Advanced Tax Planning: Income Adjustments

06/30/2025 3:54 pm EDT

Under the Advanced Tax Planning feature there is a way you can model additional tax liabilities and credits that are not captured in other places in the structured income plan so that you can calculate future tax estimates as accurately as possible.

To illustrate how to use this feature, we will model an employer match for a contribution to a 401k that's also modeled in the income plan. Without this tax adjustment, SIPS will look at all contributions to tax-deferred accounts and treat those as adjustments to income in that year. Since the employer match does not qualify as an adjustment to income, the tax calculation needs to be offset using this feature.

Below is a step-by-step guide to model an employer match 401k distributions using the Income Adjustments column in the tax advance planning function.

For this example, we will assume the employee is contributing \$5,000 per year for 7 years to their 401k and that amount is matched 100% by the employer.

If you haven't followed the steps to ensure your accounts, incomes, and expenses are setup correctly for Advanced Tax Calculations, see articles:

- Tax Calculation Options: Adding Assets into a Structured Income Plan
- Tax Calculation Options: Adding Incomes and Expenses into a Structured Income Plan

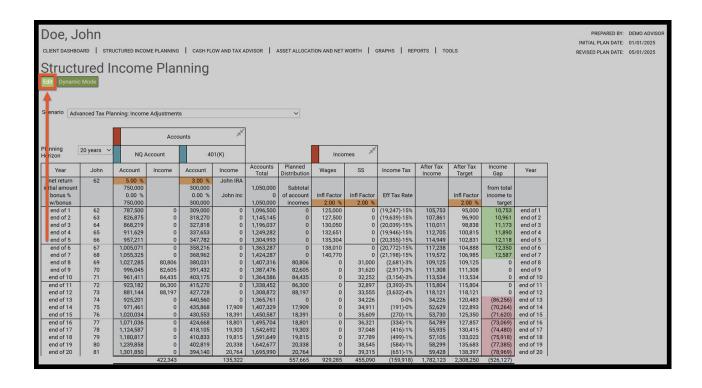
To learn more about Advanced Tax Planning functions see articles:

- Understanding the Advance Tax Planning Page
- Capital Gains Not in Accounts
- Other Schedule 1 Income: a K1 Hypothetical Example
- Other Schedule 1 Income: An Employer Match 401(k) Hypothetical Example
- Income Adjustments
- Schedule A Override
- QBI Override
- Tax Credits
- Approx. State Tax

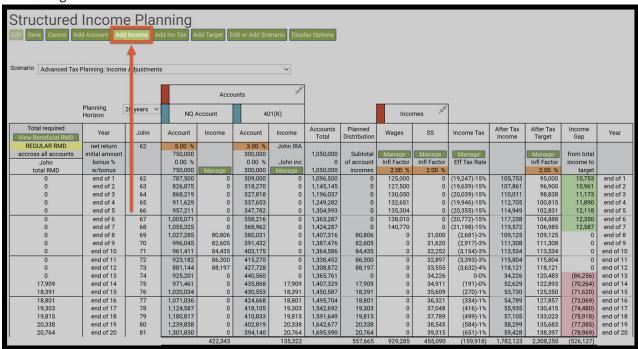
To learn more about forecasting effective tax rates see articles:

Part One: Forecasting Effective Tax Rates While the Client is working

Step 1: Edit: Click on the green edit button underneath the Structured Income Planning subheading.



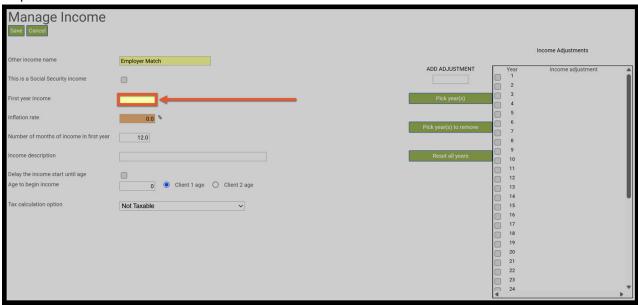
Step 2: Add Income: Click on the green Add Income button underneath the Structured Income Planning subheading.



Step 3: Other Income Name: Enter in a name.



Step 4: First Year Income: Enter in the amount.



Step 5: Add Adjustment Text Box: Type in 0.

Step 6: Income Adjustment Table: Click on the year that the client will retire.



Step 7: Pick Years: Click on the green pick years button next to the income adjustment table.

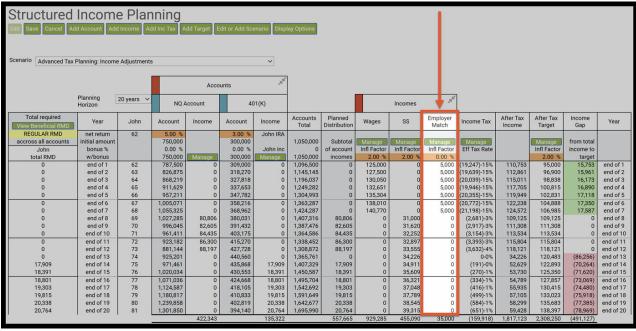
Step 8: Income Adjustment Table: The zero will automatically move to the year that you have picked, signaling to SIPS this is the last year they will receive the employer match amount.



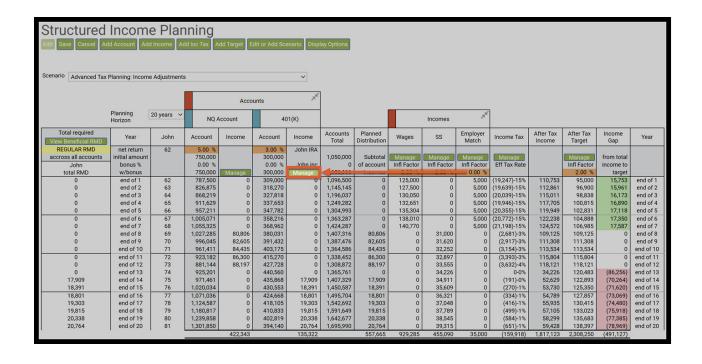
Step 9: Save: Click the green save button underneath the Manage Income subheading.



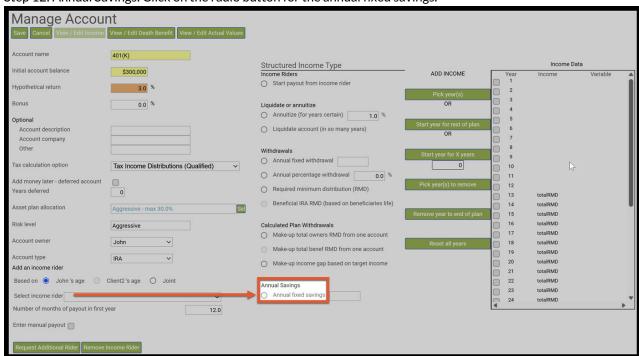
Step 10: Structured Income Planning Page: Under the income section a new column will automatically be shown called the Employer Match. This column will automatically be showing the contributions amounts.



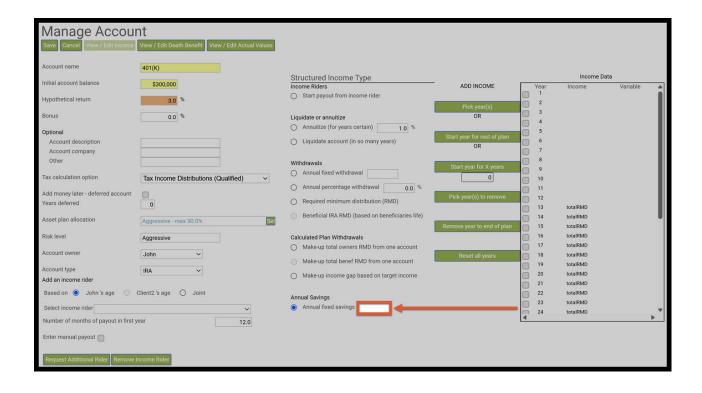
Step 11: Manage: Click on the green manage button within the column for the 401k.



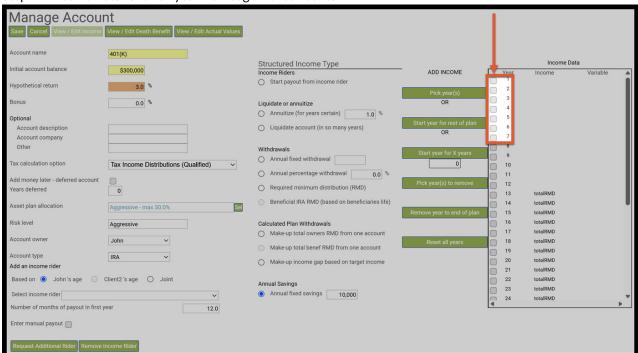
Step 12: Annual Savings: Click on the radio button for the annual fixed savings.



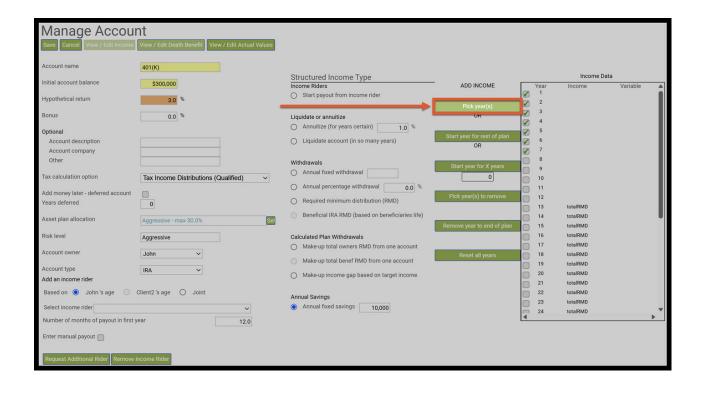
Step 13: Annual Fixed Savings Text Box: Type in 10,000 for the annual fixed savings. The \$10,000 per year is to reflect the employee and the employer contribution.



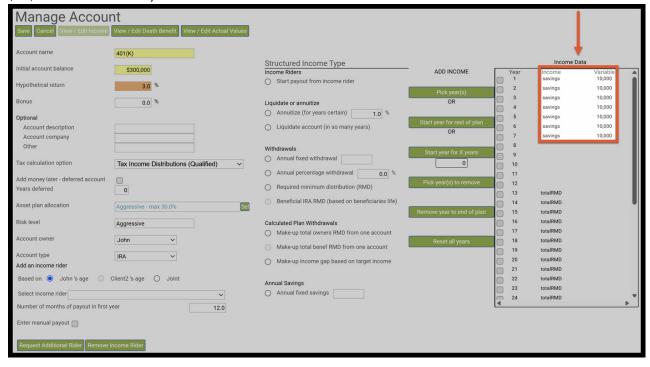
Step 14: Income Data: Click on year 1 through 7 check boxes.



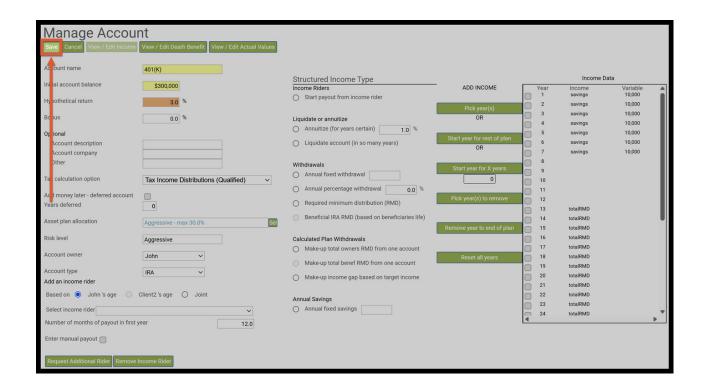
Step 15: Pick Year(s): Click on the green pick years button.



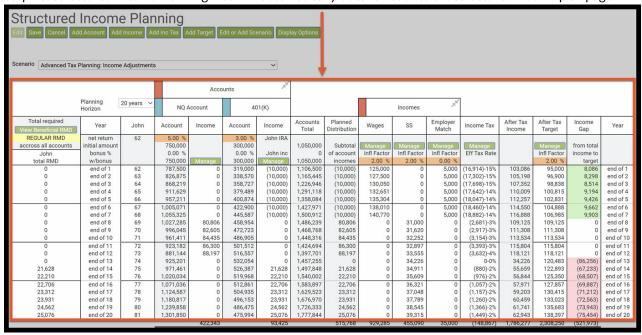
Step 16: Income Data Table: The term "savings" will automatically be put in the income column, the amount of \$10,000 will automatically be in the variable column.



Step 17: Save: Click on the green save button underneath the manage income heading.

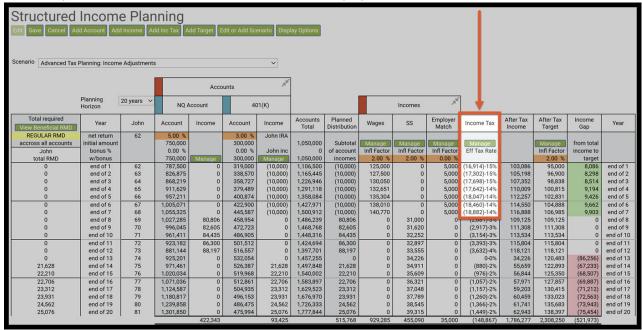


Step 18: Structured Income Planning: You will automatically be taken back to the structured income plan page.

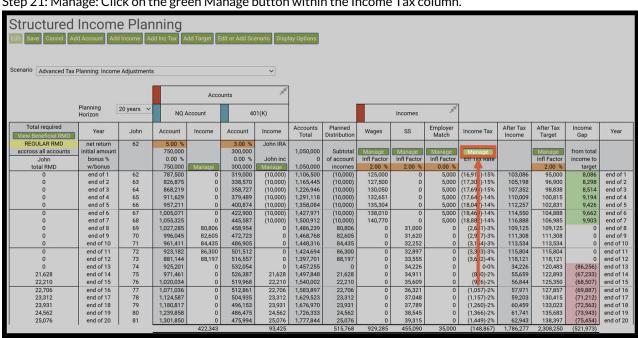


Step 19: 401(k) Column: The amounts will automatically be represented as deposits in the 401(k) Income column.

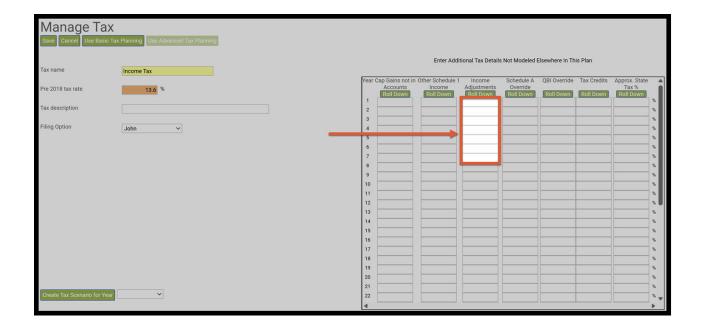
Step 20: Income Tax Column Year 1 to 7: Note the amounts that are in the income tax column from year 1 to 7. SIPS has automatically calculated the taxes. However, SIPS is treating all \$10,000 as a reduction to income, but it should only be \$5,000 since the \$10,000 also includes the employer match.



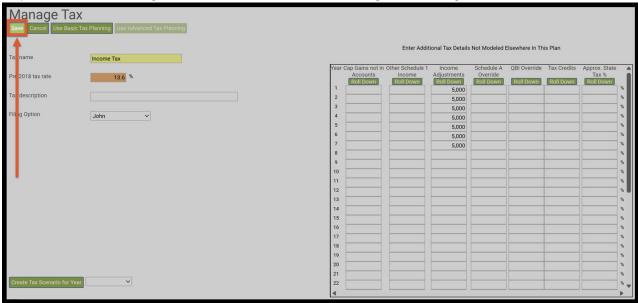
Step 21: Manage: Click on the green Manage button within the Income Tax column.



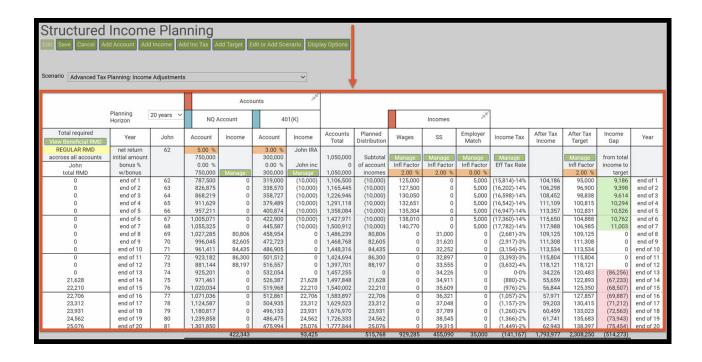
Step 22: Income Adjustments: In the years 1 through 7 enter in only \$5,000 for the employee amount in the Income Adjustments column.



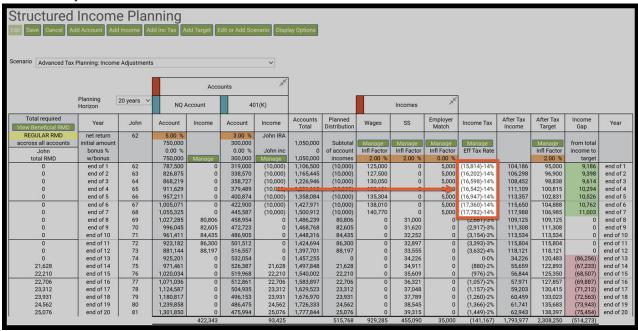
Step 23: Save: Click on the green save button underneath the Manage Tax Heading.



Step 24: Structured Income Plan: You will be automatically taken to the Structured Income Plan page.

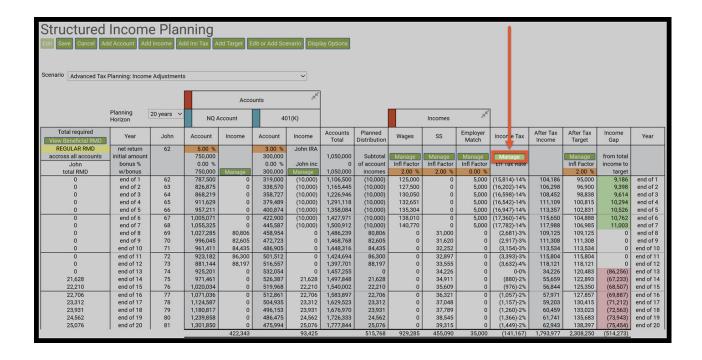


Step 25: Income Tax Column: The years 1 through 7 the percentage and monetary amounts should automatically have been adjusted.

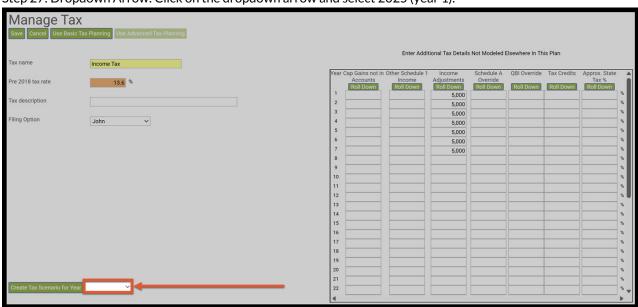


To understand the calculation process, follow the steps below. You will create a scenario in the Cash Flow and Tax Advisor page that has all of the details SIPS uses to calculate taxes for that year.

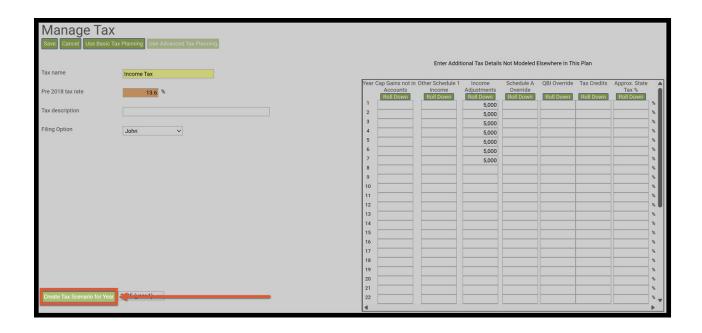
Step 26: Manage: Click on the green Manage button within the Income Tax column.



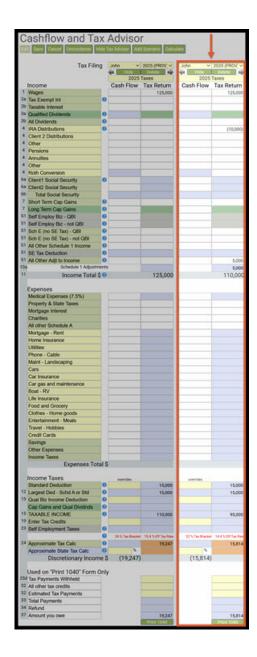
Step 27: Dropdown Arrow: Click on the dropdown arrow and select 2025 (year 1).



Step 28: Create Tax Scenario for Year: Click on the green Create Tax Scenario for Year button.



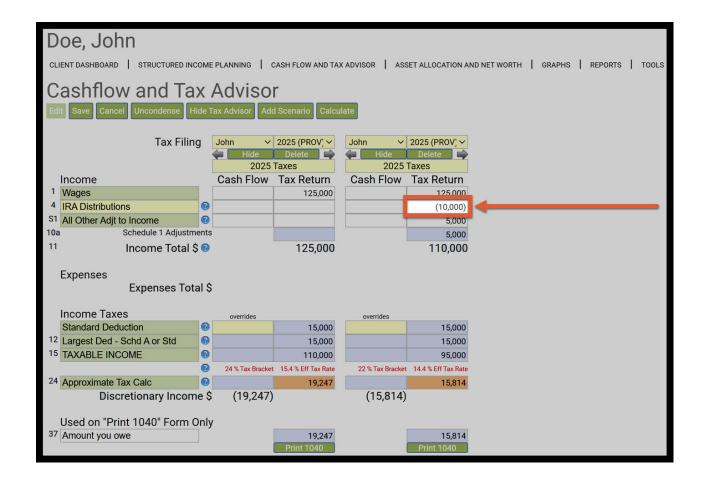
Step 29: Cash Flow and Tax Advisor: You will automatically be taken to the Cash Flow and Tax Advisor page, where the new tax scenario will appear on the right hand side of the screen.



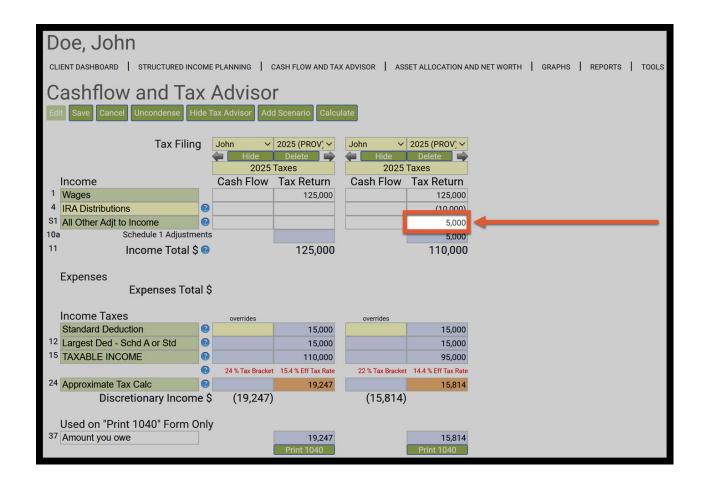
Step 30: Condense: Click on the green condense button underneath the Cashflow and Tax advisor Heading to condense the displayed data.



Step 31: IRA Distributions: The amount should automatically be displayed in the tax return column.

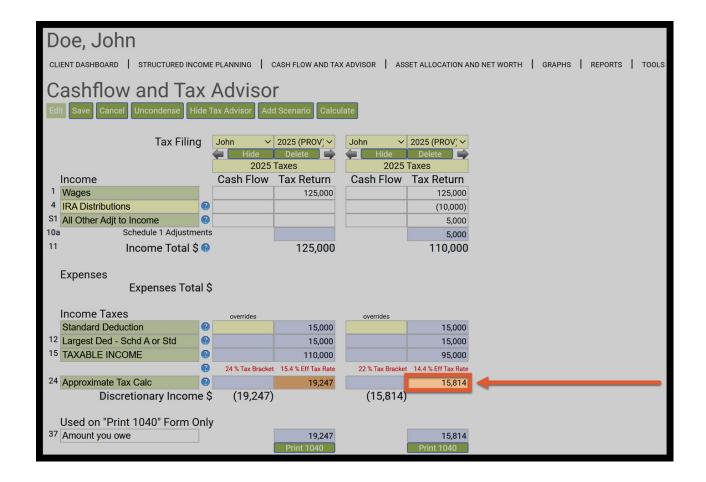


Step 32: All Other Adjt to Income: The amount should automatically be displayed in the tax return column.

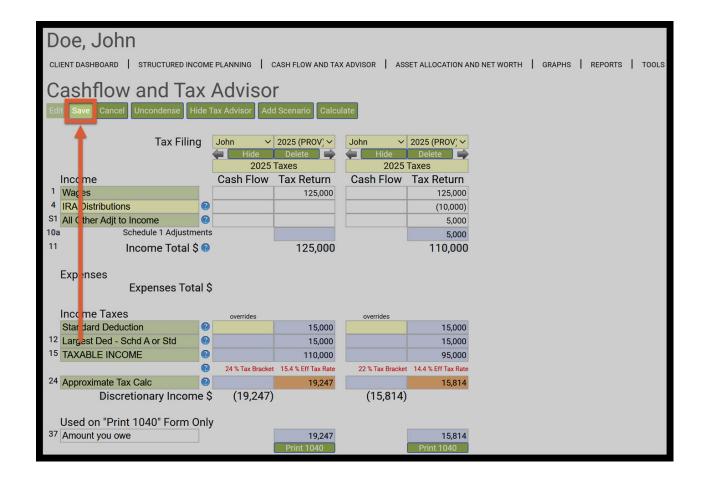


Step 33: Effective Tax Rate: Note the effective tax rate. This rate will be automatically reflected in Year 1 of the structured income plan. The effective tax rate rounded for display purposes.

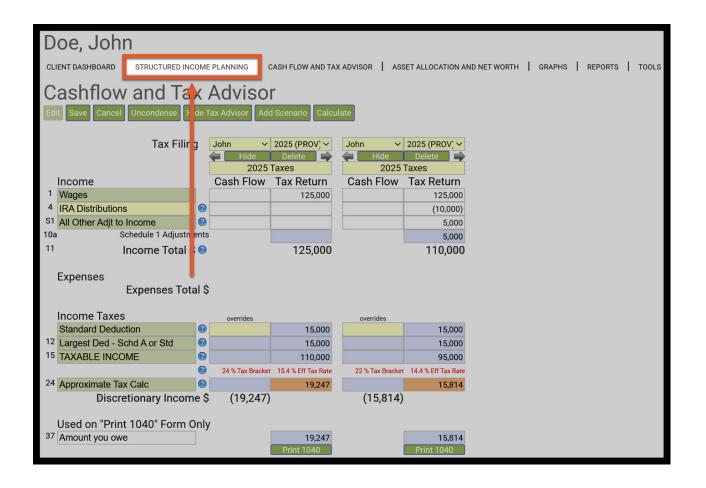
Step 34: Approximate Tax Calc: Note the Tax Return calculation. The dollar amount will identical to the one on the Structured Income Planning page.



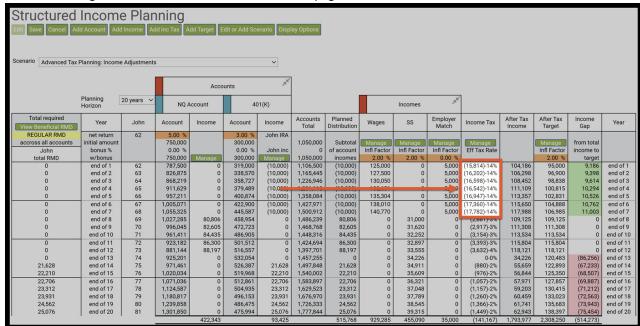
Step 35: Save: Click on the green Save button underneath the Cash Flow and Tax Advisor heading.



Step 36: Structured Income Planning: Click on the Structured Income Planning heading underneath the Clients name.



Step 37: Structured Income Plan Income Tax Column: You will automatically be taken back to the Structured Income Planning Page. The effective and approximate tax rates should automatically be changed to the amounts that were configured on the Cash Flow and Tax Advisor page.



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.

