

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.

Manage Account

Save **Cancel** **View / Edit Income** **View / Edit Death Benefit** **View / Edit Actual Values**

Account name	Test Annuity
Initial account balance	\$500,000
Hypothetical return	0.0 %
Bonus	0.0 %
Optional	
Account description	
Optional account company	
Other	
Tax calculation option	NQ Annuity Distributions
Starting Capital Gains	

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	24 years	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 %		500,000	Subtotal of account incomes	Manage Eff Tax Rate			
initial amount		500,000	25.00 %	client1 inc Manage	0					
bonus %		0.00 %	625,000		500,000					
w/bonus		500,000								
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: support@planscout.com