

MOULTON WEALTH MANAGEMENT INC. ***MOULTON HOT MINUTES***

SPECIALIZING IN RETIREMENT AND TAX PLANNING

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It's time to start planning ahead for TAXES. Beginning in 2026's tax year, taxes are almost certainly going up. Why? President Trump's tax cuts expire.

There's a saying that the only things certain in life are "death and taxes", and in this newsletter, we're going to cover both. The widow's penalty occurs when a person's income tax filing status changes from "married filing jointly", to "single". Such happens when a spouse passes away. This change can result in the surviving spouse paying substantially higher taxes, on lower income, than the married couple had previously.

Let's discuss an example, using a hypothetical married couple, Bill and Jane.

Bill and Jane each received Social Security, and because they were both over the age of 73, they also had to take required minimum distributions (RMDs) from their IRAs. As such their combined annual income was as follows:

- Social Security provided \$72,000 (\$48,000 for Bill and \$24,000 for Jill).
- RMDs accounted for another \$60,000.

On that combined income of \$132,000, their federal "married filing jointly" income tax, was \$11,053.

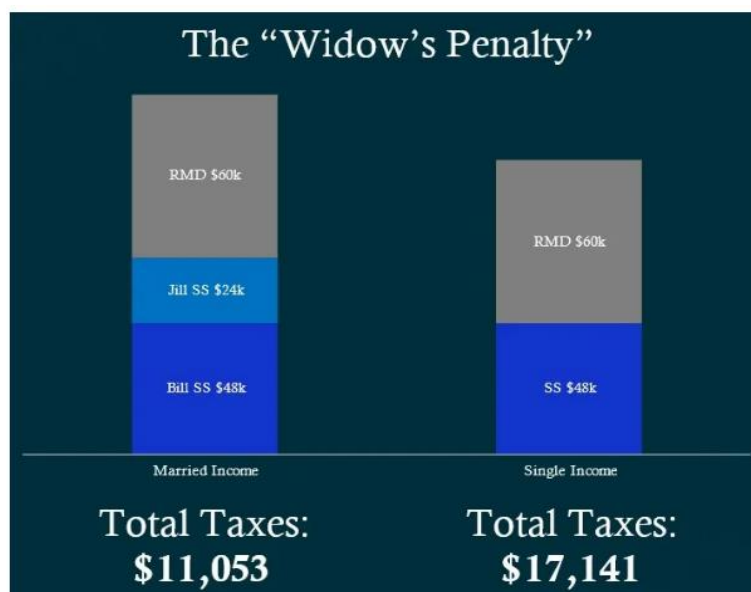
Even as paying \$11,053 in taxes appeared onerous, it got worse when Bill passed away. Bill's death resulted in two major changes to Jill's tax status.

First, Jill switched to Bill's Social Security, and as such, lost hers.

Second, Jill has to file as single, rather than "married filing jointly".

Even as Jill's overall income declined from \$132,000 to \$108,000, or by \$24,000, her income tax rose from \$11,053 to \$17,141, or by \$6,088. Her effective tax rate almost doubles from 8.4% to 15.9%, and...

She'll have \$30,088 per year, or \$2,507.33 per month, less to spend every single year!



Let's review the tax tables on the following page to find out why this happens. As you can see, Jill's taxes get hit by a double whammy.

- First her standard deduction gets cut in half, meaning she is left with half of the “before tax”, or tax-free income.

TAX RATES 2023		
RATE	SINGLE FILERS	MARRIED FILING JOINTLY
10%	\$0-\$11,000	\$0-\$22,000
12%	\$11,001 - \$44,725	\$22,001 - \$89,450
22%	\$44,726 - \$95,375	\$89,451 - \$190,750
24%	\$95,376 - \$182,100	\$190,751 - \$364,200
32%	\$182,101 - \$231,250	\$364,201 - \$462,500
35%	\$231,251 - \$578,125	\$462,501 - \$693,750
37%	\$578,126+	\$693,751+

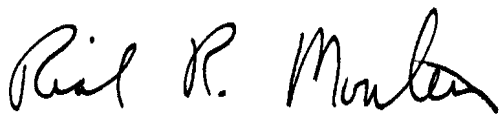
- Second, Jill’s tax brackets are smaller. For example, \$85,000 of taxable income as married filing jointly is in the 12% bracket, while that same amount is deeply in the 22% bracket for a single person.

Not only will the surviving spouse have less overall income, they will be hit by larger tax bills. This leaves them with less money at a time they need it most.

To make matters worse, taxes are scheduled to increase starting in 2026. And with our national debt, we’d argue the most likely future path of tax rates is higher yet.

Can anything be done about this? Yes, with planning, we can help minimize the widow’s penalty, but it takes time.

Yours truly,



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Certified Financial Planner™ professional



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P.S. Please feel free to forward this commentary to family, friends, or colleagues. If you would like us to add them to the list, please ask them to send an email with their information and permission to be added.

The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. The Dow Jones Industrial Average is a price-weighted index of 30 actively traded blue-chip stocks. The NASDAQ Composite Index is an unmanaged, market-weighted index of all over-the-counter common stocks traded on the National Association of Securities Dealers Automated Quotation System. Yahoo! Finance is the source for any reference to the performance of an index between two specific periods. Opinions expressed are subject to change without notice and are not intended as investment advice or to predict future performance. Investments in securities do not offer a fixed rate of return. Principal, yield and/or share price will fluctuate with changes in market conditions and, when sold or redeemed, you may receive more or less than originally invested. No system or financial planning strategy can guarantee future results. Consult your financial professional before making any investment decision. You cannot invest directly in an index.

Procrastination is not your friend.

STANDARD DEDUCTION & PERSONAL EXEMPTION

FILING STATUS	DEDUCTION AMOUNT
Single	\$13,850
Married	\$27,700
Head of Household	\$20,800

changing. However, we think it’s important to track all the ways you can save money.

In our seminars, and at initial, free, consultations called a “Financial Physical” we discuss the five areas most important to financial health, especially for retirees or those close to retirement.

1. Protection
2. Estate Planning
3. Income Tax
4. Retirement
5. Investments

Risk management is key for success in all of those areas.

It’s not too late to protect yourself.

What is your tax plan? Attend a free seminar or call the office to hear about ours.

“Widow’s Tax”

Come see what it is, how it might impact you, and how to avoid it.

Weekly Radio Show
Saturday Morning:

8:00 AM KXLY 920 AM
Spokane and Area

9:30 AM KFLD 870 AM
Tri-Cities and Area

Moultonwealth.com

SPOKANE

Hampton Inn—Valley
Breakfast
16418 E. Indiana —Spokane
June 19th @ 9:30 AM

TRI-CITIES

Hampton Inn
Breakfast
486 Bradley Blvd—Richland
June 26th @ 11:00 AM

- ◇ **How employing and consistently following a defensive system could help you to a better retirement.**
- ◇ The “Widow’s Tax” could be a major drain on the survivor’s spendable income!
- ◇ What happens when an economic downturn makes it difficult for companies to pay back their massive debt?
- ◇ Why Buy and Hold Investing was right for the 80’s and 90’s yet very wrong for today.
- ◇ Will inflation eat up your assets?
- ◇ How to potentially decrease taxes on your hard earned Social Security Income
- ◇ To Roth or not to Roth?

And so much more!

COMPLIMENTARY SEMINAR

For those 50 years old and older

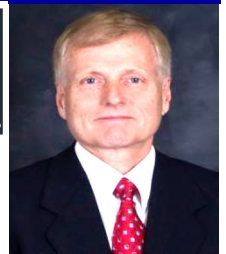


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Call to reserve a spot: 509-922-3110

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**Call for assistance:
509-922-3110**

Widow's Tax

***How to avoid the drastic
reduction in a widow's
disposable income!***

Spokane

**June 19th
@
9:30 AM**

Details Inside

*No Cost
Seminars for
Retirees and
those close to
Retirement*

Richland

**June 26th
@
11:00 AM**

Details Inside