

NQ Annuity Taxation with the Advance Tax Planning Function

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SIPS has a tax calculation option for NQ annuities that calculates the taxes by paying out the invested capital first (no taxes), then taxing the income once the cash runs out. To do this, you will add your annuity and select the "NQ Annuity Distributions" tax calculation option. There is also a field to enter any starting capital gains in the account.

The screenshot shows a 'Manage Account' form with the following fields and values:

- Account name: Test Annuity
- Initial account balance: \$500,000
- Hypothetical return: 0.0 %
- Bonus: 0.0 %
- Optional fields: Account description, Optional account company, Other (all empty)
- Tax calculation option: NQ Annuity Distributions (highlighted with a red box)
- Starting Capital Gains: (empty field)

Buttons at the top: Save, Cancel, View / Edit Income, View / Edit Death Benefit, View / Edit Actual Values.

If we look at the income plan, we can see that there are no taxes in years 11-16 while there is still cash in the annuity (highlighted in blue). Once the cash runs out in year 17, the income starts being taxed (highlighted in red).

Planning Horizon		Test Annuity							
Year	Client1	Account	Inc Rider	Income	Accounts Total	Planned Distribution	Approx. Income Tax	After Tax Income	Year
net return	64	0.00 %	7.00 %						
initial amount		500,000			500,000	Subtotal	Manage		
bonus %		0.00 %	25.00 %	client1 inc	0	of account	Eff Tax Rate		
w/bonus		500,000	625,000	Manage	500,000	incomes			
end of 1	65	500,000	668,750	0	500,000	0	0-0%	0	end of 1
end of 2	66	500,000	715,563	0	500,000	0	0-0%	0	end of 2
end of 3	67	500,000	765,652	0	500,000	0	0-0%	0	end of 3
end of 4	68	500,000	819,248	0	500,000	0	0-0%	0	end of 4
end of 5	69	500,000	876,595	0	500,000	0	0-0%	0	end of 5
end of 6	70	500,000	937,957	0	500,000	0	0-0%	0	end of 6
end of 7	71	500,000	1,003,614	0	500,000	0	0-0%	0	end of 7
end of 8	72	500,000	1,073,867	0	500,000	0	0-0%	0	end of 8
end of 9	73	500,000	1,149,038	0	500,000	0	0-0%	0	end of 9
end of 10	74	500,000	1,229,470	0	500,000	0	0-0%	0	end of 10
end of 11	75	421,314	0	78,686	421,314	78,686	0-0%	78,686	end of 11
end of 12	76	342,628	0	78,686	342,628	78,686	0-0%	78,686	end of 12
end of 13	77	263,942	0	78,686	263,942	78,686	0-0%	78,686	end of 13
end of 14	78	185,256	0	78,686	185,256	78,686	0-0%	78,686	end of 14
end of 15	79	106,569	0	78,686	106,569	78,686	0-0%	78,686	end of 15
end of 16	80	27,883	0	78,686	27,883	78,686	0-0%	78,686	end of 16
end of 17	81	0	0	78,686	0	78,686	(6,452)-8%	72,234	end of 17
end of 18	82	0	0	78,686	0	78,686	(6,396)-8%	72,290	end of 18
end of 19	83	0	0	78,686	0	78,686	(6,338)-8%	72,348	end of 19
end of 20	84	0	0	78,686	0	78,686	(6,280)-8%	72,406	end of 20
end of 21	85	0	0	78,686	0	78,686	(6,220)-8%	72,466	end of 21
end of 22	86	0	0	78,686	0	78,686	(6,159)-8%	72,527	end of 22
end of 23	87	0	0	78,686	0	78,686	(6,097)-8%	72,589	end of 23
end of 24	88	0	0	78,686	0	78,686	(6,034)-8%	72,652	end of 24
					1,101,606	1,101,606	(49,976)	1,051,630	

If you feel you need more support or would like to set up demo time with one of our representatives, please contact us at: +1-888-449-6917 or support@planscout.com