

**Table 6: Third Scenario—401(k) Contribution While Employed; Nest Egg Is 54.5% in IRA and 45.5% in Taxable Account**

	2020 or 2021	2022 or 2023
<b>Cash In:</b>		
Salary	\$170,946	
IRA distributions		\$66,000
Sale of stock (long-term capital gain = \$22,000)		\$55,000
Total Cash Inflow	\$170,946	\$121,000
<b>Cash Out:</b>		
401(k) contribution	-\$18,000	-\$0
FICA taxes	-\$11,332*	-\$0
Federal income tax	-\$27,716**	-\$10,434***
State income tax at 5% of federal taxable income	-\$7,020	-\$3,688
Total Cash Outflow	-\$64,068	-\$14,122
<b>After-Tax Cash Flow (ATCF)</b>	\$106,878	\$106,878
<b>Difference in ATCF</b>		\$0

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

\* Assumes 2021 rates are in effect in 2020 also: first \$142,800 taxed at 7.65% (i.e., \$10,924) and excess of \$28,146 (i.e., \$170,946 – \$142,800) taxed at 1.45% (i.e., \$408).

\*\* \$170,946 Salary (i.e., Total Income) – \$18,000 401(k) contribution – \$12,550 Standard Deduction (if age ≥ 65) = \$140,396 Taxable Income. Federal Income Tax (from Table 3) = \$14,751 + [(\$140,396 – \$86,375) × 24%] = \$12,965 = \$27,716.

\*\*\* \$66,000 IRA distribution + \$22,000 Long-term capital gain = \$88,000 (i.e., Total Income) – \$14,250 Standard Deduction (if age ≥ 65) = \$73,750 Taxable Income. Federal Income Tax (from Table 3) = \$4,664 + [(\$73,750 – \$40,525) × 22%] = \$2,470 + (\$22,000 × 15%) = \$3,300 = \$10,434.