

Table 4: First Scenario—401(k) Contribution While Employed; Nest Egg Is All in an IRA

	2020 or 2021	2022 or 2023
Cash In:		
Salary	\$113,788	
IRA distributions		\$88,000
Cash Out:		
401(k) contribution	-\$13,000	-\$0
FICA taxes at 7.65% rate (on salary)	-\$8,705	-\$0
Federal income tax	-\$15,198*	-\$11,864**
State income tax at 5% (on federal taxable income)	-\$4,412	-\$3,663
Total Cash Outflow	-\$41,315	-\$15,527
After-Tax Cash Flow (ATCF)	\$72,473	\$72,473
Difference in ATCF		\$0

Note: After-tax cash flows are identical for salaried years (2020 and 2021) compared to retired years taking IRA distributions (2022 and 2023).

* \$113,788 Salary (i.e., Total Income) – \$13,000 401(k) contribution – \$12,550 Standard Deduction (if age < 65) = \$88,238 Federal Taxable Income. Federal Income Tax (from Table 3) = \$14,751 + [(\$88,238 – \$86,375) × 24% =] \$447 = \$15,198.

** \$88,000 IRA distribution (i.e., Total Income) – \$14,250 Standard Deduction (if age ≥ 65) = \$73,250 Taxable Income. Federal Income Tax (from Table 3) = \$4,664 + [(\$73,250 – \$40,525) × 22% =] \$7,200 = \$11,864.