

Stribling~Whalen
Financial Group

RAYMOND JAMES®

Making the Most out of a Difficult Time

From time to time, a situation we hear about or experience creates a unique story. We would love nothing more than to share with you a “case study” to describe outside the box ways we have seen value added to individuals financial situations.

Previously, “Sue” sought advice from her advisor after she went through a divorce. In the divorce settlement, she was to receive non-taxable cash installments over a one-year period. Sue was working full time, and did not have an immediate need for the money from the settlement. She wanted to speak with an advisor about financial planning and investing the settlement money she would be receiving.

Sue was making roughly \$50,000 a year in earned income, and contributing \$12,000 of that to her company’s 401k plan. Contributing to her company 401k plan reduced her tax liability to \$38,000, and with the head of household deduction (\$18,800 in 2021), she owed taxes on \$19,200.

With the council of her advisor, Sue began maxing out her 401k plan. Being over 50 years old, she could contribute the annual maximum of \$19,500 as well as the “catch-up” contribution of \$6,500, making her total 2021 401k contribution \$26,000. Now contributing the maximum amount into her 401k, she only owed taxes on \$5,350 ($\$50,000 - \$26,000 - \$18,800 = \$5,200$). The key to making this plan work for Sue was supplementing her salary from her divorce settlement which could be managed by her advisor. Likely, she will be in this low tax bracket for at least 3 years where she pays 0% capital gains tax.

Thank you again for all you do for our mutual clients. If the above made you think of someone you know, or someone who could potentially benefit from our services we would enjoy meeting them. We would love to be a sounding board for your clients, family and friends. If any of them should need a second opinion on their financial situation, introduce them to www.striblingwhalen.com or call us at 678-989-0048.

Regards,



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Disclosure: Neither Raymond James Financial Services nor any Raymond James Financial Advisor renders advice on tax issues, these matters should be discussed with the appropriate professional.