

Table 5: Second Scenario—Nest Egg Is All in IRA Except 2020 and 2021 Roth Contributions

	2020 or 2021	2022 or 2023
Cash In:		
Salary	\$119,738	
IRA distributions		\$88,000
Cash Out:		
Roth 401(k) contribution	-\$13,000	-\$0
FICA taxes at 7.65% rate (on salary)	-\$9,160	-\$0
Federal income tax	-\$19,746*	-\$11,864**
State income tax at 5% (on federal taxable income)	-\$5,359	-\$3,663
Total Cash Outflow	-\$47,265	-\$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 with retired years taking IRA distributions (2022 and 2023).

* \$119,738 Salary (i.e., Total Income) – \$12,550 Standard Deduction (if age < 65) = \$107,188 Taxable Income. Federal Income Tax (from Table 3) = \$14,751 + [(\$107,188 – \$86,375) × 24% =] \$4,995 = \$19,746.

** \$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.