

<b>Federal Income Tax Return</b>			<b>Differences</b>
Traditional IRA Withdrawal (10 Percent of \$250K)	\$ 25,000	\$ 25,100	\$ 100
Social Security	\$ 30,000	\$ 30,000	\$ -
Taxable Social Security	\$ 9,600	\$ 9,685	\$ 85
Interest	\$ -	\$ -	
Qualified Dividends	\$ -	\$ -	
Adjusted Gross Income ("AGI")	\$ 34,600	\$ 34,785	
Standard Deduction	\$ (13,850)	\$ (13,850)	
Additional SD Age 65+	\$ (1,850)	\$ (1,850)	
Federal Taxable Income	\$ 18,900	\$ 19,085	\$ 185
<b>Federal Income Tax (Estimated)</b>	<b>\$ 2,048</b>	<b>\$ 2,070</b>	
<b>Effective Tax Rate on Gross Income</b>	<b>3.72%</b>	<b>3.76%</b>	
<b>Effective Tax Rate on Traditional IRA Withdrawal</b>	<b>8.19%</b>	<b>8.25%</b>	
<b>Effective Tax Rate on Last \$100 Traditional IRA Withdrawal</b>		<b>22.20%</b>	
<p>Single Sally is in the middle of the "<a href="#">Tax Torpedo</a>" as \$100 of additional taxable traditional IRA distributions are taxable and cause \$85 more of Social Security to be taxable. Thus, on the additional withdrawal Single Sally is subject to a 22.2% marginal tax rate. If Single Sally made no retirement account distributions, she would pay \$0 federal income taxes. Note (i) her tax rate on traditional IRA withdrawals is still only a bit north of 8%, and (ii) the Tax Torpedo comes and goes quickly. Single Sarah's income puts her entirely through the Tax Torpedo. Both Single Sarah and Single Sally ultimately pay a very modest amount of federal income tax, especially when compared to working Americans.</p>			
<p>For Taxable Social Security Amount, see <a href="https://www.covisum.com/resources/taxable-social-security-calculator">https://www.covisum.com/resources/taxable-social-security-calculator</a></p>			
<p>See also IRS Publication 915, Worksheet on Page 7</p>			
<p><b>For educational demonstration purposes only. All estimates use 2023 rates.</b></p>			