANGES

Americans will not see rate changes on their taxes for 2011 due to the passage of the Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act Of 2010 on December 16, 2010. The bill extends the Bush-era tax cuts that were scheduled to expire after 2010 and would have affected virtually all aspects of tax code. The new law extends the cuts through 2012. Here are some key topics of which you should be aware:

### QUALIFIED CHARITABLE DISTRIBUTIONS

The Qualified Charitable Distribution rules are back. The rule allows a person over 70½ to distribute up to \$100,000 per year tax free. The distribution is per IRA owner or beneficiary, and the check has to be payable directly to the eligible charity. The provision is extended through 2011.

### ESTATE TAX

The estate tax has been revived and is reunified with the gift taxes. The maximum tax rate is 35% with an applicable exclusion amount of \$5 million for 2011 and 2012.

The modified carryover basis rules are once again replaced with the step up in basis rules that had applied until 2010. For estates of decedents dying in 2010, there is an option to elect not to apply the step

up basis rules (item A), but instead use the modified carryover basis rules (item B):

- A. The estate tax based on the new 35% top rate and the \$5 million exemption with a stepped up basis, or
- B. No estate tax and use the modified carryover basis rules which limit the step up to \$1.3 million for the overall estate, plus \$3 million for assets transferred to a surviving spouse.

Another new twist to the estate tax is the portability between spouses of the unused exclusion. With portability, a surviving spouse could elect to use the unused portion of the estate tax exclusion of his or her predeceased spouse if the election is made on a timely filed estate tax return.

### PAYROLL TAX HOLIDAY

Millions of individuals will see their paychecks increase as the tax bill provides for a payroll tax holiday. This holiday reduces the employee share of the Old Age and Survivors Disability Insurance (OASDI) portion of Social Security taxes from 6.2% to 4.2% for wages earned in calendar year 2011 up to the taxable wage base of \$106,800. Self-employed individuals would pay 10.4% on self-employment income up to the threshold.

## II. TAX RATES

Taxable income is income after all deductions, including either itemized deductions or the standard deduction, and exemptions.

### FEDERAL INDIVIDUAL INCOME TAX RATES

#### Married Taxpayer Joint / Surviving Spouse

| Taxable Income     | Pay        | Percentage on Excess | Of Amount Above |
|--------------------|------------|----------------------|-----------------|
| Less than \$17,000 | N/A        | 10%                  | \$0             |
| 17,000 – 69,000    | \$1,700.00 | 15                   | 17,000          |
| 69,000 – 139,350   | 9,500.00   | 25                   | 69,000          |
| 139,350 – 212,300  | 27,087.50  | 28                   | 139,350         |
| 212,300 – 379,150  | 47,513.50  | 33                   | 212,300         |
| More than 379,150  | 102,574.00 | 35                   | 379,150         |

#### Single Taxpayer

| Taxable Income    | Pay        | Percentage on Excess | Of Amount Above |
|-------------------|------------|----------------------|-----------------|
| Less than \$8,500 | N/A        | 10%                  | \$0             |
| 8,500 – 34,500    | \$850.00   | 15                   | 8,500           |
| 34,500 – 83,600   | 4,750.00   | 25                   | 34,500          |
| 83,600 – 174,400  | 17,025.00  | 28                   | 83,600          |
| 174,400 – 379,150 | 42,449.00  | 33                   | 174,400         |
| More than 379,150 | 110,016.50 | 35                   | 379,150         |

#### Head of Household

| Taxable Income     | Pay        | Percentage on Excess | Of Amount Above |
|--------------------|------------|----------------------|-----------------|
| Less than \$12,150 | N/A        | 10%                  | \$0             |
| 12,150 – 46,250    | \$1,215.00 | 15                   | 12,150          |
| 46,250 – 119,400   | 6,330.00   | 25                   | 46,250          |
| 119,400 – 193,350  | 24,617.50  | 28                   | 119,400         |
| 193,350 – 379,150  | 45,323.50  | 33                   | 193,350         |
| More than 379,150  | 106,637.50 | 35                   | 379,150         |

#### Personal Exemption – \$3,700

The phase out for personal exemptions and itemized deductions has been eliminated through 2012.

**Standard Deduction** – Single \$5,800;  
Head of Household \$8,500; Joint \$11,600

\*Extra Deduction if blind or over 65 – Single or head of household \$1,450, All Other Statuses \$1,150

## III. KEY TAX RULES

### DIVIDEND AND CAPITAL GAINS RATES

#### Individual Dividend Rates

|  | Maximum Rate | Rate for Qualified Dividends* |
|--|--------------|-------------------------------|
| Taxpayers Above the 15% Bracket        | 35%          | 15%                           |
| Taxpayers in the 15% Bracket and Below | 15%          | 0%                            |

\*"Qualified dividends" generally refers to dividends received during 2011 from domestic corporations. The investor must own the stock for more than 60 days during the 120-day period beginning 60 days before the ex-dividend date. These periods are doubled for preferred securities.

## Description of Capital Gains Tax Rates

| Holding Period   | Maximum Rate* |
|--|---------------|
| Assets Held One Year or Less   | 35%           |
| Assets Held More than One Year and Sold by Individuals in the 25% Tax Bracket or Above | 15%           |
| Assets Held More than One Year and Sold by Individuals in the 15% Tax Bracket or Below | 0%            |

\*The gains are included in determining tax bracket.

## NETTING PROCESS

Determine whether you have a **net short-term** or **net long-term capital gain or loss** on the sale of stock.

1. Net your short-term gains and short-term losses.
2. Net your long-term gains and long-term losses.
3. Net your short-term gain/loss against long-term gain/loss.
4. For gains, you must pay tax on all gains each year. For losses, you may only deduct up to \$3,000 of excess losses against ordinary income per year.
5. Carry over any remaining losses to future tax years.

## Child Tax Credit

| Year | Tax Credit                 |
|------|----------------------------|
| 2011 | \$1,000 per eligible child |

## KIDDIE TAX RULES

The Kiddie Tax rules require the unearned income of a child or young adult be taxed at the greater of the child's or parents' marginal tax bracket once the unearned income exceeds \$1,900. Under the Kiddie Tax rules, the first \$950 in unearned income is not subject to tax. The next \$950 of unearned income is taxed at the child's rate (typically 10%). Then, any unearned income of more than \$1,900 is taxed at the parents' marginal rate. The Kiddie Tax rules apply to unearned income of the following:

- A child under age 18,
- An 18-year-old whose unearned income does not exceed one-half of his or her support, and
- A 19- to 23-year-old full-time student whose income does not exceed one-half of his or her support.

## EDUCATION

**Contribution amounts to Coverdell:** \$2,000; extended through 2012.

**Contribution amounts to 529 Plan:** Contributions can be front loaded up to \$65,000 (\$130,000 for married couples) in one year. No additional contributions allowed for the next four years.

### Education Credits

**American Opportunity Credit (formerly Hope Credit)\*** Up to 100% of the first \$2,000 and 25% of the next \$2,000 to a maximum of \$4,000 of expenses; maximum credit is \$2,500

**Lifetime Learning Credit** Up to 20% of the first \$10,000 (per taxpayer) of qualified expenses paid in 2011

**Student loan interest deduction:** \$2,500 above the line deduction.

**Modified AGI – US savings bonds interest exclusion:**\* \$71,100-\$86,100 for single filers; \$106,650-\$136,650 for married filing jointly.

\*Bonds must be titled in the name of parents only, owner must be age 24 or older at the time of issue, proceeds must be used for qualified postsecondary education expenses of the taxpayer, spouse or dependent.

## INDIVIDUAL RETIREMENT ACCOUNTS

Generally, contributions are fully deductible unless you or your spouse are covered by a workplace retirement plan, in which case the following deduction phase-outs apply.

### Traditional IRA: Deductibility of Contributions

| Status                  | Adjusted Gross Income | Deduction       |
|-------------------------|-----------------------|-----------------|
| Married Filing Jointly* | \$0 – 89,000          | \$5,000 Maximum |
|                         | 89,000 – 109,000      | Partial         |
|                         | More than 109,000     | None            |
| Single                  | \$0 – 56,000          | \$5,000 Maximum |
|                         | 56,000 – 66,000       | Partial         |
|                         | More than 66,000      | None            |
| For Noncovered Spouse** | \$0 – 167,000         | \$5,000 Maximum |
|                         | 167,000 – 177,000     | Partial         |
|                         | More than 177,000     | None            |

\* If neither individual or spouse is covered by a plan, you can deduct up to \$5,000 each or MAGI, whichever is less.

\*\*Applies to individuals whose spouses are covered by a workplace plan but who are not covered themselves.

**Roth IRA: Eligibility of Contributions**

Contributions made to a Roth IRA are not deductible, unlike contributions made to a traditional IRA, and there is no age restriction on making contributions. An individual may contribute up to \$5,000 to the Roth IRA, subject to income phase-out limits.

| Status  | Adjusted Gross Income | Contribution    |
|---------|-----------------------|-----------------|
| Married | \$0 – 169,000         | \$5,000 Maximum |
|         | 169,000 – 179,000     | Partial         |
|         | More than 179,000     | None            |
| Single  | \$0 – 107,000         | \$5,000 Maximum |
|         | 107,000 – 122,000     | Partial         |
|         | More than 122,000     | None            |

**Catch-Up Contributions**

If you have either a traditional or Roth IRA and attain age 50 or older during the tax year, an additional \$1,000 may be contributed.

**IRA & Roth Contribution**

| Maximum contribution | Catch-up contribution |
|----------------------|-----------------------|
| \$5,000              | \$1,000               |

**401(k) Contributions**

| Employee maximum deferral contribution | Catch-up contribution if age 50 or older |
|--|--|
| \$16,500                               | \$5,500                                  |

**Simple IRA Contribution**

| Employee maximum deferral contribution | Catch-up contribution if age 50 or older |
|--|--|
| \$11,500                               | \$2,500                                  |

**Individual annual limit (415 for DB & DC plans):**  
\$49,000

**Maximum compensation limit:** \$245,000

**Key EE limit:** \$150,000 for less than 1% owners or \$1 for more than 5% owners

**HCE limit:** \$110,000

## SOCIAL SECURITY

Maximum monthly benefit for an individual who reached full retirement age in 2011 and earned the maximum wage base amount or more for the last 35 years is \$2,366.

### Earnings Test Annual Exempt Amount

For those under full retirement age for the entire year: \$14,160\*

For months before reaching full retirement age: \$37,680\*\*

Beginning with month reaching full retirement age: No limit

\*If your earnings exceed this, then \$1 of benefits is withheld for every \$2 you earn above \$14,160

\*\*If your earnings exceed this, then \$1 of benefits is withheld for every \$3 you earn above \$37,680

### Taxation Thresholds

|          | Up to 50% taxed   | Up to 85% taxed    |
|----------|-------------------|--------------------|
| MD/Joint | \$32,000-\$44,000 | More than \$44,000 |
| Single   | \$25,000-\$34,000 | More than \$34,000 |

Taxable wage base: \$106,800

## ESTATE

Annual gifting limit: \$13,000

Estate tax applicable exclusion amount: \$5,000,000

Non-citizen spouse annual gift exclusion: \$136,000

### 2010 through 2012 Gift and Estate Tax Rate Schedule

| Taxable Estate                       | Tentative Tax Equals | Plus          | Of Amount Over |
|--------------------------------------|----------------------|---------------|----------------|
| 0-\$10,000                           | \$0                  | 18%           | \$0            |
| \$10,000-\$20,000                    | \$1,800              | 20%           | \$10,000       |
| \$20,000-\$40,000                    | \$3,800              | 22%           | \$20,000       |
| \$40,000-\$60,000                    | \$8,200              | 24%           | \$40,000       |
| \$60,000-\$80,000                    | \$13,000             | 26%           | \$60,000       |
| \$80,000-\$100,000                   | \$18,200             | 28%           | \$80,000       |
| \$100,000-\$150,000                  | \$23,800             | 30%           | \$100,000      |
| \$150,000-\$250,000                  | \$38,800             | 32%           | \$150,000      |
| \$250,000-\$500,000                  | \$70,800             | 34%           | \$250,000      |
| \$500,000+                           | \$155,800            | 35%           | \$500,000      |
| Credit shelter amount<br>\$5,000,000 |                      | Credit amount | \$1,730,800    |

### Trusts and Estate Income Tax Rates

| If taxable income is:    | Your tax is:                                |
|--------------------------|---|
| Not over \$2,300         | 15% of taxable income                       |
| Over \$2,300 to \$5,450  | \$345 + 25% of the excess over \$2,300      |
| Over \$5,450 to \$8,300  | \$1,132.50 + 28% of the excess over \$5,450 |
| Over \$8,300 to \$11,350 | \$1,930.50 + 33% of the excess over \$8,300 |
| Over \$11,350            | \$2,937 + 35% of the excess over \$11,350   |

## BUSINESS

### Corporate Tax Rates

| Taxable income over | Not over     | Tax rate |
|---------------------|--------------|----------|
| \$0                 | \$50,000     | 15%      |
| \$50,000            | \$75,000     | 25%      |
| \$75,000            | \$100,000    | 34%      |
| \$100,000           | \$335,000    | 39%      |
| \$335,000           | \$10,000,000 | 34%      |
| \$10,000,000        | \$15,000,000 | 35%      |
| \$15,000,000        | \$18,333,333 | 38%      |
| \$18,333,333        | .....        | 35%      |

### Corporate dividend exclusion

Corporations are eligible for a 70% dividend exclusion on dividends received from domestic corporations whose stock was held for more than 45 days.

Section 179 expensing qualifying businesses can expense up to \$500,000.

Standard mileage rate: 51 cents per mile for business miles.

### TAXABLE YIELD EQUIVALENTS

| Tax Exempt Yields | 15%   | 25%   | 28%   | 33%   | 35%   |
|-------------------|-------|-------|-------|-------|-------|
| 4.0%              | 4.71% | 5.33% | 5.56% | 5.97% | 6.15% |
| 4.5               | 5.29  | 6.00  | 6.25  | 6.72  | 6.92  |
| 5.0               | 5.88  | 6.67  | 6.94  | 7.46  | 7.69  |
| 5.5               | 6.47  | 7.33  | 7.64  | 8.21  | 8.46  |
| 6.0               | 7.06  | 8.00  | 8.33  | 8.96  | 9.23  |
| 6.5               | 7.65  | 8.67  | 9.03  | 9.70  | 10.00 |
| 7.0               | 8.24  | 9.33  | 9.72  | 10.45 | 10.77 |
| 7.5               | 8.82  | 10.00 | 10.42 | 11.19 | 11.54 |
| 8.0               | 9.41  | 10.67 | 11.11 | 11.94 | 12.31 |

## UNIFORM LIFETIME TABLE

For the majority of IRA participants, the following table is used for determining a participant's required minimum distributions (RMDs). There is an exception when a spousal beneficiary is more than 10 years younger than the participant and is the sole beneficiary on January 1. In this case, a different table is used.

To calculate your RMD, first find the age you will turn in 2011 and the corresponding applicable divisor. Then divide the prior year-end balance of your IRA account by the divisor. The resulting number is the dollar figure you will need to remove from your IRA to meet your RMD for the current year.

For example, if you are now 82, your applicable divisor is 17.1. If the balance in your IRA as of December 31 of last year was \$235,000, divide that amount by 17.1. The result is \$13,742.69. This is the amount of your RMD for the current year.

| Age | Applicable Divisor | Age | Applicable Divisor | Age          | Applicable Divisor |
|-----|--------------------|-----|--------------------|--------------|--------------------|
| 70  | 27.4               | 86  | 14.1               | 102          | 5.5                |
| 71  | 26.5               | 87  | 13.4               | 103          | 5.2                |
| 72  | 25.6               | 88  | 12.7               | 104          | 4.9                |
| 73  | 24.7               | 89  | 12.0               | 105          | 4.5                |
| 74  | 23.8               | 90  | 11.4               | 106          | 4.2                |
| 75  | 22.9               | 91  | 10.8               | 107          | 3.9                |
| 76  | 22.0               | 92  | 10.2               | 108          | 3.7                |
| 77  | 21.2               | 93  | 9.6                | 109          | 3.4                |
| 78  | 20.3               | 94  | 9.1                | 110          | 3.1                |
| 79  | 19.5               | 95  | 8.6                | 111          | 2.9                |
| 80  | 18.7               | 96  | 8.1                | 112          | 2.6                |
| 81  | 17.9               | 97  | 7.6                | 113          | 2.4                |
| 82  | 17.1               | 98  | 7.1                | 114          | 2.1                |
| 83  | 16.3               | 99  | 6.7                | 115 and over | 1.9                |
| 84  | 15.5               | 100 | 6.3                |              |                    |
| 85  | 14.8               | 101 | 5.9                |              |                    |

### PRESENT VALUE OF A LUMP SUM

What if you know you will need \$10,000 accumulated 10 years from now? How much money do you need to invest today at an average interest rate of 8% to obtain your goal? Looking at the table below, go to 10 years and then across to 8%. You see that \$0.463 invested today at 8% should yield \$1 in 10 years. Since you want \$10,000, multiply \$0.463 by \$10,000 to arrive at \$4,630.

| Years | 5%   | 6%   | 8%   | 10%  | 12%  |
|-------|------|------|------|------|------|
| 10    | .614 | .558 | .463 | .386 | .322 |
| 20    | .377 | .312 | .215 | .149 | .104 |
| 30    | .231 | .174 | .099 | .057 | .033 |
| 40    | .142 | .097 | .046 | .022 | .011 |

### FUTURE VALUE OF A LUMP SUM

If you invest \$10,000 at an interest rate of 8%, how much will your investment be worth in 10 years? By referring to the table, you find that \$1 invested today at 8% would grow to \$2.159 in 10 years. Since you invested \$10,000, multiply \$2.159 by \$10,000, giving you \$21,590.

| Years | 5%    | 6%     | 8%     | 10%    | 12%    |
|-------|-------|--------|--------|--------|--------|
| 10    | 1.629 | 1.791  | 2.159  | 2.594  | 3.105  |
| 20    | 2.653 | 3.207  | 4.661  | 6.727  | 9.646  |
| 30    | 4.322 | 5.743  | 10.063 | 17.449 | 29.959 |
| 40    | 7.040 | 10.286 | 21.725 | 45.259 | 93.051 |

### PRESENT VALUE OF A SERIES OF ANNUAL PAYMENTS

How much money would you need to invest today at an interest rate of 8% to provide \$10,000 per year for 10 years? Looking at the chart below, to receive \$1 per year for 10 years at 8%, you would need to invest \$6.71. Multiply that figure by \$10,000 to get \$67,100, the amount which you would need to invest.

| Years | 5%     | 6%     | 8%     | 10%   | 12%   |
|-------|--------|--------|--------|-------|-------|
| 10    | 7.722  | 7.360  | 6.710  | 6.144 | 5.650 |
| 20    | 12.462 | 11.470 | 9.818  | 8.513 | 7.469 |
| 30    | 15.372 | 13.765 | 11.258 | 9.427 | 8.055 |
| 40    | 17.159 | 15.046 | 11.925 | 9.779 | 8.244 |

### FUTURE VALUE OF A SERIES OF ANNUAL PAYMENTS

If you deposit \$5,000 in an annuity at the end of each year for 10 years at an 8% interest rate, you would have \$72,435 ( $\$5,000 \times \$14.487$ ) in your account at the end of the 10th year.

| Years | 5%      | 6%      | 8%      | 10%     | 12%     |
|-------|---------|---------|---------|---------|---------|
| 10    | 12.578  | 13.181  | 14.487  | 15.937  | 17.549  |
| 20    | 33.066  | 36.786  | 45.762  | 57.275  | 72.052  |
| 30    | 66.439  | 79.058  | 113.283 | 164.494 | 241.333 |
| 40    | 120.800 | 154.762 | 259.057 | 442.593 | 767.091 |

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## **IV. IMPORTANT DEADLINES**

### **Quarterly taxes due:**

January 15, April 15, June 15, October 15

### **Corporate return deadline:**

March 15 for calendar year filers

### **RMD deadline:**

April 1, 2011 for those turning 70 ½ in 2010,  
December 31 thereafter.

### **Tax deadline:**

April 18, 2011 for 2010 returns;  
October 17, 2011 for extension

### **SIMPLE IRA establishment:**

October 1, 2011; QP establishment  
December 31, 2011

**Last day to re-characterize a Roth conversion if  
you filed your taxes timely: October 17, 2011**

**Double-up deadline: November 30, 2011**

**Last date for conversion, RMD, lock in gains/  
losses, make contributions to 529 plans, gift:**

December 31, 2011

The information provided in this brochure is based on internal and external sources believed reliable; however, the accuracy and completeness of the information is not guaranteed and the figures may have changed since the time of printing. Examples are hypothetical illustrations and not intended to reflect the actual performance of any particular security. Please consult your tax advisor for questions relating to your individual situation.

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**RAYMOND JAMES®**

INTERNATIONAL HEADQUARTERS:  
THE RAYMOND JAMES FINANCIAL CENTER

880 CARILLON PARKWAY // ST. PETERSBURG, FL 33716 // 800.248.8863

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