



# 2012 TAX PLANNING TABLES

## 2012 Important Deadlines

### Last day to ...

#### Jan. 17

- Pay fourth-quarter 2011 federal individual estimated income tax

#### Jan. 25

- Buy in to close a short-against-the-box position (regular-way settlement)

#### March 15

- Establish and fund SEP plans for corporations for 2011 (filing an extension extends the deadline)
- Fund employer contributions for retirement plans for corporations (filing an extension extends the deadline)

#### April 1

- Take 2011 required minimum distribution (RMD) from traditional IRAs if you reached age 70½ in 2011

#### April 17

- File 2011 federal individual income tax return (or file an extension)
- Pay first-quarter 2012 federal individual estimated income tax
- Make 2011 contribution to traditional IRA, Roth IRA or Education Savings Account (ESA)
- Establish and fund SEP plans for sole proprietorships and partnerships for 2011 (filing an extension extends the deadline)
- Fund employer contributions for retirement plans for sole proprietorships and partnerships (filing an extension extends the deadline)

#### June 15

- Pay second-quarter 2012 federal individual estimated income tax

#### Sept. 17

- Pay third-quarter 2012 federal individual estimated income tax

#### Oct. 1

- Establish a SIMPLE IRA/safe harbor 401(k)

#### Oct. 15

- File 2011 federal individual income tax return subject to automatic extensions
- Recharacterize a 2011 Roth IRA conversion

#### Nov. 30

- Double up to avoid violating the “wash sale” rule

#### Dec. 31

- Sell stock or listed options to realize a gain or loss
- Establish a new qualified plan (calendar-year taxpayers)
- Complete gifts for the current calendar year (charitable or other)
- Take RMDs from traditional IRAs and most qualified plans if you reached age 70½ before 2012
- Complete a Roth IRA conversion
- Complete a 529 plan contribution
- Sell shares acquired through the 2012 exercise of incentive stock options (ISOs) in disqualifying disposition to limit alternative minimum tax (AMT)

## Income Tax

### Married Taxpayer Filing Jointly/Surviving Spouse Rates

Taxable income			Tax	
Over	But not over	Pay	+ % on excess	Of the amount over
\$ 0	\$ 17,400	\$ .00	10%	\$ 0
17,400	70,700	1,740.00	15	17,400
70,700	142,700	9,735.00	25	70,700
142,700	217,450	27,735.00	28	142,700
217,450	388,350	48,665.00	33	217,450
388,350		105,062.00	35	388,350

### Single taxpayer rates

Taxable income			Tax	
Over	But not over	Pay	+ % on excess	Of the amount over
\$ 0	8,700	\$ .00	10%	\$ 0
8,700	35,350	870.00	15	8,700
35,350	85,650	4,867.50	25	35,350
85,650	178,650	17,442.50	28	85,650
178,650	388,350	43,482.50	33	178,650
388,350		112,683.50	35	388,350

### Head of Household Rates

Taxable income			Tax	
Over	But not over	Pay	+ % on excess	Of the amount over
\$ 0	\$ 12,400	\$ .00	10%	\$ 0
12,400	47,350	1,240.00	15	12,400
47,350	122,300	6,482.50	25	47,350
122,300	198,050	25,220.00	28	122,300
198,050	388,350	46,430.00	33	198,050
388,350		109,229.00	35	388,350

### Married Taxpayer Filing Separately Rates

Taxable income			Tax	
Over	But not over	Pay	+ % on excess	Of the amount over
\$ 0	\$ 8,700	\$ .00	10%	\$ 0
8,700	35,350	870.00	15	8,700
35,350	71,350	4,867.50	25	35,350
71,350	108,725	13,867.50	28	71,350
108,725	194,175	24,332.50	33	108,725
194,175		52,531.00	35	194,175

Taxable income is income after all deductions (including either itemized deductions or the standard deduction) and exemptions.

## Personal and Dependency Exemption: \$3800

### Standard Deductions

Married/ joint	Single	Head of household	Dependents	Married/ separate
\$11,900	\$5,950	\$8,700	\$950	\$5,950

For dependents with earned income, the deduction is greater of \$950 or earned income +\$300 (up to \$5,950)

### Additional Standard Deductions

Married, age 65 or older or blind	\$ 1,150*
Married, age 65 or older and blind	2,300*
Single, age 65 or older (per person) or blind	1,450
Single, age 65 or older and blind	2,900

\* per person

### Tax Credit for Dependent Children

	Modified adjusted gross income (MAGI)	Tax credit for each child younger than age 17
<b>Married/joint</b>	\$0 - 110,000	\$1,000
<b>Individual</b>	0 - 75,000	1,000

Tax credit is reduced by \$50 for each \$1,000 by which the taxpayer's MAGI exceeds the maximum threshold.

### Long-Term Care Deduction For Medical Care\*

Age attained before the close of the taxable year	Limit on premiums
40 or less	\$ 350
More than 40 but not more than 50	660
More than 50 but not more than 60	1,310
More than 60 but not more than 70	3,500
More than 70	4,370

\* Limitations apply based on type of taxpayer. You should consult your tax advisor regarding your situation.

### Our Firm's Spending Guidelines

<b>Mortgage payments</b>	Not to exceed 28% of gross (pretax) income
<b>Discretionary expenses</b> (clothing, entertainment, restaurants, etc.)	Not to exceed 20% of after-tax income
<b>Auto loans and credit card debt</b>	Not to exceed 20% of after-tax income
<b>Combined monthly debt</b>	Not to exceed 36% of monthly gross (pretax) income

## Capital Gains and Losses and Dividends

	10% and 15% tax brackets	25% and higher tax brackets
<b>Short-term</b> (one year or less)	Ordinary rate	Ordinary rate
<b>Long-term</b> (longer than one year)	0%*	15%
<b>Dividends</b>	Qualified dividends are taxed at long-term capital gains rates. Nonqualified dividends are taxed at ordinary income tax rates.	

\* To the extent taxable income remains in the 15% bracket. Consult your tax advisor about how this applies to your situation.

### Netting Capital Gains and Losses

1. Net short-term gains and short-term losses.
2. Net long-term gains and long-term losses.
3. Net short-term against long-term.
4. Deduct up to \$3,000 of excess losses against ordinary income per year.
5. Carry over any remaining losses to future tax years.

## Alternative Minimum Tax (AMT)

AMT income	Tax
Up to \$175,000	26%
Over \$175,000	28

## Education Planning

### Education Savings Accounts (ESA)

- Maximum nondeductible contribution is \$2,000\* per child, per year.
- Must be established for the benefit of a child younger than the age of 18.
- Maximum contribution amount is lowered if a contributor's modified adjusted gross income (MAGI) is between:
  - \$95,000 and \$110,000 for individual filers
  - \$190,000 and \$220,000 for joint filers\*
- No contributions can be made if contributor's MAGI exceeds the stated limits or the beneficiary is age 18 or older.
- Interest, dividends and capital gains grow tax deferred and may be distributed federal-income-tax free as long as the money is used to pay qualified education expenses.

\* Subject to the sunset provisions of the Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010.

### 529 Plans

- Earnings accumulate tax-deferred; qualified withdrawals may be federal-income-tax-free.
- No income, state-residency or age restrictions.
- Potential state-tax incentives available in some states.
- Contributions up to \$65,000 (single) and \$130,000 (married couples) allowed in one year without a reduction in the applicable gift/estate tax exclusion. No additional gifting in the current year or next four years without incurring potential gift tax implications.

*Please consider the investment objectives, risk, charges and expenses carefully before investing in a 529 savings plan. The official statement, which contains this and other information, can be obtained by calling your financial professional. Read it carefully before you invest.*

### American Opportunity Credit

<b>Maximum credit</b>	\$2,500 per student for first four years of qualified expenses paid
<b>MAGI phase-outs:</b>	
Married filing jointly	\$160,000 - 180,000
Single filer	80,000 - 90,000

### Lifetime Learning Credit

<b>Maximum credit</b>	20% of first \$10,000 (per tax return) of qualified expenses paid in 2012
<b>MAGI phase-outs:</b>	
Married filing jointly	\$104,000 - 124,000
Single filer	52,000 - 62,000

### Exclusion of U.S. Savings Bond Interest

<b>MAGI phase-outs:</b>	
Married filing jointly	\$109,250 - 139,250
Others	72,850 - 87,850

Bonds must be titled in name(s) of taxpayer(s) only. Owner must be age 24 or older at time of issue. Must be Series EE issued after 1989 or any Series I bonds. Proceeds must be used for qualified postsecondary education expenses of the taxpayer, spouse or dependent.

### Student Loan Interest Deduction

<b>Maximum deduction</b>	\$2,500
<b>MAGI phase-outs:</b>	
Married filing jointly	\$125,000 - 155,000
Others	60,000 - 75,000

### Kiddie Tax

Children who have not reached the age of 19 by the end of the tax year are subject to the "kiddie tax" rules. If the child continues to be a full-time student, the rules apply until he or she turns age 24. The following tax rate schedule will apply (assumes no earned income).

Unearned income	Tax treatment
Under \$950	No tax
\$950 - 1,900	Taxed at child's rate
Over \$1,900	Taxed at the higher of the parents' top marginal rate or the child's tax rate

### Estimated Annual College Costs

	Public*	Private*
2012	\$21,447	\$ 42,224
2017	31,952	62,907
2022	47,604	93,722
2027	70,924	139,632

\* Total yearly costs for in-state tuition, fees, books, room and board, transportation, and miscellaneous expenses. Base is 2011-2012 school year. Costs for all future years projected by Wells Fargo Advisors in October 2011 assuming a 8.3% increase per year. Source: Trends in College Pricing. ©2011 collegeboard.com, Inc. Reprinted with permission. All rights reserved. collegeboard.com.

## Retirement Accounts

### Pretax 401(k), 403(b), 457, or Roth 401(k) or 403(b)

Employee maximum deferral contributions	Catch-up contribution (if age 50 or older)
\$17,000	\$5,500

Combined limit for Roth 401(k) or Roth 403(b) and pretax traditional 401(k) or pretax 403(b) deferral contributions is \$16,500 for those younger than 50.

### Traditional and Roth IRA

Maximum contribution	Catch-up contribution (if age 50 or older)
\$5,000	\$1,000

2012 contributions must be made no later than the tax-filing deadline (April 15, 2013), regardless of tax extensions. Traditional IRA contributions cannot be made for the year the owner turns age 70½ or subsequent years.

### Traditional IRA Deductibility Limits

If neither individual nor spouse is a participant in another plan: \$5,000<sup>1</sup> maximum deduction

If the individual is an active participant in another plan:

Married/joint MAGI <sup>2</sup>	Single MAGI <sup>2</sup>	Deduction
Up to \$92,000	Up to \$58,000	\$5,000 <sup>1,3</sup>
\$92,000 - 112,000	\$58,000 - 68,000	Phased out
\$112,000 and over	\$68,000 and over	\$0

<sup>1</sup> If a spouse (working or non-working) is not covered by a retirement plan, but his or her spouse is covered, the spouse who is not covered is allowed full deductibility up to \$173,000 joint MAGI, phased out at \$183,000 joint MAGI.

<sup>2</sup> Modified adjusted gross income

<sup>3</sup> Maximum deduction is \$6,000 if age 50 or older.

### Roth IRA Qualifications

- Contribution amount is limited if modified adjusted gross income (MAGI) is between:
  - \$110,000 and \$125,000 for individual returns
  - \$173,000 and \$183,000 for joint filers
- Cannot contribute if MAGI exceeds limits.
- Contributions are not tax-deductible.
- Contributions are allowed after the age of 70½ if made from earned income.

## Retirement Plan Limits

Maximum elective deferral to SIMPLE IRA and SIMPLE 401(k) plans	\$ 11,500
Catch-up contribution for SIMPLE IRA and SIMPLE 401(k) plans (if age 50 or older)	2,500
Maximum annual defined contribution plan limits	50,000
Maximum compensation for calculating qualified plan contributions	250,000
Maximum annual defined benefit limit	200,000
Threshold for highly compensated employee	115,000
Threshold for key employee in top-heavy plans	165,000
Maximum SEP contribution is lesser of limit or 25% of eligible income	50,000

### Uniform Lifetime/Minimum Distribution Table

Age	Life Expectancy Factor	Age	Life Expectancy Factor
70	27.4	88	12.7
71	26.5	89	12.0
72	25.6	90	11.4
73	24.7	91	10.8
74	23.8	92	10.2
75	22.9	93	9.6
76	22.0	94	9.1
77	21.2	95	8.6
78	20.3	96	8.1
79	19.5	97	7.6
80	18.7	98	7.1
81	17.9	99	6.7
82	17.1	100	6.3
83	16.3	101	5.9
84	15.5	102	5.5
85	14.8	103	5.2
86	14.1	104	4.9
87	13.4	105	4.5

## Social Security

### Earnings Test

The earnings test indicates the level of earnings permissible for Social Security benefits recipients without incurring a deduction from benefits. These limits are indexed to increases in national earnings.

<b>Worker younger than full retirement age</b>	\$14,640
<b>Year worker reaches full retirement age</b> (applies only to earnings for months prior to attaining full retirement age)	\$38,880
<b>Worker at full retirement age</b>	No limit

### Maximum Monthly Benefit: \$2,513

This benefit is for an individual who reaches full retirement age in 2012 and earns at least the maximum wage base amount for the best 35 years.

Information provided by the Social Security Administration.

### Taxation Thresholds

Up to a certain percentage of an individual's Social Security benefits is subject to taxation when his or her provisional income\* exceeds certain threshold amounts:

	Up to 50% taxed	Up to 85% taxed
<b>Married/joint</b>	\$32,000 - 44,000	More than \$44,000
<b>Single</b>	\$25,000 - 34,000	More than \$34,000
<b>Married filing separately</b>	Always 85% taxable <sup>†</sup>	

\* Provisional income generally includes modified adjusted gross income (MAGI) plus nontaxable interest and one-half of Social Security benefits.

<sup>†</sup> There is an exception to this rule if you lived apart from your spouse for the entire year. Consult your tax advisor for more information.

## Social Security and Medicare Taxes

Contact your tax advisor for guidance on the most current Social Security and Medicare tax rates in effect during 2012. You may also check with your Financial Professional for the latest information and our report titled "Social Security and Retirement."

Wage base for Social Security	Wage base for Medicare HI <sup>†</sup>
\$110,100	No cap

<sup>†</sup> Medicare Hospital Insurance

### Health Savings Account (HSA) Limits

#### Maximum contribution

Single	Family
\$3,100	\$6,250
\$1,000 catch-up contribution allowed per individual age 55 or older	

#### Maximum health insurance plan deductible

Single	Family
\$1,200	\$2,400

#### Maximum out-of-pocket expenses

Single	Family
\$6,050	\$12,100

## Federal Trust and Estate Income Tax

### Tax Rates

Taxable income		Tax		
Over	But not over	Pay	+ % on excess	Of the amount over
\$ 0	\$ 2,400	\$ .00	15%	\$ 0
2,400	5,600	360.00	25	2,400
5,600	8,500	1,160.00	28	5,600
8,500	11,650	1,972.00	33	8,500
11,650		3,011.50	35	11,650

## Estate and Gift Tax\*

### Applicable exclusion\*

**\$5,120,000**

The applicable exclusion is the value an estate must exceed before estate taxes will be incurred. "Portability" rules allow an executor to elect to transfer any unused exclusion to a surviving spouse. Determining how to apply the portability rules is complex. Consult your tax and legal advisors to determine the appropriate strategy.

### Estate tax rate\*

35% for any amount exceeding \$5,120,000

### Generation-skipping tax exemption\*

\$5,120,000

\* These provisions "sunset" after 2012 unless further legislation is enacted.

## Gift Tax Annual Exclusion

Each individual may transfer up to \$13,000 per person per year to any number of beneficiaries (family or non-family) without paying gift tax or "using up" any available lifetime gift exclusion.

## Corporate Income Tax

### Tax Rates

Taxable income		Tax		
Over	But not over	Pay	+ % on excess	Of the amount over
\$ 0	\$ 50,000	\$ 0	15%	\$ 0
50,000	75,000	7,500	25	50,000
75,000	100,000	13,750	34	75,000
100,000	335,000	22,250	39	100,000
335,000	10,000,000	113,900	34	335,000
10,000,000	15,000,000	3,400,000	35	10,000,000
15,000,000	18,333,333	5,150,000	38	15,000,000
18,333,333		6,416,667	35	18,333,333

Note: There are no special federal capital gains rates for corporations. For corporations, capital losses are deductible only against capital gains. Corporations pay alternative minimum tax (AMT) at a 20% rate.

Stay abreast of pending tax legislation and keep in touch with your financial professional.

## Understanding the "Sunset" Provisions

Sunset provisions terminate some provisions of tax reform legislation enacted since 2001 at the end of 2012, unless extensions are enacted by future legislative action.

	2012		2013	
Maximum individual income tax rate*	35%		39.6%	
Child Tax Credit	\$1,000		\$500	
Education Savings Account (ESA) contribution limit	\$2,000		\$500	
	Above the 15% tax bracket	15% or lower tax bracket	Above the 15% tax bracket	15% or lower tax bracket
Long-term capital gains tax rate	15%	0%	20% <sup>†</sup>	10% <sup>†</sup>
Qualifying dividends	15%	0%	Ordinary income tax rates	

\* 10% tax bracket sunsets after 2012.

<sup>†</sup> Five-year rule regarding capital gains is reinstated providing potential for 8%/18% long-term capital gain tax rate. Ask your tax advisor for additional information.

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## Municipal Bond Taxable-Equivalent Yields

Based on various federal income tax brackets (does not account for state taxes)

		Tax-free yield (%)								
		3.0	3.5	4.0	4.5	5.0	5.5	6.0	6.5	7.0
Tax bracket (%)	Taxable-equivalent yield (%)									
	10	3.3	3.9	4.4	5.0	5.6	6.1	6.7	7.2	7.8
15	3.5	4.1	4.7	5.3	5.9	6.5	7.1	7.6	8.2	
25	4.0	4.7	5.3	6.0	6.7	7.3	8.0	8.7	9.3	
28	4.2	4.9	5.6	6.3	6.9	7.6	8.3	9.0	9.7	
33	4.5	5.2	6.0	6.7	7.5	8.2	9.0	9.7	10.4	
35	4.6	5.4	6.2	6.9	7.7	8.5	9.2	10.0	10.8	

Example: A taxpayer in the 28% federal income tax bracket would have to purchase a taxable investment yielding more than 6.9% to outperform a 5% tax-free investment.

## Compounding

At hypothetical rates of return

		4%				
Monthly investment		5 years	10 years	20 years	30 years	
\$ 50	Amount invested	\$ 3,000	\$ 6,000	\$ 12,000	\$ 18,000	
	Value	3,326	7,387	18,400	34,818	
100	Amount invested	6,000	12,000	24,000	36,000	
	Value	6,652	14,774	36,800	69,636	
500	Amount invested	30,000	60,000	120,000	180,000	
	Value	33,260	73,870	183,998	348,181	
1,000	Amount invested	60,000	120,000	240,000	360,000	
	Value	66,520	147,741	367,997	696,363	

  

		6%				
Monthly investment		5 years	10 years	20 years	30 years	
\$ 50	Amount invested	\$ 3,000	\$ 6,000	\$ 12,000	\$ 18,000	
	Value	3,506	8,235	23,218	50,477	
100	Amount invested	6,000	12,000	24,000	36,000	
	Value	7,012	16,470	46,435	100,954	
500	Amount invested	30,000	60,000	120,000	180,000	
	Value	35,059	82,349	232,176	504,769	
1,000	Amount invested	60,000	120,000	240,000	360,000	
	Value	70,119	164,699	464,351	1,009,538	

  

		8%				
Monthly investment		5 years	10 years	20 years	30 years	
\$ 50	Amount invested	\$ 3,000	\$ 6,000	\$ 12,000	\$ 18,000	
	Value	3,698	9,208	29,647	75,015	
100	Amount invested	6,000	12,000	24,000	36,000	
	Value	7,397	18,417	59,295	150,030	
500	Amount invested	30,000	60,000	120,000	180,000	
	Value	36,983	92,083	296,474	750,148	
1,000	Amount invested	60,000	120,000	240,000	360,000	
	Value	73,967	184,166	592,947	1,500,295	

Values shown are based on investments made at the beginning of each month, compounded monthly, and do not reflect the return of any particular investment. These tables are for illustrative purposes only and do not reflect the effects of taxes or transaction costs.



Our firm does not render legal or tax advice. While this reference guide is not intended to replace your discussions with your appointed tax advisor, it may help you comprehend the tax implications of your investments and plan tax efficiently.

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