

Table 8: Fifth Scenario—After-Tax Cash Flows Are Lower for Salaried Years (2020 and 2021) Compared with Retired Years After Either Taking Distributions or Selling or Withdrawing from Every Account (2022 and 2023)

	2020 or 2021	2022 or 2023
Cash In:		
Salary	\$160,000	
IRA distributions		\$80,000
Roth IRA distributions		\$40,000
Interest on bonds and savings account (withdrawn)	\$8,000	\$8,000
Taxable bonds, additional sale		\$20,000
Savings account, additional withdrawal		\$20,000
Total Cash Inflow	\$168,000	\$168,000
Cash Out:		
FICA taxes	-\$11,174*	-\$0
Federal income tax	-\$31,329**	-\$11,974***
State income tax at 5% of federal taxable income	-\$7,773	-\$3,688
Total Cash Outflow	-\$50,276	-\$15,662
After-Tax Cash Flow (ATCF)	\$117,724	\$152,338
Difference in ATCF		\$34,614

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.