

MetLife

Tax Strategies

**Tax-Smart Planning for
Every Stage of Life**



General Disclaimer

This discussion is based on our understanding of the tax law as it exists as of (date).

The information contained in this document is not intended to (and cannot) be used by anyone to avoid IRS penalties. This document supports the promotion and marketing of insurance or other financial products and services. Clients should seek advice based on their particular circumstances from an independent tax advisor since any discussion of taxes is for general informational purposes only and does not purport to be complete or cover every situation.

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Today's Agenda

Six Simple Tax Planning Steps:

Step 1 Know the rules

Step 2 Keep accurate records

Step 3 Estimate your tax liability

Today's Agenda

Six Simple Tax Planning Steps:

Step 4 Use tax-deferred programs

Step 5 Take advantage of other tax planning strategies

Step 6 Become tax diversified

Step 1: Know The Rules

Deductions, dividends and dependents

Know The Rules

Deductions and Credits Begin at Home

- ➔ 1st and 2nd mortgages up to \$1 million
- ➔ Home equity loan up to \$100,000
- ➔ Personal interest is NOT deductible



Know The Rules

Qualified Deductions

State and Local Income Taxes

- ☒ Property taxes on first and second homes

Medical Expenses

- ☒ Insurance premiums, co-pays, Rx unless paid with pre-tax dollars
- ☒ Deductible amounts are those above 10% adjusted gross income

Charitable Contributions

- ☒ Cash to qualified non-profits or qualified public charities up to 50% of adjusted gross income

Know The Rules

Interest Income and Dividends



Complete Schedule B if total exceeds \$1,500

SCHEDULE B (Form 1040A or 1040)		Interest and Ordinary Dividends		OMB No. 1545-0074 2012 Attachment Sequence No. 08	
Department of the Treasury Internal Revenue Service (IRS)		▶ Attach to Form 1040A or 1040. ▶ Information about Schedule B (Form 1040A or 1040) and its instructions is at www.irs.gov/form1040 .		Your social security number	
Name(s) shown on return					
Part I Interest		1 List name of payer. If any interest is from a seller-financed mortgage and the buyer used the property as a personal residence, see instructions on back and list this interest first. Also, show that buyer's social security number and address ▶		Amount	
(See instructions on back and the instructions for Form 1040A, or Form 1040, line 8a.)					
Note. If you received a Form 1099-INT, Form 1099-OID, or substitute statement from a brokerage firm, list the firm's name as the payer and enter the total interest shown on that form.					
2 Add the amounts on line 1		2			
3 Excludable interest on series EE and I U.S. savings bonds issued after 1989. Attach Form 8815		3			
4 Subtract line 3 from line 2. Enter the result here and on Form 1040A, or Form 1040, line 8a		4			
Note. If line 4 is over \$1,500, you must complete Part III.					
Part II Ordinary Dividends		5 List name of payer ▶		Amount	
(See instructions on back and the instructions for Form 1040A, or Form 1040, line 9a.)					
Note. If you received a Form 1099-DIV or substitute statement from a brokerage firm, list the firm's name as the payer and enter the ordinary dividends shown on that form.					
6 Add the amounts on line 5. Enter the total here and on Form 1040A, or Form 1040, line 9a		6			
Note. If line 6 is over \$1,500, you must complete Part III.					
Part III Foreign Accounts and Trusts		7a At any time during 2012, did you have a financial interest in or signature authority over a financial account (such as a bank account, securities account, or brokerage account) located in a foreign country? See instructions		Yes No	
(See instructions on back.)		b If "Yes," are you required to file Form TD F 90-22.1 to report that financial interest or signature authority? See Form TD F 90-22.1 and its instructions for filing requirements and exceptions to those requirements			
8 During 2012, did you receive a distribution from, or were you the grantor of, or transferor to, a foreign trust? If "Yes," you may have to file Form 3520. See instructions on back					

For Paperwork Reduction Act Notice, see your tax return instructions. Cat. No. 17146N Schedule B (Form 1040A or 1040) 2012

Know The Rules

Medicare Surtax

3.8% for modified adjusted gross income (MAGI) over \$200,000 (\$250,000 for married couples)

Long Term Gains and Dividends

Maximum rate of 20% for higher earners

Know The Rules

Capital Losses

- ➔ Deduct excess capital losses against ordinary income up to \$3,000
- ➔ Maximum excess capital losses can be carried over to future years at a time when tax rates may be higher

SCHEDULE D (Form 1040)
Department of the Treasury Internal Revenue Service (10)
Line(s) shown on return

Capital Gains and Losses

▶ Attach to Form 1040 or Form 1040NR. ▶ See Instructions
▶ Use Schedule D-1 to list additional transactions for lines 1 and 8.

Schedule D (Form 1040).
OMB No. 1545-0047
2010
Attachment Sequence

Part I Short-Term Capital Gains and Losses—Assets Held One Year or Less

(a) Description of property (Example: 100 sh. XYZ Co.)	(b) Date acquired (Mo., day, yr.)	(c) Date sold (Mo., day, yr.)	(d) Sales price (see page D-7)	(e) Cost or other basis (see page D-7)	(f) Gain or loss
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Know The Rules

Child and Dependent Care Tax Credit

- ➔ Credit of between 20-35% of up to \$3,000 for one child/\$6,000 for two or more children of qualified child care expenses
- ➔ Maximum credit is \$1,050 for one child/\$2,100 for two or more children
- ➔ Credit starts to phase out depending on your filing status



Know The Rules

Child Tax Credit in 2015

- ➔ \$1,000 per child, under age 17
- ➔ Maximum Adoption Credit of \$13,460



Know The Rules

Tuition and Fees Deduction*

- ➔ From \$2,000 up to \$4,000 per year for individuals
- ➔ Adjusted Gross Income phase-out between \$65,000 and \$80,000 for individuals; \$130,000 and \$160,000 for married couples filing jointly



Know The Rules

Student Loan Interest Deduction

Deductible (or partly deductible)*

Single	\$65K–\$80K
Joint Return	\$130K–\$160K

* \$2,500 maximum annually

Know The Rules

Educational Tax Credits

American Opportunity Tax Credit (AOTC) – (Formerly Hope)

- ☒ Up to \$2,500 per student
- ☒ Extended through December 2017





Lifetime Learning Credit

- ☒ 20% of first \$10,000 in education expenses

Credits are subject to phase-outs for taxpayers depending on adjusted gross income

Know The Rules

Alternative Minimum Tax (AMT)

-  AMT is indexed for inflation
-  More and more middle – income taxpayers are subject to AMT
-  You may have to pay AMT if your taxable income for regular tax purposes plus any adjustments and preference items that apply to you are more than the AMT exemption amount
-  For tax year 2016, Congress raised the AMT exemption amounts to:
 - \$83,800 for Married Filing Jointly
 - \$53,900 for Single Filers

Know The Rules

Alternative Minimum Tax

No deduction allowed for:

- ➔ Personal exemptions or for the standard deduction
- ➔ State, local or foreign income or property taxes
- ➔ Most miscellaneous itemized deductions
- ➔ Medical expenses except if they exceed 10% of adjusted gross income (compared to 7.5% for the regular tax calculation)

Know The Rules

Alternative Minimum Tax

All tax payers must add back 'tax preference' items

Tax preferences include the following for municipal bonds:



Tax exempt interest on bonds used to finance certain private activities, including mutual fund dividends from such interest

Step 2: Keep Accurate Records

What's in your file?

Keep Accurate Records

*A paper trail is STILL
the path of least resistance*



Keep Accurate Records



What's in your file?

- ➔ Cancelled checks
- ➔ Credit card receipts
- ➔ Automobile log;
 - Destination
 - Business purpose
 - Mileage
- ➔ State and federal tax returns for the previous 7 years

Step 3: Estimate Your Tax Liability

Adjust accordingly

Estimate Your Tax Liability





- ➔ Understand withholding and adjust accordingly
- ➔ Take full advantage of your tax-deferred retirement savings program
- ➔ Understand 'Required Minimum Distributions (RMD)'



Estimate Your Tax Liability

Understanding Required Minimum Distributions (RMDs)

What is it?

-  RMDs are minimum amounts that a retirement plan account owner must withdraw annually starting with the year that he or she reaches 70 ½ years of age or, if later, the year in which he or she retires
-  If the retirement plan account is an IRA or the account owner is a 5% owner of the business sponsoring the retirement plan, the RMDs must begin once the account holder is age 70 ½, regardless of whether he or she is retired
-  Whether or not you need the money is not a factor
-  If your retirement account deposits were made on a pre-tax basis, they want their money

Estimate Your Tax Liability

Understanding RMDs

Is there a case for you to take distributions early?



- ➔ IRA balances are subject to income taxes in the hands of the beneficiaries when the owner dies; estate taxes may apply as well
- ➔ RMDs may cause future income tax burdens
- ➔ May want to take withdrawal to take advantage of your current tax bracket – you will then reduce the amount later subject to RMD (see note below)

NOTE - In service distributions from your plan may be limited or even prohibited. To the extent it is permitted, distributions allowed prior to age 59 1/2 will generally be subject to ordinary income rates and a 10% penalty.

Estimate Your Tax Liability

Understanding RMDs

What happens if you miss your RMD deadline?

-  There is a whopping 50% excise tax on the amount not withdrawn by the deadline
-  If you make a mistake in the calculation and withdraw only a portion of the required distribution, the penalty is assessed on the remaining balance

Step 4: Use Tax-Deferred Programs

When less is more

Use Tax-Deferred Programs

Benefits of Tax-Deferred Programs

- ➔ Reduce current federal income tax
- ➔ Increase retirement savings
- ➔ Retirement options
- ➔ May be able to supplement with traditional IRA, Roth IRA/401(k) or an annuity

Note

Withdrawals subject to payment of ordinary income tax and if taken before age 59 ½ may incur an additional 10% penalty tax

Use Tax-Deferred Programs

Benefits of Tax-Deferred Programs

Save More for Later

- ➔ Choose the amount you want to save
- ➔ No federal income tax on current program contributions
- ➔ Defer current income tax
- ➔ Payroll deduction



Use Tax-Deferred Programs

Retirement Savings Limits

	2015	2016
IRAs	\$5,500	\$5,500
Age 50 and older	\$6,500	\$6,500
403(b), 401(k), 457(b)	\$18,000	\$18,000
Age 50 and older*	\$24,000	\$24,000

* The age 50+ catch-up contribution, which is available to a participant who is age 50 or older, is available for a state or local government employer's 457(b) plan, but not for a non-government employer's 457(b) plan.

Use Tax-Deferred Programs

Net Unrealized Appreciation (NUA)



If you participate in a 401(k), Employee Stock Option Plan (ESOP), or other qualified retirement plan that lets you invest in your employer's stock, you need to know about Net Unrealized Appreciation (NUA) – a simple tax deferral opportunity with an unfortunately complicated name

Use Tax-Deferred Programs

Net Unrealized Appreciation (NUA)

- ➔ If your distribution includes employer stock (or other employer securities), instead of a rollover, you may have another option
- ➔ You may be able to defer paying tax on the portion of your distribution that represents NUA
- ➔ You won't be taxed on the NUA until you sell the stock
- ➔ The NUA will be taxed at long-term capital gains rates – typically much lower than ordinary income tax rates
- ➔ This strategy can often results in significant tax savings

Use Tax-Deferred Programs

The Potential Benefits of a NUA Strategy: Hypothetical Case Study

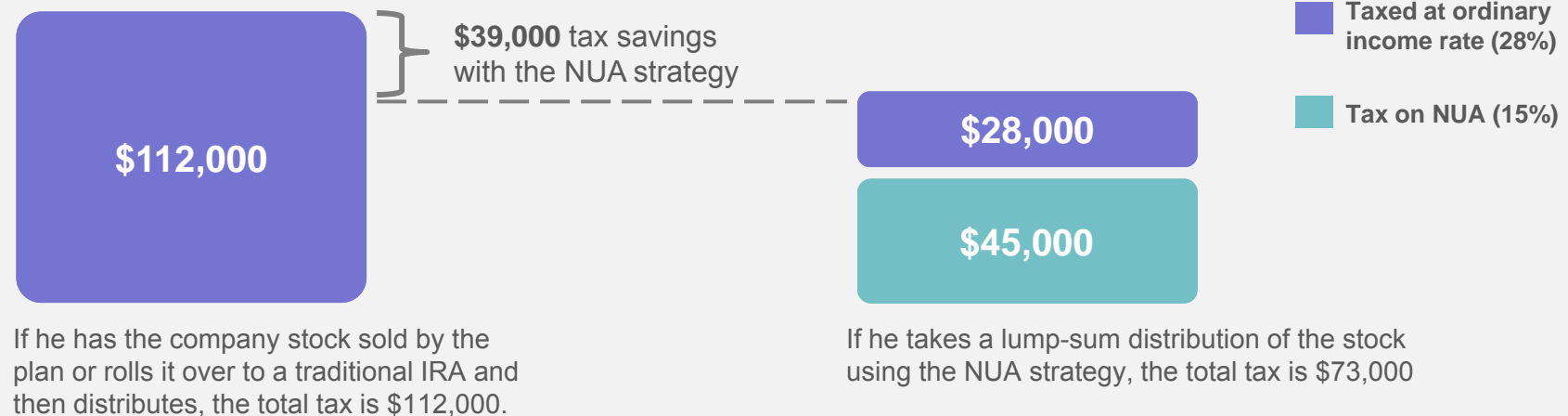
Joe's 401(k) Plan Assets

\$400,000 Company Stock (\$100,000 cost basis)

\$400,000 Mutual Funds

Summary

Joe can have the stock distributed to a taxable account, utilize the NUA strategy and roll over the mutual funds to an IRA to maintain the tax-deferred growth.



For illustrative purposes only. BlackRock does not provide tax advice. Investors should speak to their tax professional for specific information regarding their tax situation.
 Source: BlackRock 11/20/11

Use Tax-Deferred Programs

Education Savings

Section 529 Plans

- ✓ Tax free distributions if used for qualified expenses such as tuition, books, fees, supplies

Coverdell Education Savings Account (ESA)

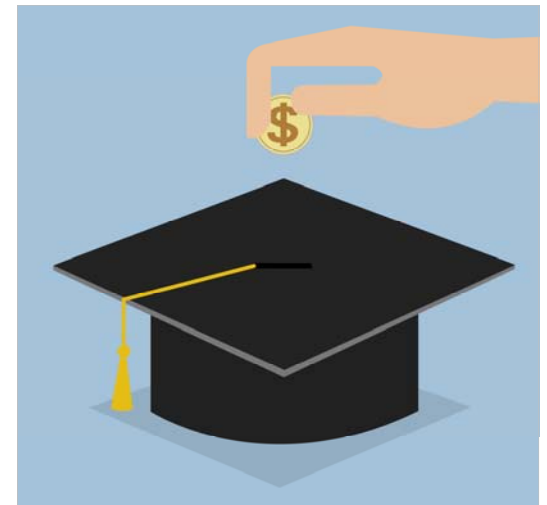
- ✓ Non-deductible contribution up to \$2,000 per year per child
- ✓ Restricted by income

American Opportunity Education Tax Credit

- ✓ Up to \$2,500 per student

Lifetime Learning Credit

- ✓ 20% on first \$10,000 in education expenses



Step 5: Other Tax Planning Strategies

The big picture

Other Tax Planning Strategies




Consider taking advantage of other strategies

- ➔ Life insurance
- ➔ Non-qualified annuities offer tax-deferred opportunities
- ➔ Long-term care insurance
- ➔ Estate planning






Other Tax Planning Strategies

Estate Planning

-  The gift tax is reunified with estate tax
-  The applicable exclusion amount is \$5,450,000 for 2016 and the top federal estate tax rate is 40%
-  The unused portion of the exclusion amount at the death of a spouse is generally available for use by the surviving spouse in addition to the surviving spouse's own exclusion amount (election must be made to preserve portability)

Other Tax Planning Strategies

Downsizing Your Home

-  If you are planning to downsize your home in retirement, you may qualify to exclude all or part of that gain from your income
-  You are eligible for the exclusion if you have owned and used your home as your main home for a period aggregating at least two years out of the five years prior to its sale
-  You are not eligible for the exclusion if you excluded the gain from the sale of another home during the two-year period prior to the sale of your home



Step 6: Tax Diversification

A key concept

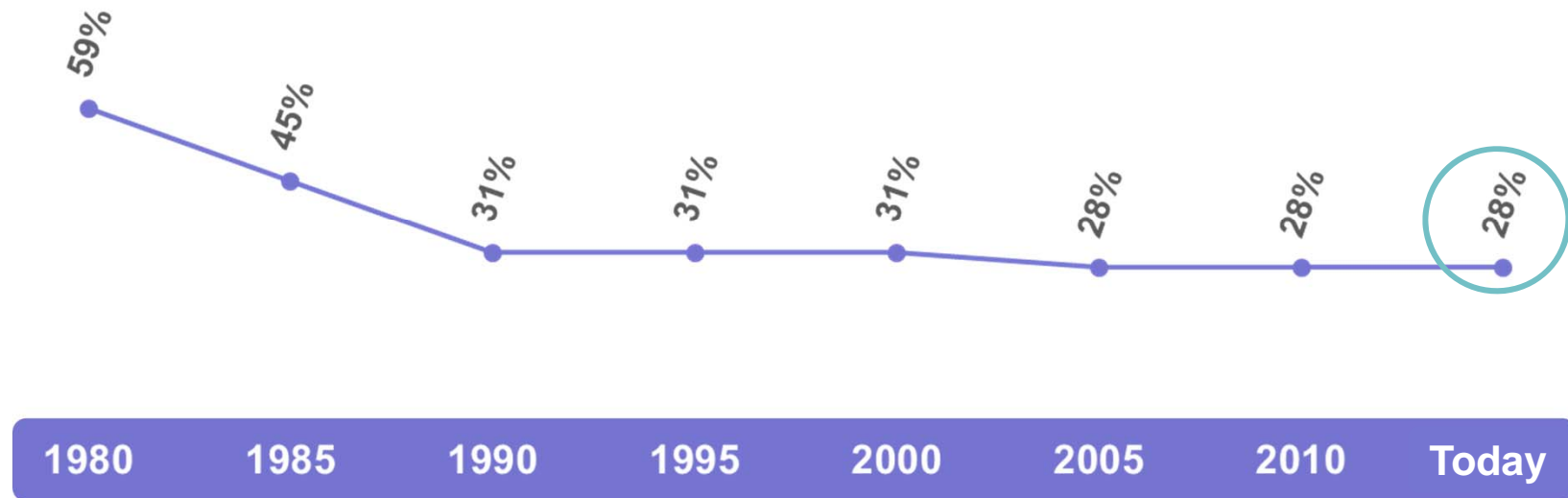
Tax Diversification

Taxes Today – 2016

Tax Rate	Single Filers	Married Filing Jointly or Qualifying Widow/Widower	Head of Household Filers
10%	Up to \$9,275	Up to \$18,550	Up to \$13,250
15%	\$9,275 to \$37,650	\$18,550 to \$75,300	\$13,250 to \$50,400
25%	\$37,650 to \$91,950	\$75,300 to \$151,900	\$50,400 to \$130,150
28%	\$91,950 to \$190,150	\$151,900 to \$231,450	\$130,150 to \$210,800
33%	\$190,150 to \$413,350	\$231,450 to \$413,350	\$210,800 to \$413,350
35%	\$413,350 to \$415,050	\$413,350 to \$466,950	\$413,350 to \$441,000
39.6%	\$415,050 or more	\$466,950 or more	\$441,000 or more

Tax Diversification

Income tax rates based on \$100,000 of taxable income, single filing



Source: Tax Facts 2013

Tax Diversification

Top Income Tax Rate

39.6%

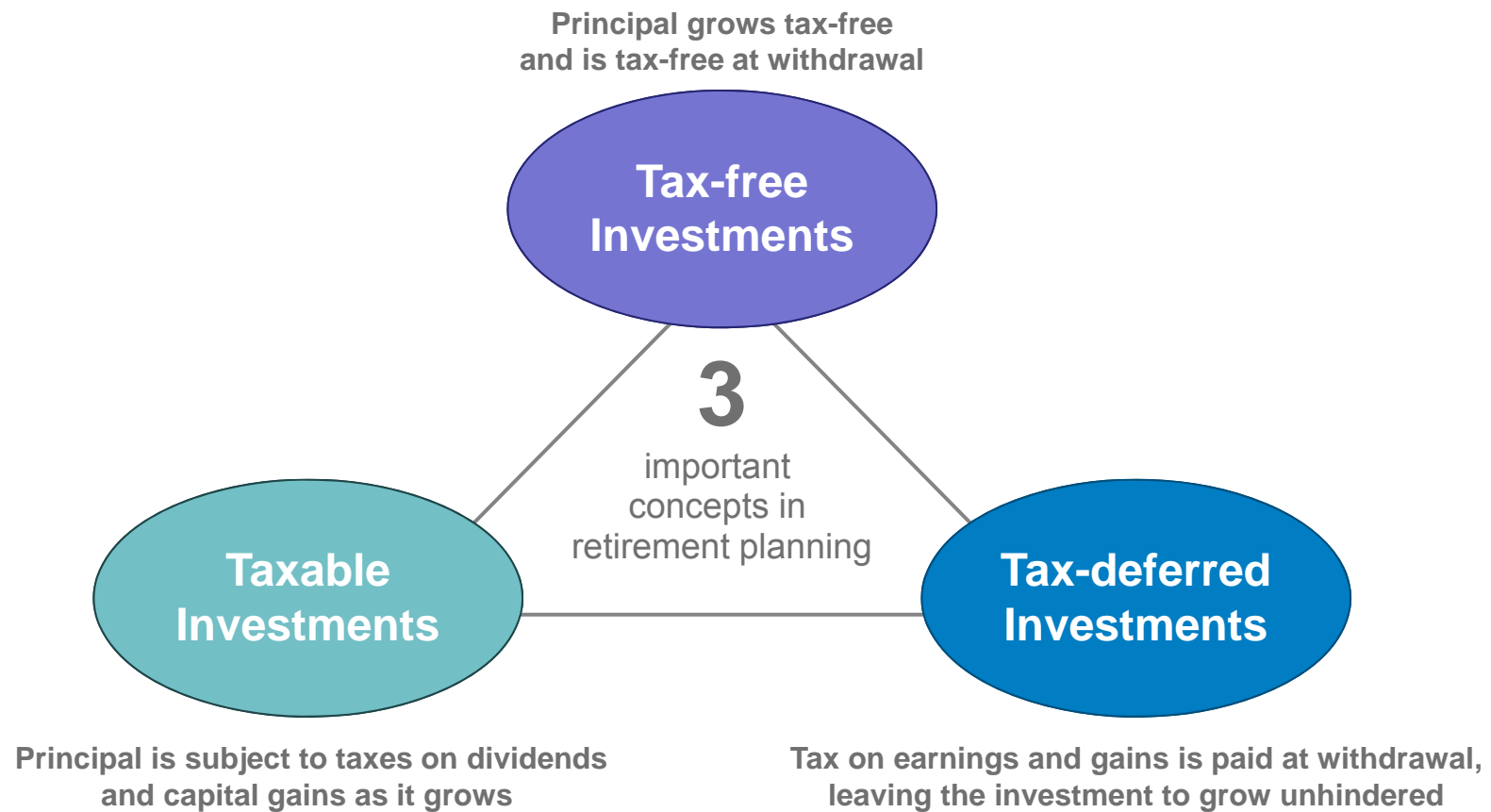
on taxable income
over **\$466,950**,
married filing jointly

Top Capital Gains Rate

20%

on long term gains

Tax Diversification



Tax Diversification

Taxable

Checking Accounts

Brokerage Accounts

Real Estate

Tax-free

Roth 401(k)*
Roth 403(b)*

Roth IRA*

Municipal Bond**
Interest

Cash Value Life
Insurance***

Tax-deferred

401(k)
403(b)
457 plan

Traditional IRA

Simple/SEP IRA

Annuities
Savings Bonds

* If a distribution is nonqualified, the earnings will be subject to income tax. Nonqualified distributions may be subject to a 10% penalty.

** Municipal bond interest is generally income-tax free but exceptions apply.

*** Distributions from a life insurance policy through withdrawals of certain policy values (up to cost basis) and loans are generally not taxed as income provided certain premium limits are followed which prevent a policy from becoming a modified endowment contract (MEC). Distributions taken during the first fifteen years may be subject to tax. Loans and withdrawals will generally reduce the cash value available and death benefit payable. If policy loans are taken, there may be income tax consequences if the policy lapses, is surrendered or exchanged. If the policy has not performed as expected and to avoid a policy lapse, distributions may need to be reduced, stopped and/or premium payments may need to be resumed.

Tax Diversification

So, what's **best** for retirement:

Taxable

Tax-free

Tax-deferred

Answer: ***A bit of each***



Plan For Every Stage Of Your Life

Six Simple Tax Planning Steps:

Step 1 Know the rules

Step 2 Keep accurate records

Step 3 Estimate your tax liability

Plan For Every Stage Of Your Life

Six Simple Tax Planning Steps:

Step 4

Use tax-deferred programs

Step 5

Take advantage of other tax planning strategies

Step 6

Become tax diversified

Plan For Every Stage Of Your Life

Use Your Entire Professional Team



To have an effective tax planning strategy, you need to use the talents of your entire professional team:

- Your Accountant
- Your Financial Planner
- Your Attorney
- Your Bookkeeper, (That's YOU!)



If possible, it's best to know your tax strategies in the beginning of the year. When you are getting ready to celebrate the new year it is TOO late.

Questions?



THANK YOU

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