INVESTMENT OUTLOOK

Ent Investment Services

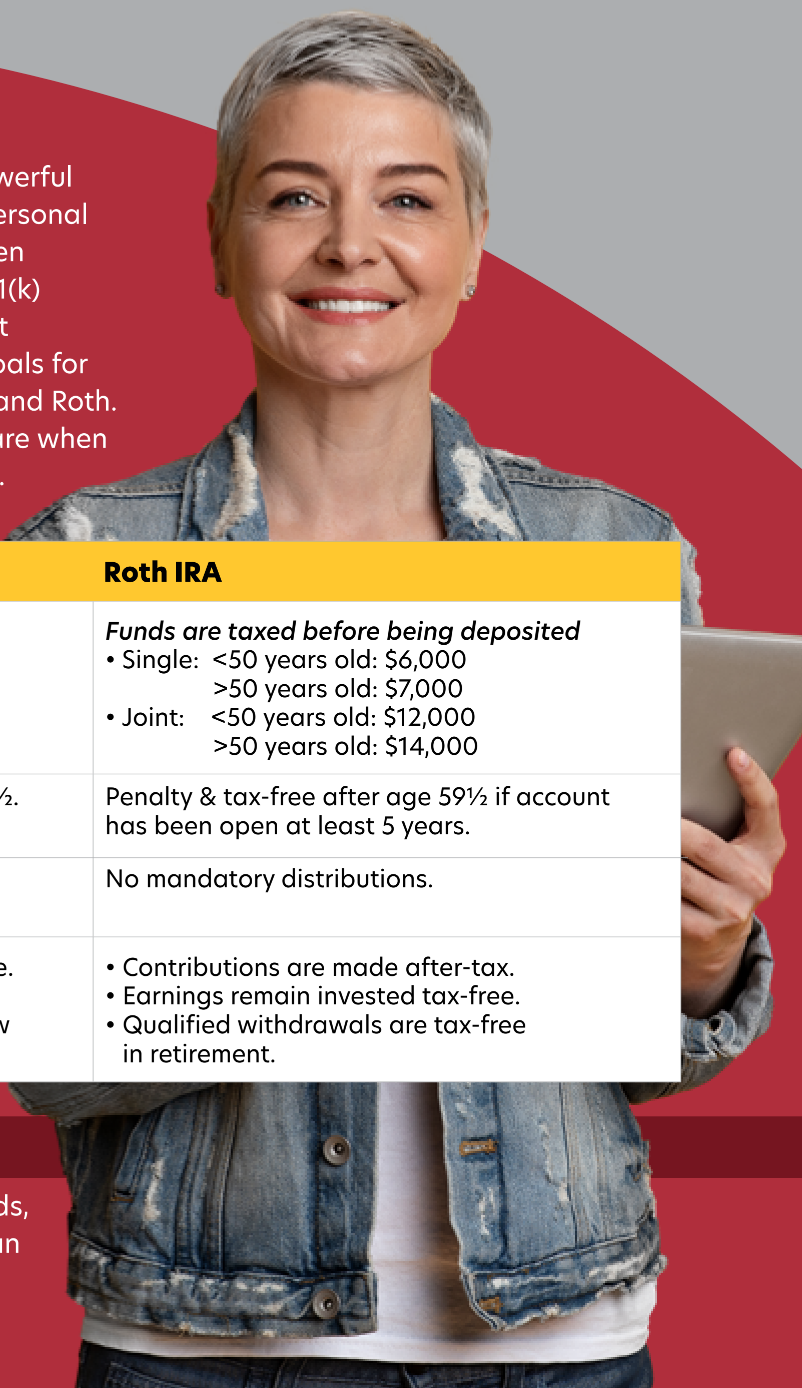
MAY 2021

What you need to know about investing and taxes.

Investing can be a great way to grow your wealth and build your retirement accounts, but did you know that in some cases it can also lower your taxable income? The tax implications for investments can be difficult to navigate, but we have a break down for you on how to report various types of investments. Learn more about how the different types of investment vehicles are taxed and find the right option for you.

Understanding IRAs

Individual Retirement Accounts are one of the most powerful retirement savings tools available to you. An IRA is a personal savings plan that provides you with flexibility as to when the funds are taxed. Even if you're contributing to a 401(k) or another plan for retirement at work, an IRA is a great complement to help you get closer to achieving your goals for retirement. The two main types of IRAs are Traditional and Roth. To decide which is right for you, you will want to compare when they are taxed and when withdrawals are penalty free.



	Traditional IRA	Roth IRA
Annual Contribution Limits	*Taxed when funds are withdrawn* • Single: <50 years old: $6,000 >50 years old: $7,000 • Joint: <50 years old: $12,000 >50 years old: $14,000	*Funds are taxed before being deposited* • Single: <50 years old: $6,000 >50 years old: $7,000 • Joint: <50 years old: $12,000 >50 years old: $14,000
Withdrawals	Penalty-free withdraws after age 59½.	Penalty & tax-free after age 59½ if account has been open at least 5 years.
	Requires mandatory distributions after age 72.	No mandatory distributions.
Tax Advantages	• Contributions can be tax-deductible. • Investments remain tax-deferred. • Funds are taxed when you withdraw or receive a distribution.	• Contributions are made after-tax. • Earnings remain invested tax-free. • Qualified withdrawals are tax-free in retirement.

Schedule an appointment today!

If you'd like to discuss what IRA might best fit your needs, your financial advisor is happy to talk with you. Make an appointment at Ent.com/InvestmentCenter.

Reporting your investments on your tax return.

Income from investments is taxed differently from capital gains or losses, so it may require different filing and reporting processes. Consider the various types of investment income along with your portfolio growth and asset sales, when preparing your tax return. Not all investment income is taxable and some investments are not taxed until withdrawn.

Income Types to Understand

ORDINARY INCOME

Investments that generate ordinary income and are reported on your federal income tax return and taxed at normal rates (vs. capital gains rates).

- *Example: savings accounts, certificates of deposit, money market accounts, annuities, bonds and some preferred stock.*

TAX-EXEMPT INCOME

Income free from federal and/or state income tax.

- *Example: municipal bonds and U.S. securities.*

CAPITAL GAIN

The money made when you sell an investment at a higher price than what you bought it for.

- *Example: you bought a stock at $128 a share and sold it for $834 a share; those earnings would be taxed at a capital gain tax rate because you made money off of your investment that is not tax-exempt or tax-deferred.*

TAX-DEFERRED INCOME

Funds taxed at a later date at ordinary income levels and not capital gains.

- *Example: 401(k)-retirement plan when earnings are reinvested and taxed only when you withdraw money.*

INHERITANCE

Money or gifted assets.

- *Example: a mother leaves $800 to her three sons. That money is considered taxable income to the sons; however, there are some ways to help offset tax on these funds and an advisor can help determine the best way to manage the funds.*

Decoding Capital Gains

Whether your assets gained or lost value for the year you are filing taxes, you might want to reach out to your advisor for the best way to navigate reporting them. These terms are good to know as you work through tax season year after year.

Initial Basis

The money you paid for an asset to begin with.

- ***Example:*** *purchasing one share of stock for $10,000 would mean your initial basis in the stock is $10,000. Your initial basis can be different from the cost/value of an asset if you were gifted it or it was acquired in a tax-free exchange.*

Adjusted Basis:

Some assets increase or decrease in value over time.

- ***Example:*** *take the purchase price of the asset and add/subtract any changes to its recorded value; generally, things that trigger additions/subtractions are paid dividends in the form of stock, or depreciation of a heavy machinery asset in your business*

Holding Period:

How long you've owned the asset.

- *Long term holding period: >1 year*
- *Short term holding period: <1 year*

The tax rates can be lower for short term held assets as they are taxed at the same rate as ordinary income.

Calculating capital gains/losses

What Your Asset Sold For - (Initial Basis + Any adjustments) = Capital Gain/Loss

Ask Questions

Reporting your investments on your taxes can be confusing to navigate. If you ever want to discuss your portfolio and how a sale might impact your tax reporting, your Ent Investment Services Representative is always available to answer your questions.

Schedule an appointment at Ent.com/InvestmentCenter.

Ent Investment Services

- (719) 574-1100 ext. 6550
- 800-525-9623 ext. 6550
- Ent.com/Investments