Balanced
WEALTH GROUP

TAX LOCATION

2026

Prepared By :

Matthew Daugherty

CEO of Balanced Wealth Group

www.choosebalance.com

Balanced Wealth Group LLC is a registered investment advisor.

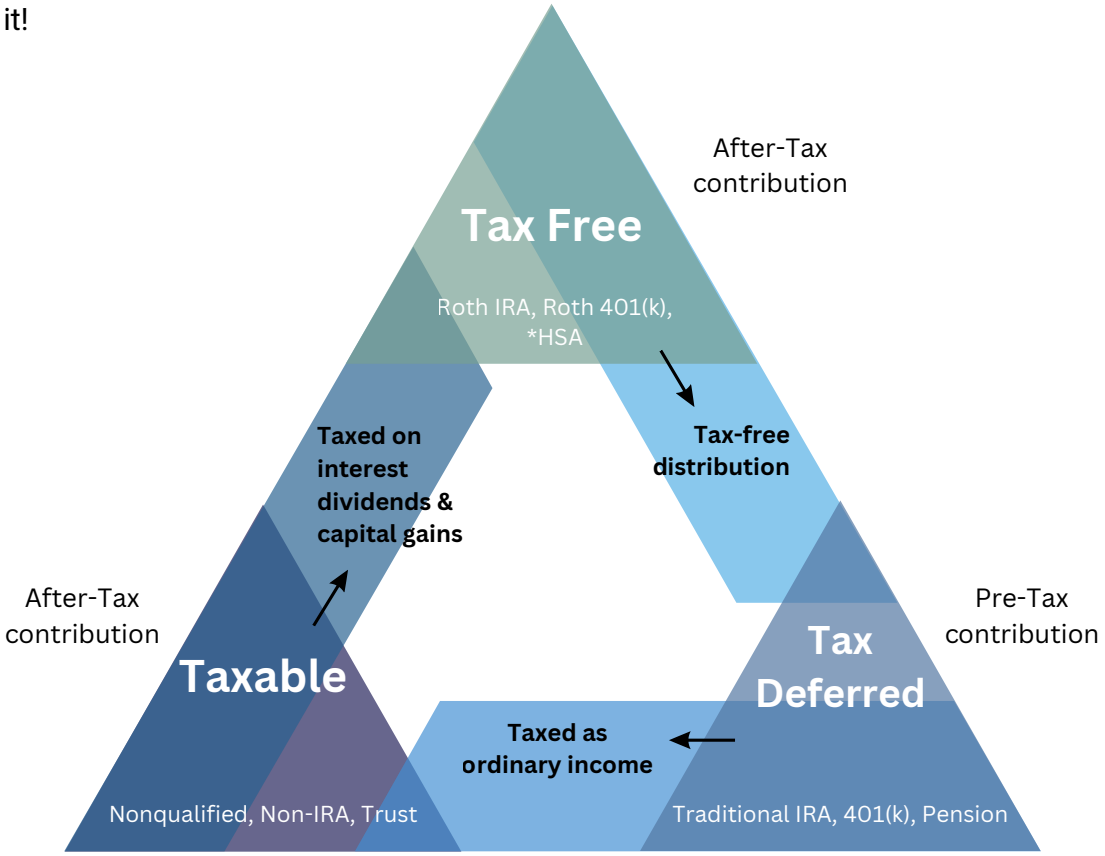
As financial advisors at Balanced Wealth Group, we strive daily to help clients achieve the goals and values they have for their lives by getting the most out of the financial resources they have available to them.

For the purposes of this paper, we will assume that you, like most people, have investments in more than one tax "bucket". I'll explain what tax buckets are, the benefits they can provide to you and a method to intentionally place specific investments in specific buckets, and the impact of tax savings this could have on your investment portfolio.

What is a tax bucket? It is "simply" something that holds your investments, and that "meets the standards set forth in the Internal Revenue Code (IRC) for tax-favored status" [(1)]. This includes, but is not limited to Traditional Non-Qualified Brokerage accounts, IRAs and 401(k)s, and Roth IRAs and Roth 401(k)s.

Each of these buckets receives different tax advantages. When you sign an application to open any of these accounts, you are essentially signing an agreement with the IRS. One that says you are willing to sacrifice something, in order to receive a tax benefit. With 401(k)'s, IRA's and Roth IRA's, what you are sacrificing is the freedom to withdraw and use the investments inside of these plans whenever you want to (typically until age 59.5). And, in return, you are receiving the ability to earn income (for example a dividend) and not have to pay taxes on it ever, or until you withdraw it. On the other hand, in a Non-Qualified account, you are allowed to use the funds whenever you want without penalty, but, you must pay taxes on dividends, interest and capital gains every year as they are earned (even if you reinvest them).

The graph below shows the three primary types of accounts and the tax benefits they receive when you deposit funds into them, as they earn income, and upon sale or withdrawal of your investment. Before you invest in any of these accounts make sure you clearly understand the agreement you have signed, as well as the rules you must follow and the sacrifices you must make for the IRS to let you earn money and not pay taxes on it!



***HSA contributions receive a tax deduction and, if used properly, are considered "triple" tax free.**

Balanced Wealth Group LLC is a registered investment advisor.

We often get the question, "how much does a Roth IRA earn?"; 401(k)s, IRAs and Roth IRAs are NOT investments. They hold investments (hence "buckets"). Therefore, they do not earn a rate of return. You can own Apple stock in any one of these buckets. You can also own a savings account, a CD, a money market, or a mutual fund in any of these buckets. So, there is no "rate" that any one of these buckets earns. The point of this paper is to explain why the AFTER-TAX return of any one investment is different from one account to another.

For example, the "investment" return of Verizon stock in any one year is the same if held in any one of these accounts. However, Verizon stock pays a dividend (as of 1/29/2025) of $0.68 per share every three months (or $2.72 per year). So, if you own 2,475 shares (~$100,000), in a Roth IRA or Roth 401(k), you would receive dividends of $6,731 in a year, and your BEFORE tax AND AFTER tax return on that dividend are both 6.73%, because no one will ever pay taxes on that dividend [(2)].

But, when you earn that same dividend in a Non-Qualified Brokerage account, your BEFORE tax return is 6.73%, but because you could owe up to $1,600 [(3)] in taxes on that dividend in the year it is earned, the after-tax return is 5.31%.

Or, if you earn that same dividend in a Traditional IRA, AND you withdraw it in the year earned, your after-tax return could be less than 4.24%, as you would be subject to income taxes on the distribution [(4)].

Verizon Stock					
Type	Shares	Amount	Dividend	Tax	After Tax Return
Non-Qualified	2475	$ 100,000.00	$ 6,731.00	$ 1,600.00	$ 5,131.00
Traditional	2475	$ 100,000.00	$ 6,731.00	$ 2,491.00	$ 4,240.00
Roth	2475	$ 100,000.00	$ 6,731.00	$ -	$ 6,731.00

Verizon Stock chart created by Balanced Wealth Group for educational purposes only.

So, what is tax location? It is a way to get more out of what you already have, assuming that you have investments in at least two of the buckets we're discussing. Consider a light bulb in a bedroom. If you turn it on in a corner of the room, it lights up part of the room. But if you put it in the middle of the room, the same bulb provides more light to the same room (even though no one ever does this). Tax location lets you take the same investments, and get more AFTER tax return from them by properly locating them in their "ideal" buckets (which, like the light bulb in the middle of the room, very few people are currently doing).

For this strategy to work, you also have to have a diversified portfolio of investments, that include growth-oriented (non-dividend paying) stocks, stocks that pay minimal dividends (typically below 1.25%), stocks that pay high dividends (typically over 1.25%), and/or Bonds and Cash.

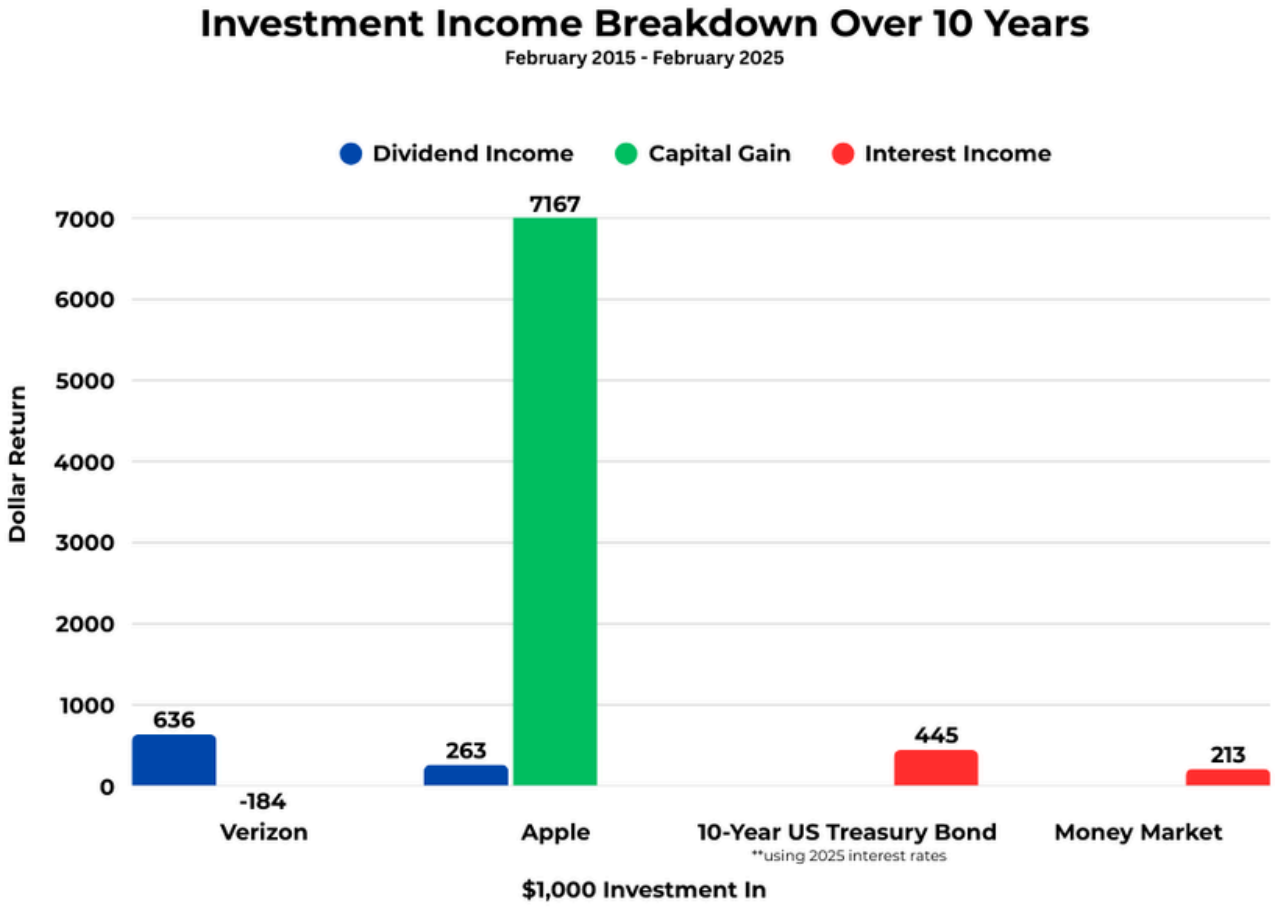
This is important because each of these investments can earn interest, dividends, capital gains; or a combination of the three. And, those different ways or earning profit are each taxed in a different way. I know, the IRS, right??

"Tax location lets you take the same investments, and get more AFTER tax return from them by properly locating them in their ideal buckets."

Balanced Wealth Group LLC is a registered investment advisor.

Growth stocks (i.e. Tesla at this time) that pay no dividends are typically only subject to capital gains taxes only when you sell them. If you have held those stocks for more than one year, the capital gains tax rate is between 0% and 20%, which is likely lower than your income tax rate. Therefore, holding them in a Non-Qualified account is typically preferable, as that account can almost act like a Roth IRA IF you never sell the investments, and if they never pay dividends. This is because, under current tax law, if you die with appreciated stocks, the people who inherit those stocks receive a step up in their cost basis, and do not have to pay taxes on the growth you achieved. If you hold $10,000 of Tesla stock in an IRA, and it grows to $50,000, you will pay income taxes on the $40,000 of growth upon withdrawal ($12,800 if you're in the 32% tax bracket). But if you do the same in a Non-Qualified account, you will be subject to capital gains taxes at 15% in this case ($6,000, plus possible additional Medicare taxes). In a Roth IRA however, no taxes would be due on this growth, potentially ever [(2)].

Dividends get even more complicated, partly because every investment pays a different dividend rate; and because a dividend can be an "ordinary" dividend, a "qualified" dividend, a "section 897" dividend, a "section 199A dividend", or an "exempt" dividend. And, as if it couldn't get any more complicated, dividends of companies headquartered outside of the US are often subject to a tax from the country of origin (which gets withdrawn from your fund, or account, before your dividend gets reinvested). Each of these dividends are taxed in different ways.



Graph created by Balanced Wealth Group for educational purposes only.

In all cases, a dividend earned in a Non-Qualified account must be claimed on your tax return in the year received. But, in some of these cases, a dividend gets preferential treatment if it is held in a Non-Qualified bucket (most often from an international stock, a Real Estate company stock, or a Municipal bond). I'm not going to explain the differences between each of these. But, always remember that even if you receive some form of credit on your return, or if a dividend is "tax-free", that does not mean it is best held in a Non-Qualified account, or that it is the best investment for a portfolio.

Balanced Wealth Group LLC is a registered investment advisor.

For example, many people will argue that stocks or mutual funds of international companies should "always" be held in Non-Qualified accounts so that you can receive a credit on your tax return for any foreign taxes you paid from the stock or fund to that country. But, there is a big difference between owning stocks directly, and owning international mutual funds. When you own individual stocks directly, this is most often true. As an example, I have a client who came to me already holding highly appreciated stock shares of Ferrari, L'Oréal, Nestle and Novartis. Each time one of those stocks pays a dividend, there is a deduction directly out of the account for the foreign tax paid (in Italy, it is 26%, France it is 25%, Switzerland it is 35%). And then, the difference is what the client gets to keep. This gets paid whether it is in an IRA, or a Non-Qualified account. But, when it is paid in a Non-Qualified account, the IRS gives the investor a dollar for dollar credit on their tax return for that amount. The calculation of how much credit you can receive is complicated, but it can eliminate the US taxes due on the dividend. And, you miss out on that credit if you hold it in an IRA.

"In most cases (not all), the highest dividend rate stocks or funds you own are going to be more efficiently held in a Pre-Tax or Roth account, than in a Non-Qualified account, as the taxes will not be due on these funds as they are earned each year."

However, mutual funds are different. In my experience, most international mutual funds pay different types of dividends from companies in many different countries, and not all of them receive credits. And, because of this, you must consider your total tax costs from the fund, not just the credit you receive. Because, at the present time international stock funds tend to have higher dividend yields than US stock funds. And, the higher your tax bracket, the more impactful this can be.

I have a real-life example of a tax return that shows $56,837 in gross foreign sourced income earned in one year, from three international index funds. This generated taxes due to the client of over $13,000 (some income was taxed at ordinary rates, some at dividend rates, the Medicare Surtax applied, and state taxes applied). The client received an $8,368 tax credit on their return, for a NET tax cost of over $5,000. So, in this scenario, you would have to compare that tax cost with the cost of another fund that did NOT provide a credit, and earned only approximately $21,000 in qualified-dividends (calculated by dividing the ~$5,000 difference by their tax rate of 23.8%). In this scenario, you would compare a fund yielding approximately 3.3% and as long as you had an alternative fund yielding no more than 1.25%, you would be better off (in other words, own a US stock growth fund with a dividend yield below 1.25% in your Non-Qualified account, and own the International fund paying 3.3% in your 401(k), Roth, or IRA).

This of course is not true of all international stocks or mutual funds (but most of the largest international index funds typically pay over 2.25% annually in dividends, compared to approximately 1.1% for S&P 500 index funds. And, if you use Growth-oriented funds, such as the popular QQQ, SPYG or VOOG funds, your yield would be less than .6%). If you are using a mutual fund, you also may be subject to unplanned capital gains distributions each year that flow to your tax return, which are typically avoided by owning growth oriented exchange traded funds such as those listed above.

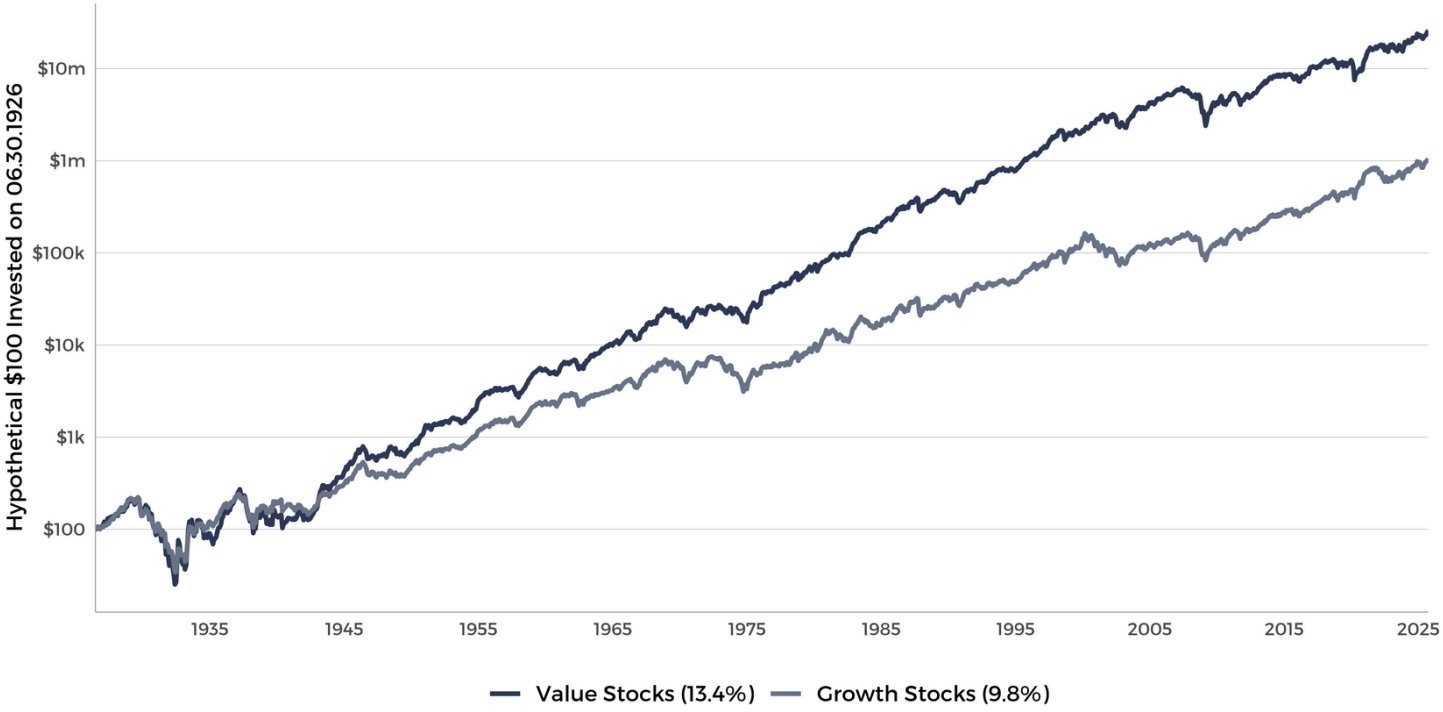
To simplify this, in most cases (not all), the highest dividend rate stocks or funds you own are going to be more efficiently held in a Pre-Tax or Roth account, than in a Non-Qualified account, as the taxes will not be due on these funds as they are earned each year (only upon withdrawal, or potentially never). So, if you were choosing between holding US stock funds paying 1.5% in your Non-Qualified account, or your international stock funds paying 2.2%, you would most likely want to hold the US stocks in the account.

Balanced Wealth Group LLC is a registered investment advisor.

The same thing is true of bonds and cash. Bonds and cash pay interest, not dividends (though they are sometimes referred to as dividends). Interest is taxed at ordinary income tax rates. So a 5% "dividend" from a $100,000 investment in a bond, or bond fund could cost you up to $1,850 in taxes (in the highest tax bracket), while a 5% dividend from a US stock could cost you up to $1,190. So again, the ability to defer those payments in an IRA, or never pay taxes on them at all makes holding them in these accounts much more beneficial than holding them in a Non-Qualified account, where they will be taxed each year as received. And, one thing that confuses (and upsets) people, is that interest and dividend payments that you never actually "see", because they are reinvested into your stock, mutual fund or ETF, are still taxable when earned. Even if you did it unknowingly, you make the decision to reinvest it as opposed to spend it, and the IRS doesn't care if you think that means you shouldn't have to be taxed on it in the year it was earned and reinvested!

Assuming that you have all three buckets. And, assuming that you own each of the different types of investments we have listed, then it is important to note that getting each investment into its "ideal" bucket is actually very difficult to do. This is because a Roth IRA is where you want to have your most growth-oriented investments, as the more the Roth grows, the more money you get to earn without ever paying taxes on it. So, you likely believe that the Roth would hold growth stocks, given their continued outperformance of all other assets classes. But, growth stocks are also typically the investment that pay the lowest dividend rate, and those dividends are typically qualified.

So, to keep your tax bill lower from year to year, you may want to hold your growth stocks in the Non-Qualified brokerage account (especially if you don't believe you will ever sell them, as your beneficiaries should get a step up in the cost basis). I also said that "you likely believe". That is because US growth stocks have been the top performing asset class for the last ten years. But, if you look back from 1926 until 2025, you will see that US Dividend paying stocks outperformed US Growth stocks in that longer timeframe [5]. It is difficult to know which will provide the most growth moving forward.



From 06.30.1926 through 09.30.2025. Growth stocks = 50% Fama-French small growth and 50% Fama-French large growth returns rebalanced monthly. Value stocks = 50% Fama-French small value and 50% Fama-French large value returns rebalanced monthly. The portfolios are formed on Book Equity/Market Equity at the end of each June using NYSE breakpoints via Eugene F. Fama and Kenneth R. French. Logarithmic scale. SOURCE: The Prudent Speculator using data from Professors Eugene F. Fama and Kenneth R. French

Graph provided by The Prudent Speculator for educational purposes only.

Balanced Wealth Group LLC is a registered investment advisor.

The other thing that makes this strategy so impactful is the Required Minimum Distribution (RMD) rule that the IRS imposes on those who own IRA's and 401(k)'s. Depending on when you were born, you will be required to begin taking distributions from your IRA and/or 401(k) starting at 73 or 75. When you are required to do this, you are also required to pay Income taxes on those distributions. And, the less that you have in the account, the less you are required to withdraw and pay taxes on. Keep in mind that many of the clients that we work with do not actually "withdraw" the money from their investment accounts. They simply transfer their required amount into their Non-Qualified Brokerage account and reinvest the proceeds there. But, they must pay taxes on the transferred amount. Because Bonds and cash tend to pay the lowest rates of return, having them in the IRA (where those interest payments are also being deferred) is ideal, as it reduces the amount of taxable income you'll have in your later years. This is where clients begin to see the largest amount of tax savings.

And, when you die, the Traditional 401(k) and IRA bucket is the worst bucket (from a tax perspective) to leave behind to your heirs. I have not yet met a client who wanted to leave more TAXABLE assets to their heirs, than they did potentially tax FREE assets.

I believe I've made enough compelling points by now to convince you that this strategy makes sense to consider. If I haven't, you can also reference other articles such as **Vanguard's Advisor Alpha Study (Figure 5)**[10], or **this tax location article**[11] by industry specialist Michael Kitces. I will say there are scenarios in which it does not actually give clients a better outcome (which I'll share in a bit). However, let me share with you the results of the stress tests we have done in forecasting this out to show that it does in fact work.

We are assuming we have two clients, Jack and Jill, and they are 60 years old. They are going to retire at the age of 62. When they hit 62, they will be withdrawing $90,000 per year from their investment portfolio, and that will go up every year with inflation until they start their Social Security at 67. I have assumed that they are starting with $3,000,000; with $1 million in each of the buckets. Yes, this is rare, but it makes it much easier to illustrate! We are also assuming that Jack and Jill have 70% of their assets in stocks; some of which are growth stocks, some of which pay dividends, and some of which are headquartered overseas. The other 30% is mostly in bonds, with a percentage of cash[(6)]. We are comparing 2 scenarios. The first, assumes that EACH one of the accounts will hold EACH of the different types of investments. The reason that we assume this, is because in most cases, when we come across a client working with another firm, this is how their assets are positioned (every account is allocated the same, with every holding). The second scenario will strategically place the "right" investments in the "right" buckets [(7)].

The results of the analysis look like this. If Jack and Jill only live to the age of 84 [(8)], the portfolio that we strategically located into the proper buckets has $2,200,000 more than the one that was not tax located. This is due to the fact that starting in year 1, you have a tax savings. Now, the tax savings in the first year is not that much; but from age 63 until age 71, we actually project they pay no taxes at all. (As a side note, almost anytime that we have a client who has years where they will pay no taxes, we will recommend they consider converting IRA assets to Roth IRA in low tax brackets, and pay the taxes on that. We are not factoring that into this analysis). It is at the age of 75, when Jack and Jill must start taking their required minimum distributions that we start to see significant tax impacts. However, in every single one of those years, they are paying less in taxes. As a result of the reduction in the tax payments, as well as the compounding interest in the assets that were not used to pay taxes, you see this substantial increase.

In this scenario, because the IRA was invested so heavily in bonds and cash, it grew at a slower rate. So, the required minimum distribution in the non-tax located IRA was $136,000 in their second full year of taking required distributions, and the taxes that they had to pay are approximately $50,000. In the tax located scenario, the required distribution was only $99,000, and the taxes were only approximately $25,000. Now, many will argue, why would I want to have less money in any account? But remember, we are looking at this holistically. In this scenario, we estimated that Jack and Jill would have $16.07. million at age 84 versus having just over $18.2 million in total assets by tax locating it. It just means that there is far more in the tax advantaged Roth IRA's and Non-Qualified accounts.

Balanced Wealth Group LLC is a registered investment advisor.

The estimated tax savings from the age of 60 to the age of 84 is $359,000. So, over 20 years, that is a little over $15,000 each year.

I started out illustrating these projections to the age of 84, because it is highly likely that at least one of Jack or Jill will live to that age. Also, because it seems more realistic with these numbers. When we project it out to them living to the age of 95, the benefits almost seem unbelievable. We actually project that they will accumulate almost $10 million more using this strategy, and will pay $1.5 million less in taxes. This does not even consider the amount of money that their children will save because they are inheriting far more assets in Roth IRA accounts and Non-Qualified accounts versus Traditional IRA accounts.

There are of course downsides to this strategy. One of those is the fact that in order to tax locate your portfolio, you may have to make some substantial changes to it. One of the issues you may find, is that you have a lot of appreciated assets inside of your Non-Qualified account. Selling them may require you to pay capital gains taxes. If that is the case, you will need to determine if the estimated tax cost of doing so will outweigh the tax benefits over time you are expected to save. For the purposes of this analysis, we just assumed $3,000,000 of cash was being invested across all accounts. There were no capital gains taxes to be paid upfront.

Also, we stress tested this with different withdrawal rates. Until we got to the point where Jack and Jill were withdrawing more than 5.5% of their assets in year one, and then adjusting that figure up for inflation in subsequent years, the strategy no longer worked. So, you need to 1st determine how much of your portfolio as a percentage you think you will be withdrawing, and then determine whether or not this strategy may work for you.

Keep in mind that anytime we have clients withdrawing more than 5% annually from their portfolios, we are recommending that they reduce their withdrawals, as doing so puts them at a high risk of running out of money throughout their retirement, especially if they are still in their 60s.

The last thing to point out, is that you have to be very careful not to get overly stressed out about having the right investments in the right buckets. I say this because you should never let the tax tail wag the dog. In other words, your overall allocation, and the diversification of your portfolio, should be far more important than the tax savings you may receive if you don't properly tax-locate. Even if you are in a position where you are able to completely and properly tax locate your portfolio, as your portfolio shifts, and you rebalance it, you will end up holding non preferred investments in buckets that you don't necessarily want them to be in. That is OK! Some form of tax location is better than no tax location at all.

Anytime you are going to consider employing any type of strategy like this, that will potentially have tax implications, you should always consult with a certified public accountant, and or a financial advisor who specializes in tax planning. The more asset classes you include in your portfolio, the more complex this becomes. We typically recommend having as many as 18 different asset classes in portfolios. However, this strategy can be done in much simpler portfolios, by using as little as three index funds. One index fund that holds all forms of domestic/US stocks, one index fund that contains all forms of international stocks, and one index fund that contains all different forms of bonds.

Balanced Wealth Group LLC is a registered investment advisor.

%Withdrawals |Base Facts vs. Tax Located Plan (All Years)

			Base Facts					Tax Located Plan				
	Year	Age	Planned Withdrawals	Supplemental Withdrawals	Total Withdrawals	Total Portfolio Assets (BoY)	Withdrawal Percentage	Planned Withdrawals	Supplemental Withdrawals	Total Withdrawals	Total Portfolio Assets (BoY)	Withdrawal Percentage
	2025	61/61	$0	$0	$0	$3,000,000	0.00%	$0	$0	$0	$3,000,000	0.00%
	2026	62/62	$0	$0	$0	$3,254,763	0.00%	$0	$0	$0	$3,258,486	0.00%
	2027	63/63	$0	$86,235	$86,235	$3,530,518	2.44%	$0	$91,986	$91,986	$3,540,986	2.60%
	2028	64/64	$0	$89,624	$89,624	$3,746,364	2.39%	$0	$95,888	$95,888	$3,761,108	2.55%
	2029	65/65	$0	$93,148	$93,148	$3,977,495	2.34%	$0	$99,857	$99,857	$3,996,608	2.50%
	2030	66/66	$0	$96,813	$96,813	$4,225,096	2.29%	$0	$103,898	$103,898	$4,248,699	2.45%
	2031	67/67	$0	$20,720	$20,720	$4,490,447	0.46%	$0	$17,851	$17,851	$4,518,699	0.40%
	2032	68/68	$0	$21,849	$21,849	$4,846,924	0.45%	$0	$18,475	$18,475	$4,883,068	0.38%
	2033	69/69	$0	$23,085	$23,085	$5,232,216	0.44%	$0	$19,121	$19,121	$5,279,954	0.36%
	2034	70/70	$0	$24,370	$24,370	$5,648,637	0.43%	$0	$19,791	$19,791	$5,712,529	0.35%
	2035	71/71	$0	$25,765	$25,765	$6,098,752	0.42%	$0	$20,484	$20,484	$6,184,295	0.33%
	2036	72/72	$0	$27,212	$27,212	$6,585,281	0.41%	$0	$21,201	$21,201	$6,699,127	0.32%
	2037	73/73	$0	$28,734	$28,734	$7,111,232	0.40%	$0	$21,943	$21,943	$7,261,305	0.30%
	2038	74/74	$0	$30,352	$30,352	$7,679,841	0.40%	$0	$22,711	$22,711	$7,875,564	0.29%
	2039	75/75	$125,740	$0	$125,740	$8,294,595	1.52%	$93,621	$0	$93,621	$8,547,145	1.10%
	2040	76/76	$136,173	$0	$136,173	$8,930,165	1.52%	$99,192	$0	$99,192	$9,263,190	1.07%
	2041	77/77	$146,822	$0	$146,822	$9,613,258	1.53%	$104,629	$0	$104,629	$10,049,718	1.04%
	2042	78/78	$158,992	$0	$158,992	$10,347,559	1.54%	$110,840	$0	$110,840	$10,914,146	1.02%
	2043	79/79	$172,164	$0	$172,164	$11,136,649	1.55%	$117,411	$0	$117,411	$11,864,493	0.99%
	2044	80/80	$186,417	$0	$186,417	$11,985,141	1.56%	$124,360	$0	$124,360	$12,910,030	0.96%
	2045	81/81	$200,800	$0	$200,800	$12,897,388	1.56%	$131,029	$0	$131,029	$14,061,126	0.93%
	2046	82/82	$217,403	$0	$217,403	$13,878,347	1.57%	$138,757	$0	$138,757	$15,329,587	0.91%
	2047	83/83	$234,033	$0	$234,033	$14,932,855	1.57%	$146,094	$0	$146,094	$16,728,094	0.87%
	2048	84/84	$253,352	$0	$253,352	$16,066,622	1.58%	$154,675	$0	$154,675	$18,271,434	0.85%
	2049	85/85	$272,531	$0	$272,531	$17,285,126	1.58%	$162,713	$0	$162,713	$19,975,597	0.81%
	2050	86/86	$293,043	$0	$293,043	$18,595,033	1.58%	$171,089	$0	$171,089	$21,858,820	0.78%

Jack and Jill Pot are hypothetical clients created for educational purposes only. This analysis must be reviewed in conjunction with the limitations and conditions disclosed in the Disclaimer page [12]. Projections are based on assumptions provided by the advisor/representative, and are not guaranteed. Actual results will vary, perhaps to a significant degree. The projected reports are hypothetical in nature and for illustrative purposes only. Return assumptions do not reflect the deduction of any commissions. They will reflect any fees or product charges when entered by the advisor/ representative. Deduction of such charges would result in a lower rate of return. Consult your legal and/or tax advisor before implementing any tax or legal strategies.

Income Tax |Base Facts vs. Tax Located Plan (All Years)

The Income Tax report projects your future Federal, Capital Gains, Dividends, and Other Income taxes.

Balanced WEALTH GROUP

			Base Facts				Tax Located Plan			
	Year	Age	Regular Federal Income Tax	Capital Gains Tax	Other Income Taxes	Total Income Tax	Regular Federal Income Tax	Capital Gains Tax	Other Income Tax	Total Income Tax
	2025	61/61	$10,868	$1,062	$10,786	$22,716	$7,743	$0	$10,050	$17,793
	2026	62/62	$11,410	$1,379	$11,227	$24,016	$8,014	$0	$10,448	$18,462
	2027	63/63	$0	$0	$889	$889	$0	$0	$829	$829
	2028	64/64	$0	$0	$941	$941	$0	$0	$942	$942
	2029	65/65	$0	$0	$994	$994	$0	$0	$1,052	$1,052
	2030	66/66	$0	$0	$1,049	$1,049	$0	$0	$1,162	$1,162
	2031	67/67	$2,703	$0	$166	$2,869	$0	$0	$0	$0
	2032	68/68	$3,164	$0	$210	$3,374	$0	$0	$0	$0
	2033	69/69	$3,704	$0	$260	$3,964	$0	$0	$0	$0
	2034	70/70	$4,265	$0	$314	$4,579	$0	$0	$0	$0
	2035	71/71	$4,888	$0	$393	$5,281	$0	$0	$0	$0
	2036	72/72	$5,553	$0	$458	$6,011	$0	$0	$0	$0
	2037	73/73	$6,261	$0	$530	$6,791	$0	$0	$0	$0
	2038	74/74	$7,032	$0	$609	$7,641	$0	$0	$0	$0
	2039	75/75	$29,093	$2,922	$5,656	$37,671	$13,637	$2,345	$2,677	$18,659
	2040	76/76	$32,397	$3,257	$7,060	$42,714	$14,385	$3,528	$2,975	$20,888
	2041	77/77	$35,864	$3,627	$8,543	$48,034	$15,117	$4,797	$3,664	$23,578
	2042	78/78	$39,822	$4,033	$10,189	$54,044	$15,952	$6,303	$4,711	$26,966
	2043	79/79	$44,153	$4,481	$11,381	$60,015	$16,831	$8,002	$5,927	$30,760
	2044	80/80	$48,916	$4,976	$12,696	$66,588	$17,768	$9,916	$7,260	$34,944

Jack and Jill Pot are hypothetical clients created for educational purposes only. This analysis must be reviewed in conjunction with the limitations and conditions disclosed in the Disclaimer page [12]. Projections are based on assumptions provided by the advisor/representative, and are not guaranteed. Actual results will vary, perhaps to a significant degree. The projected reports are hypothetical in nature and for illustrative purposes only. Return assumptions do not reflect the deduction of any commissions. They will reflect any fees or product charges when entered by the advisor/ representative. Deduction of such charges would result in a lower rate of return. Consult your legal and/or tax advisor before implementing any tax or legal strategies.

Balanced Wealth Group LLC is a registered investment advisor.

Disclosure:

The situation presented in this scenario is not specific to any certain client scenario but has been based upon experience with many clients and is fictitious in nature. Please note this example may not be suitable for all, and you should check with your financial planner about your specific situation. The information provided is for educational and informational purposes only and does not constitute investment advice and it should not be relied on as such. It should not be considered a solicitation to buy or an offer to sell a security. It does not take into account any investor's particular investment objectives, strategies, tax status or investment horizon. You should consult your attorney, tax advisor, and/or your financial professional prior to making changes to your portfolio or strategy. The views expressed in this commentary are subject to change based on market and other conditions. These documents may contain certain statements that may be deemed forward-looking statements. Please note that any such statements are not guarantees of any future performance and actual results or developments may differ materially from those projected. Any projections, market outlooks, or estimates are based upon certain assumptions and should not be construed as indicative of actual events that will occur. No investment strategy or risk management technique can guarantee returns or eliminate risk in any market environment. All investments include a risk of loss that clients should be prepared to bear. The principal risks of our strategies are disclosed in the publicly available Form ADV Part 2A.

Balanced Wealth Group LLC ("BWG") is a registered investment advisor. Advisory services are only offered to clients or prospective clients where BWG and its representatives are properly licensed or exempt from licensure. For additional information, please visit our website at https://choosebalance.com.

(1) Source: IRS.gov - https://www.irs.gov/retirement-plans/plan-participant-employee/401k-resource-guide-plan-participants-401k-plan-overview

(2) This assumes that assets are held in the Roth IRA until age 59.5 or for five years after the initial contribution to meet IRS standards. It also assumes that IRS regulations will not change.

(3) Stocks such as Verizon that a headquartered in the United States currently receive a special tax rate, equivalent to that of capital gains. Depending on your other income this tax rate could be 0%, 15%, or 20%, and could include additional Medicare taxes of 3.8%. Because of Alternative Minimum Tax rates and other IRS regulations, your tax rate could differ.
https://www.irs.gov/taxtopics/tc404

(4) This assumes you are in the 37% federal income tax bracket, and does NOT assume state, local or other taxes, which could reduce your after tax rate of return.

(5) As measured by the SPDR Portfolio S&P 500 Growth ETF and the SPDR Portfolio S&P 500 Value ETF

(6) For the returns of each asset class, we used Morningstar to show the 10 year average annual returns of the Exchange Traded Funds and Mutual funds we use in our practice for each asset class. For dividend yields, we used the current dividend yields, not the average, as of the end of 2024.
Also, all domestic stock asset classes, including US Dividend paying stock funds ended up in the Non-Qualified account. All International stock funds, Real Estate stock funds, Preferred stocks and the highest yielding bonds were invested in the Roth IRA. The IRA consisted 100% of bonds.

(7) There can be no guarantee that any one investment held in any one bucket will actually provide the greatest after-tax rate of return to you or any client.

(8) Source: Social Security Administration - https://www.ssa.gov/oact/STATS/table4c6.html

(9) This was the distribution from the MFS International Diversification fund MDIJX in 2024.

(10) Vanguard's Advisor Alpha Study: https://advisors.vanguard.com/content/dam/fas/pdfs/IARCQAA.pdf

(11) Asset Location for Stocks In A Brokerage Account Versus IRA Depends On Time Horizon by Michael Kitces:
https://www.kitces.com/blog/asset-location-for-stocks-in-a-brokerage-account-versus-ira-depends-on-time-hori

(12) Disclaimers Page can be found on the page 12 of this document.

Disclaimer Page (12)

The following report is a diagnostic tool intended to review your current financial situation and suggest potential planning ideas and concepts that may be of benefit. The purpose of the report is to illustrate how accepted financial and estate planning principles may improve your current situation.
This report is based upon information and assumptions provided by you (the client). This report provides broad and general guidelines on the advantages of certain financial planning concepts and does not constitute a recommendation of any particular technique. The consolidated report is provided for informational purposes as a courtesy to you. We recommend that you review your plan annually, unless changes in your personal or financial circumstances require more frequent review. All reports should be reviewed in conjunction with your fact summary and this Disclaimer page.
The term "plan" or "planning," when used within this report, does not imply that a recommendation has been made to implement one or more financial plans or make a particular investment. Nor does the plan or report provide legal, accounting, financial, tax or other advice. Rather, the report and the illustrations therein provide a summary of certain potential financial strategies. The reports provide projections based on various assumptions and are therefore hypothetical in nature and not guarantees of investment returns. You should consult your tax and/or legal advisors before implementing any transactions and/or strategies concerning your finances.

Additionally, this report may not reflect all holdings or transactions, their costs, or proceeds received by you. It may contain information on assets that are not held at the broker/dealer with whom your financial representative is registered. As such, those assets will not be included on the broker/dealer's books and records. Prices that may be indicated in this report are obtained from sources we consider reliable but are not guaranteed. Past performance is no guarantee of future performance and it is important to realize that actual results may differ from the projections contained in this report. The presentation of investment returns set forth in this report does not reflect the deduction of any commissions. Projected valuations and/or rates of return may not take into account surrender charges on products you might own. They will reflect any fees or product charges when entered by the advisor/ representative. Deduction of such charges will result in a lower rate of return.

It is important to compare the information on this report with the statements you receive from the custodian(s) for your account(s). Please note that there may be minor variations due to calculation methodologies. If you have any questions, please contact your financial representative. Also, your account(s) may not be covered by FDIC or SIPC. FDIC and SIPC coverages apply only to certain assets and may be subject to limitations. Questions about coverage that may apply should be directed to the asset provider or sponsor.

The information contained in this report is not written or intended as financial, tax or legal advice. The information provided herein may not be relied on for purposes of avoiding any federal tax penalties. You are encouraged to seek financial, tax and legal advice from your professional advisors.

Tools such as the Monte Carlo simulation will yield different results depending on the variables inputted, and the assumptions underlying the calculation. For those reports that perform a Monte Carlo analysis, the term 'Monte Carlo' will be included in the report title. The assumptions with respect to the simulation include the assumed rates of return and standard deviations of the portfolio model associated with each asset. The assumed rates of return are based on the historical rates of returns and standard deviations, for certain periods of time, for the benchmark indexes comprising the asset classes in the model portfolio. Since the market data used to generate these rates of return change over time your results will vary with each use over time.

Monte Carlo Analysis is a mathematical process used to implement complex statistical methods that chart the probability of certain financial outcomes at certain times in the future. This charting is accomplished by generating hundreds of possible economic scenarios that could affect the performance of your investments.
The Monte Carlo simulation uses at most 1000 scenarios to determine the probability of outcomes resulting from the asset allocation choices and underlying assumptions regarding rates of return and volatility of certain asset classes. Some of these scenarios will assume very favorable financial market returns, consistent with some of the best periods in investing history for investors. Some scenarios will conform to the worst periods in investing history. Most scenarios will fall somewhere in between.

The outcomes presented using the Monte Carlo simulation represent only a few of the many possible outcomes. Since past performance and market conditions may not be repeated in the future, your investment goals may not be fulfilled by following advice that is based on the projections.
I/We have received and read this Disclaimer page and understand its contents and, therefore, the limitations of the report. Furthermore, I understand that none of the calculations and presentations of investment returns are guaranteed.

Balanced Wealth Group LLC is a registered investment advisor.