

Table 7: Fourth Scenario—Roth 401(k) Contributions in 2020 and 2021; Nest Egg Is 54.5% in IRA and 45.5% in Taxable Account Before Such Contributions

	2020 or 2021	2022 or 2023
Cash In:		
Salary	\$178,452	
IRA distributions		\$66,000
Sale of stock (long-term capital gain = \$22,000)		\$55,000
Total Cash Inflow	\$178,452	\$121,000
Cash Out:		
401(k) contribution	-\$18,000	-\$0
FICA taxes	-\$11,441*	-\$0
Federal income tax	-\$33,838**	-\$10,434***
State income tax at 5% of federal taxable income	-\$8,295	-\$3,688
Total Cash Outflow	-\$71,574	-\$14,122
After-Tax Cash Flow (ATCF)	\$106,878	\$106,878
Difference in ATCF		\$0

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

* Assumes 2021 rates are in effect in 2020 also: first \$142,800 taxed at 7.65% (i.e., \$10,924) and excess of \$35,652 (i.e., \$178,452 – \$142,800) taxed at 1.45% (i.e., \$517).

** \$178,452 Salary (i.e., Total Income) – \$12,550 Standard Deduction (if age ≥ 65) = \$165,902 Taxable Income. Federal Income Tax (from Table 3) = \$14,751 + [(\$165,902 – \$86,375) × 24%] = \$19,087 = \$33,838.

*** \$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 + [(\$51,750 – \$40,525) × 22%] = \$2,470 + (\$22,000 × 15%) = \$3,300 = \$10,434.