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

02/14/2025 10:23 am EST

This is the first part of a four-part series describing the cash flow and tax advisor calculator feature. This tool can assist you in determining the effective tax rate for each year within your financial plan. It also includes a worksheet to distinguish between cash flow and tax liabilities. This section provides step-by-step instructions for entering wages while the client is employed into the cash flow and tax advisor calculator and obtaining the effective tax rate.

To learn more about the Cash Flow and Tax Advisor menu see articles:

- Condense/Uncondense Feature
- Hide/Unhide Tax Advisor
- Add Scenario Feature
- Calculating Feature

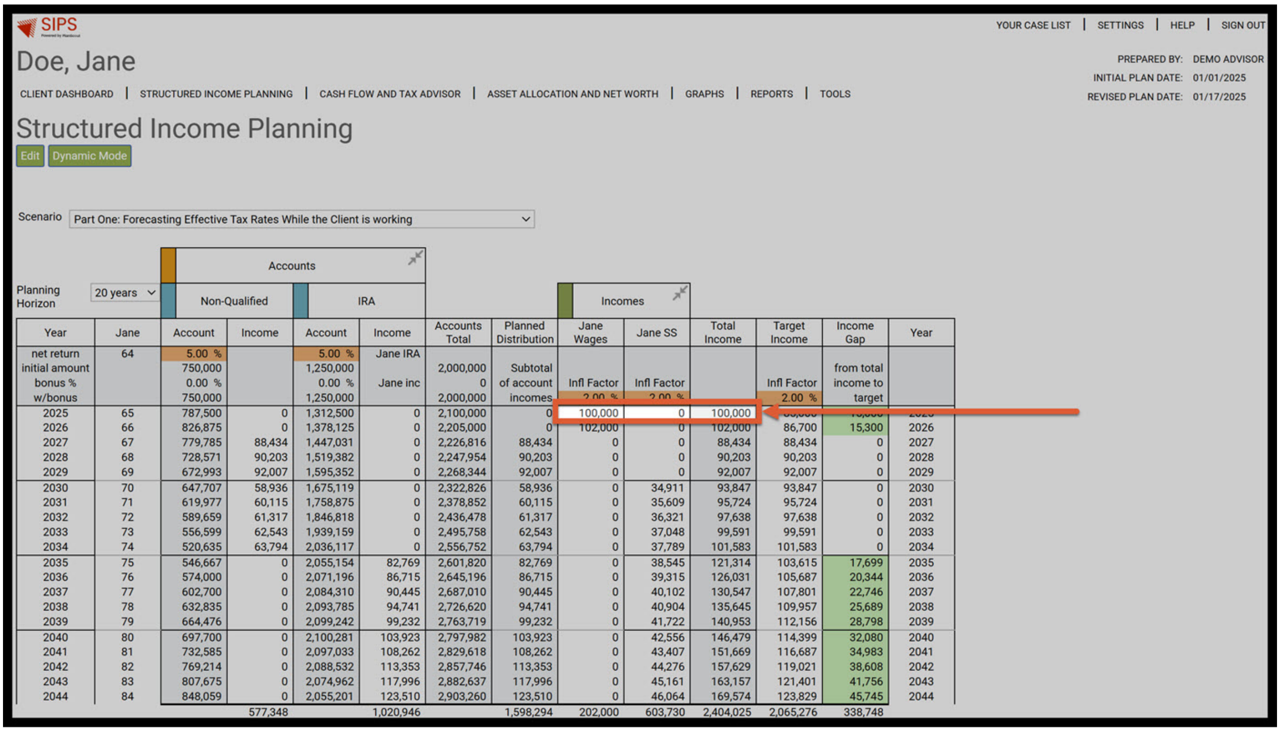
To learn more about the Cash Flow and Tax Advisor individual column features see articles:

- Hide/Unhide Feature for Individual Tax Columns
- Permanent Deletion for Individual Tax Columns
- Downloading a 1040 Sample Tax Form

To learn more about forecasting effective tax rates see articles:

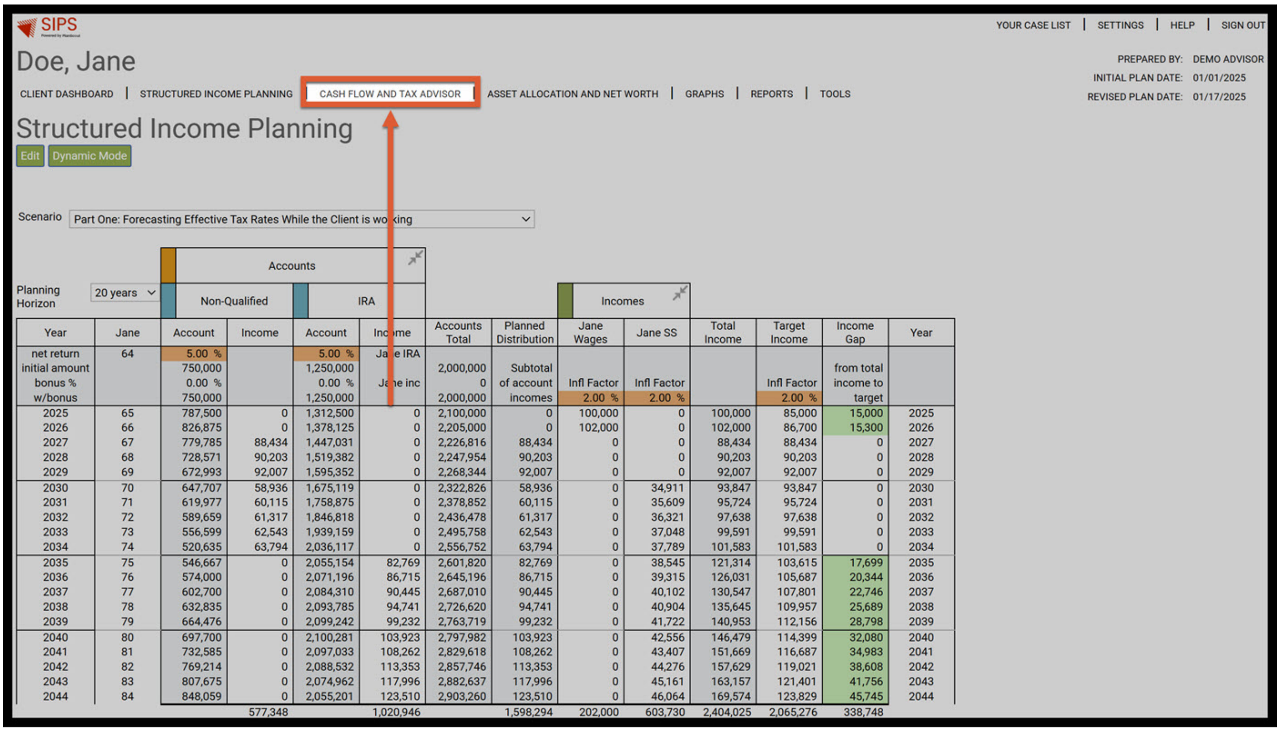
- Part One: Forecasting Effective Tax Rates While the Client is working
- Part Two: Forecasting Effective Tax Rates While the Client is in retirement and before Social Security Disbursements
- Part Three: Forecasting Effective Tax Rates While the Client is in Retirement and Social Security Starts Up
- Part Four: Forecasting Effective Tax Rates in Retirement: RMDs, Social Security, and Roth Withdrawals
- Part Five: Adding Expenses into the Cash Flow and Tax Advisor Calculator

Step 1: First Year Income: See what incomes need to be modeled in the cashflow and tax advisor to determine the effective tax-rate for that year.



Year	Jane	Non-Qualified Account	Non-Qualified Income	IRA Account	IRA Income	Accounts Total	Planned Distribution	Jane Wages	Jane SS	Total Income	Target Income	Income Gap	Year
net return	64	5.00 %		5.00 %	Jane IRA								
initial amount		750,000		1,250,000		2,000,000	Subtotal					from total	
bonus %		0.00 %		0.00 %	Jane inc	0	of account	Infl Factor	Infl Factor		Infl Factor	income to	
w/bonus		750,000		1,250,000		2,000,000	incomes	2.00 %	2.00 %		2.00 %	target	
2025	65	787,500	0	1,312,500	0	2,100,000	0	100,000	0	100,000	[illegible]	[illegible]	[illegible]
2026	66	826,875	0	1,378,125	0	2,205,000	0	102,000	0	102,000	86,700	15,300	2026
2027	67	779,785	88,434	1,447,031	0	2,226,816	88,434	0	0	88,434	88,434	0	2027
2028	68	728,571	90,203	1,519,382	0	2,247,954	90,203	0	0	90,203	90,203	0	2028
2029	69	672,993	92,007	1,595,352	0	2,268,344	92,007	0	0	92,007	92,007	0	2029
2030	70	647,707	58,936	1,675,119	0	2,322,826	58,936	0	34,911	93,847	93,847	0	2030
2031	71	619,977	60,115	1,758,875	0	2,378,852	60,115	0	35,609	95,724	95,724	0	2031
2032	72	589,659	61,317	1,846,818	0	2,436,478	61,317	0	36,321	97,638	97,638	0	2032
2033	73	556,599	62,543	1,939,159	0	2,495,758	62,543	0	37,048	99,591	99,591	0	2033
2034	74	520,635	63,794	2,036,117	0	2,556,752	63,794	0	37,789	101,583	101,583	0	2034
2035	75	546,667	0	2,055,154	82,769	2,601,820	82,769	0	38,545	121,314	103,615	17,699	2035
2036	76	574,000	0	2,071,196	86,715	2,645,196	86,715	0	39,315	126,031	105,687	20,344	2036
2037	77	602,700	0	2,084,310	90,445	2,687,010	90,445	0	40,102	130,547	107,801	22,746	2037
2038	78	632,835	0	2,093,785	94,741	2,726,620	94,741	0	40,904	135,645	109,957	25,689	2038
2039	79	664,476	0	2,099,242	99,232	2,763,719	99,232	0	41,722	140,953	112,156	28,798	2039
2040	80	697,700	0	2,100,281	103,923	2,797,982	103,923	0	42,556	146,479	114,399	32,080	2040
2041	81	732,585	0	2,097,033	108,262	2,829,618	108,262	0	43,407	151,669	116,687	34,983	2041
2042	82	769,214	0	2,088,532	113,353	2,857,746	113,353	0	44,276	157,629	119,021	38,608	2042
2043	83	807,675	0	2,074,962	117,996	2,882,637	117,996	0	45,161	163,157	121,401	41,756	2043
2044	84	848,059	0	2,055,201	123,510	2,903,260	123,510	0	46,064	169,574	123,829	45,745	2044
			577,348		1,020,946		1,598,294	202,000	603,730	2,404,025	2,065,276	338,748	

Step 2: Cash Flow and Tax Advisor: Click on the Cash Flow and Tax Advisor button underneath the Client's name heading.



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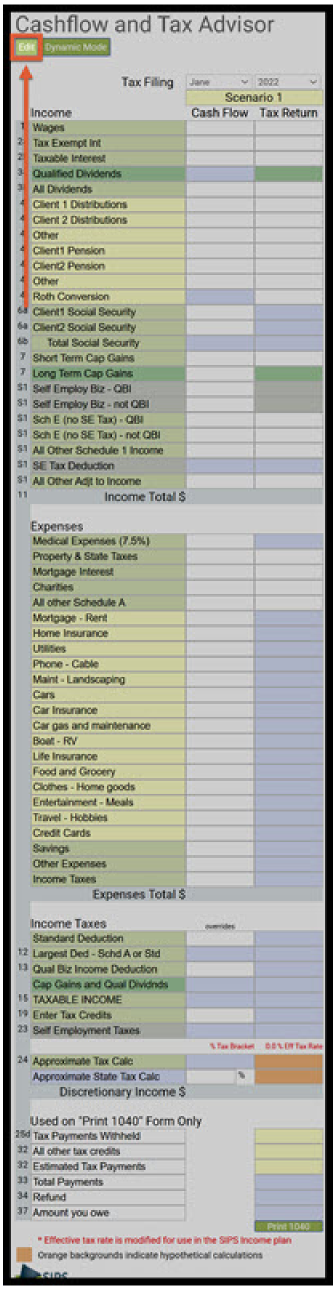
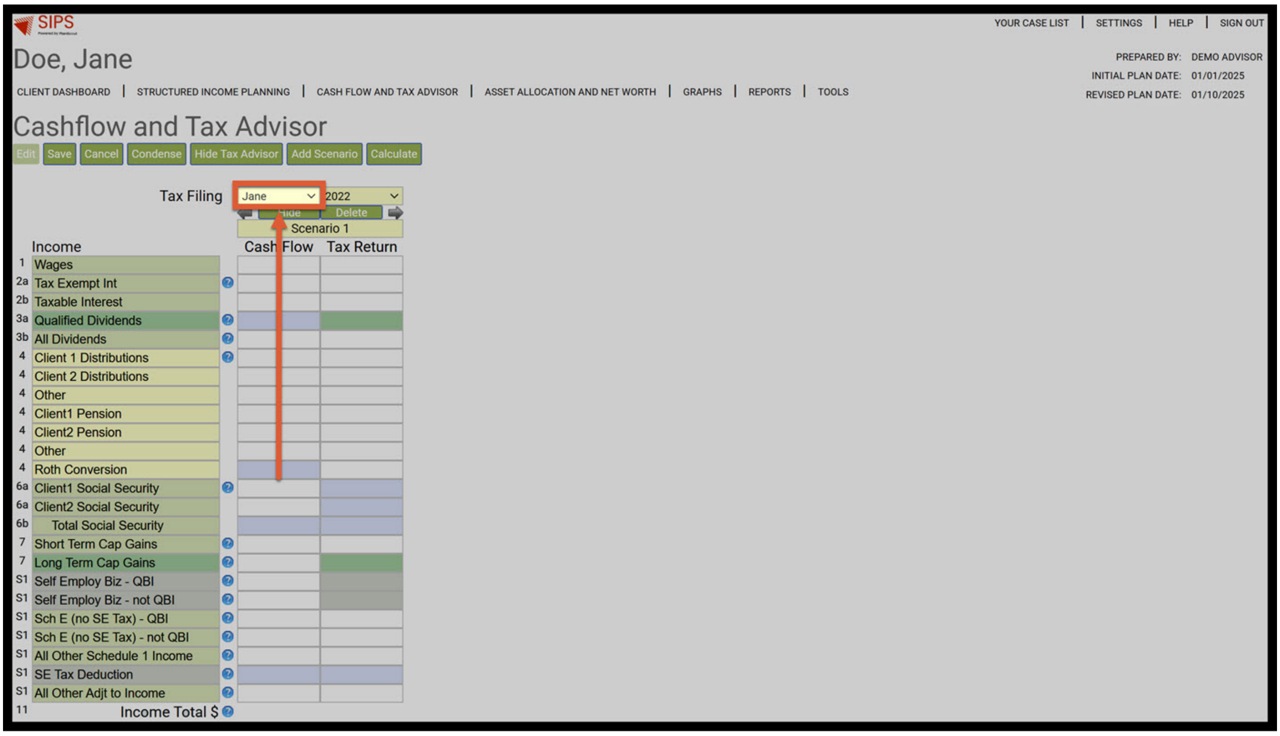
			577,348		1,020,946		1,598,294	202,000	603,730	2,404,025	2,065,276	338,748	

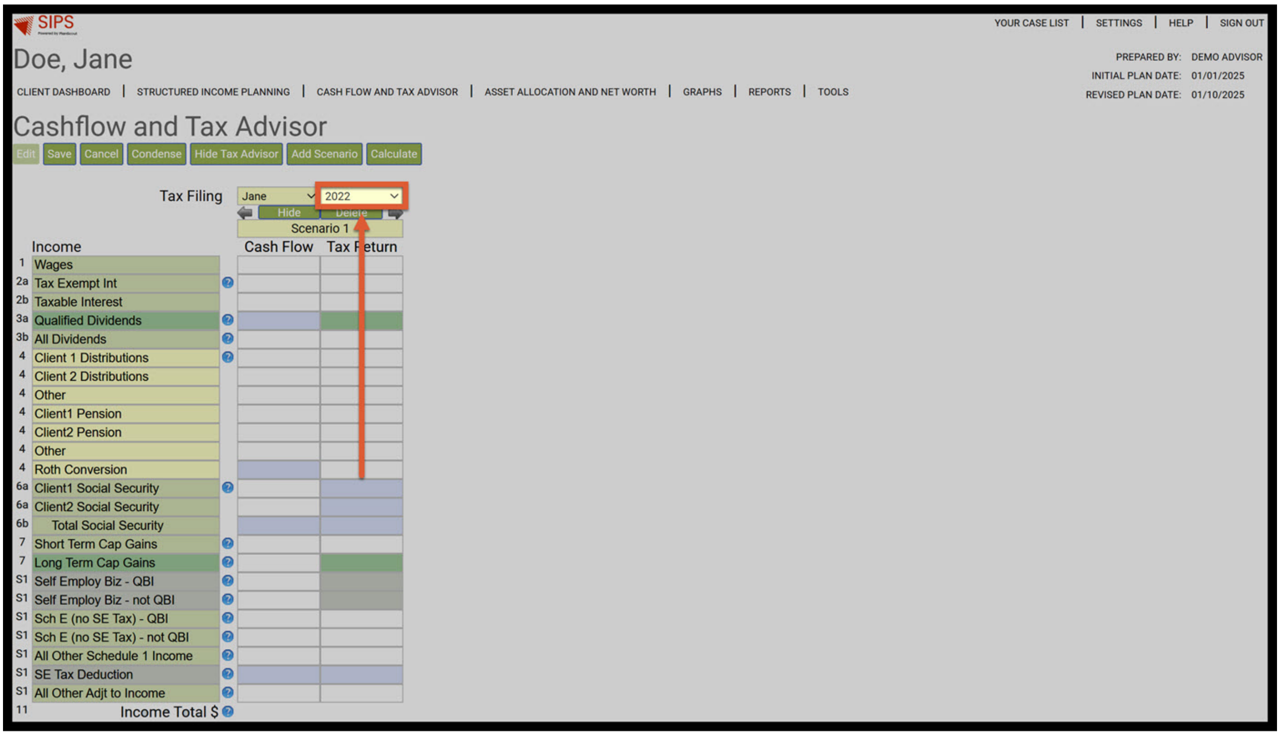
Step 3: Edit: Click on the green Edit button underneath the Cashflow and Tax Advisor heading.



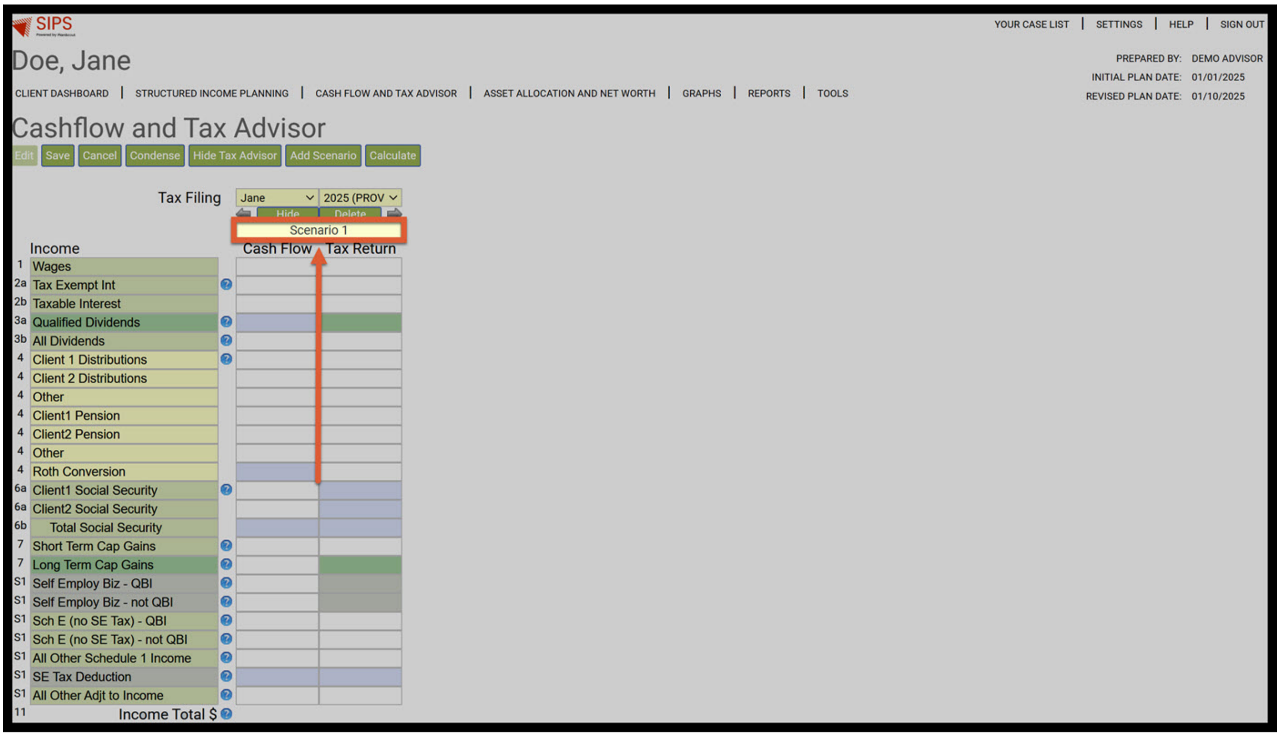
Step 4: Tax Filing Name: Click on the dropdown to select the tax filing (client 1, client 2, or joint).



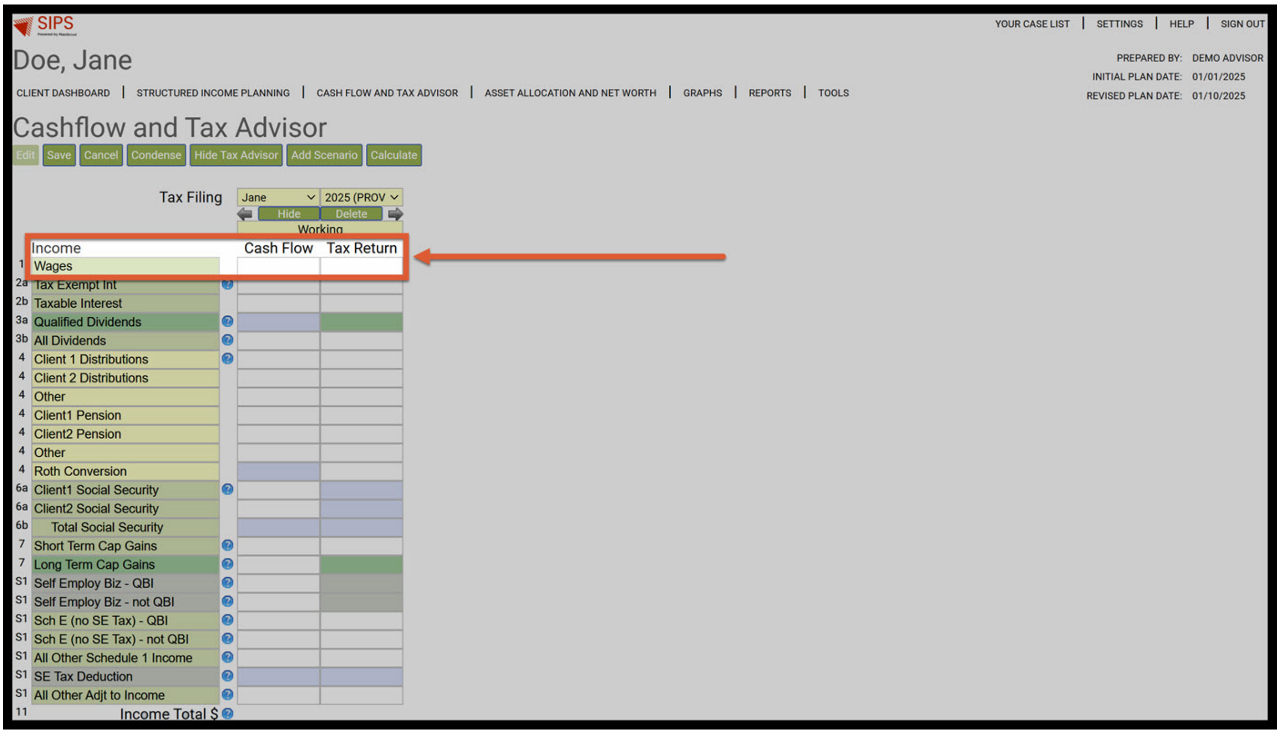
Step 5: Tax Filing Year: Click on the dropdown and select which tax year you would like to use. SIPS has the ability to create hypothetical returns for past and future years.



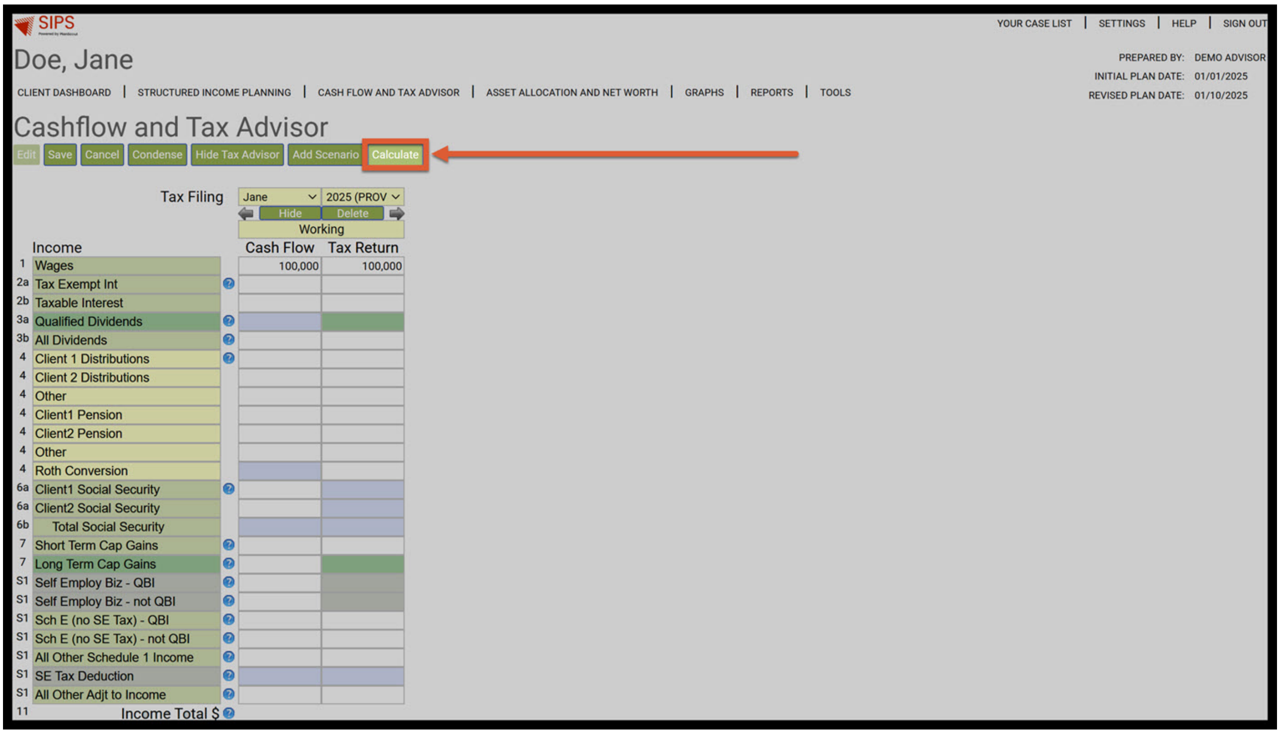
Step 6: Scenario Title: Enter in a new title for the scenario.



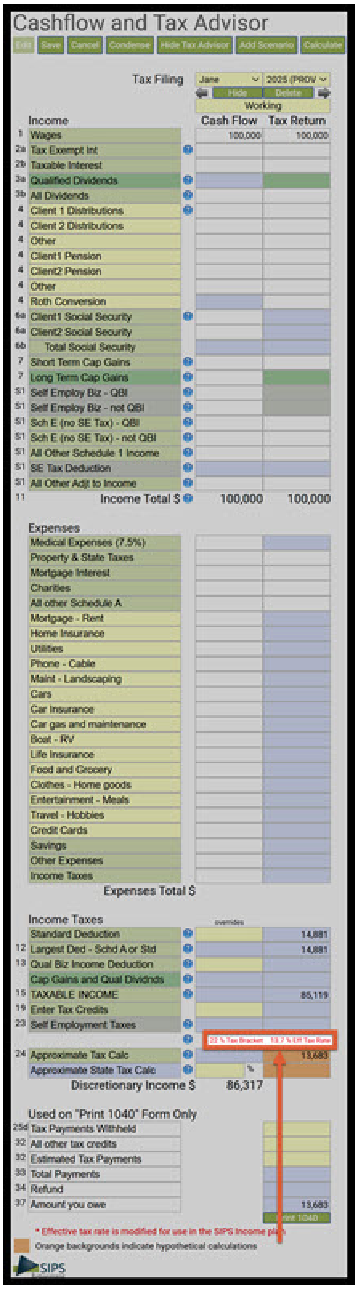
Step 7: Wages: Enter in the total income into the wages cash flow and tax return columns.



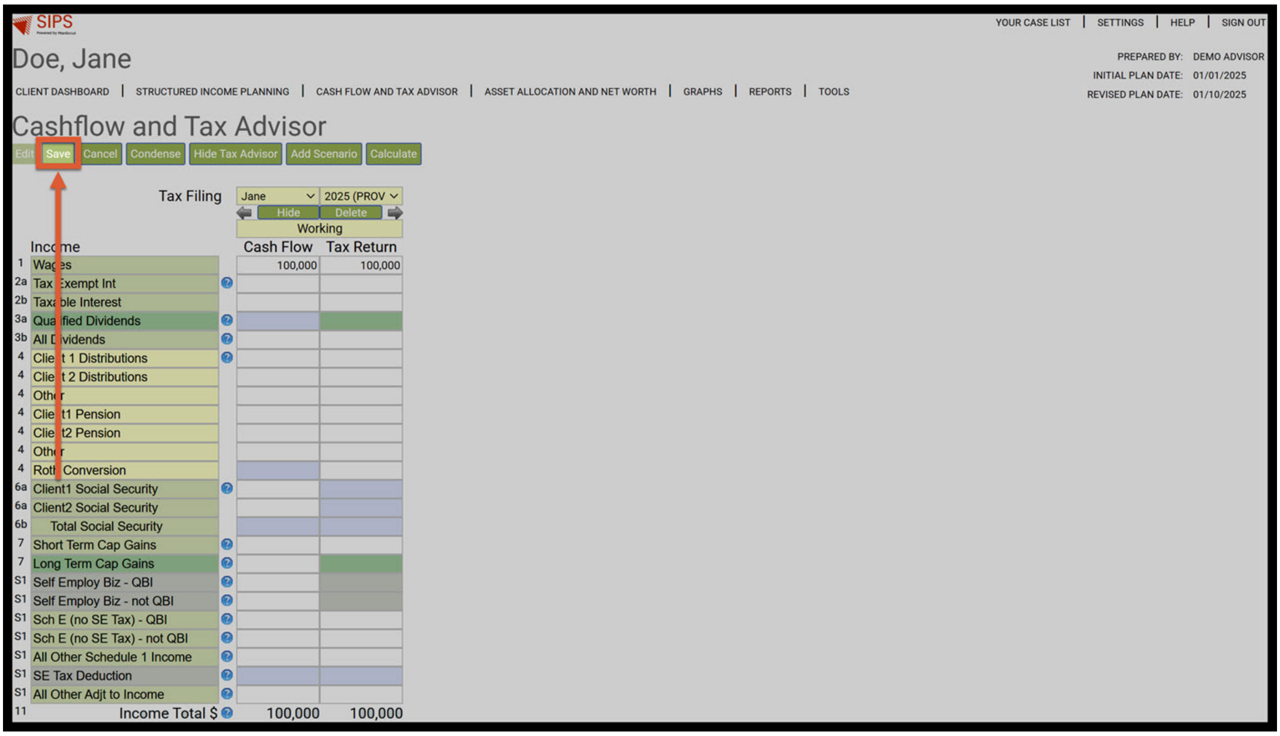
Step 8: Calculate: Click on the green calculate button underneath the Cashflow and Tax Advisor heading.



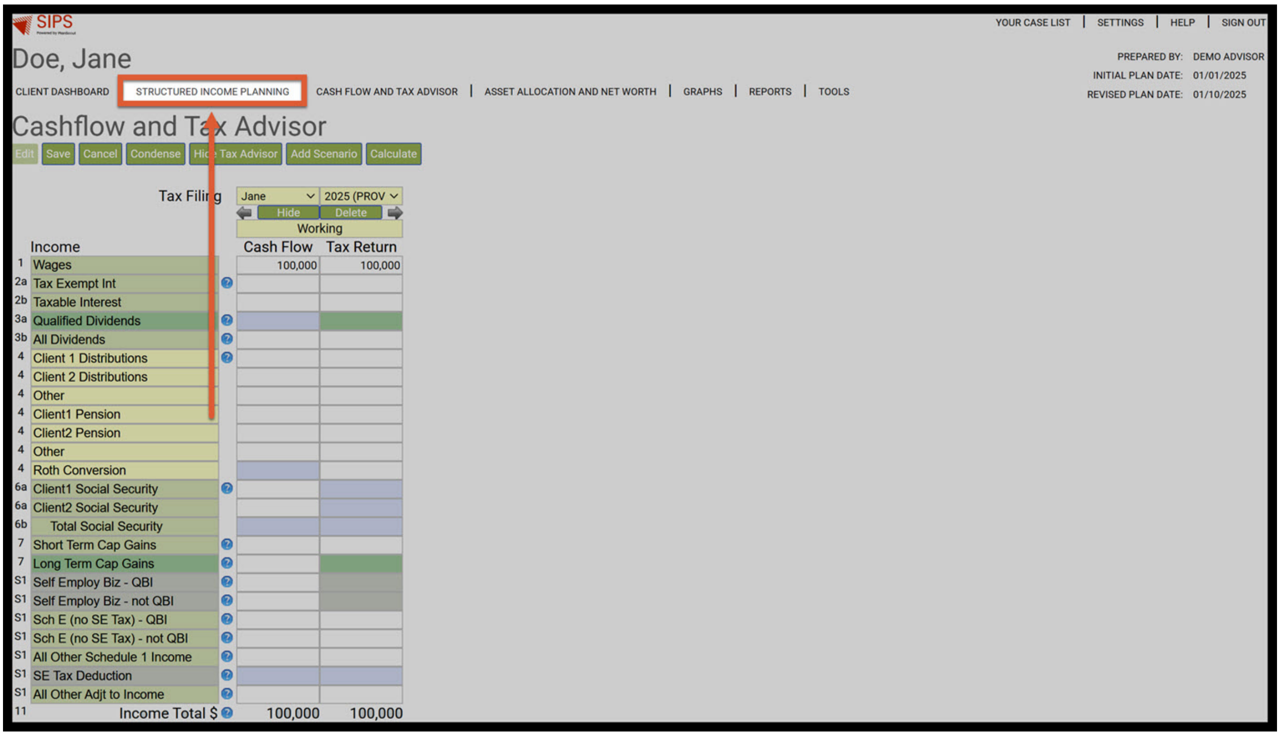
Step 9: Tax Bracket: Scroll down the page and take note of the marginal tax bracket and effective tax-rate "Eff Tax rate."



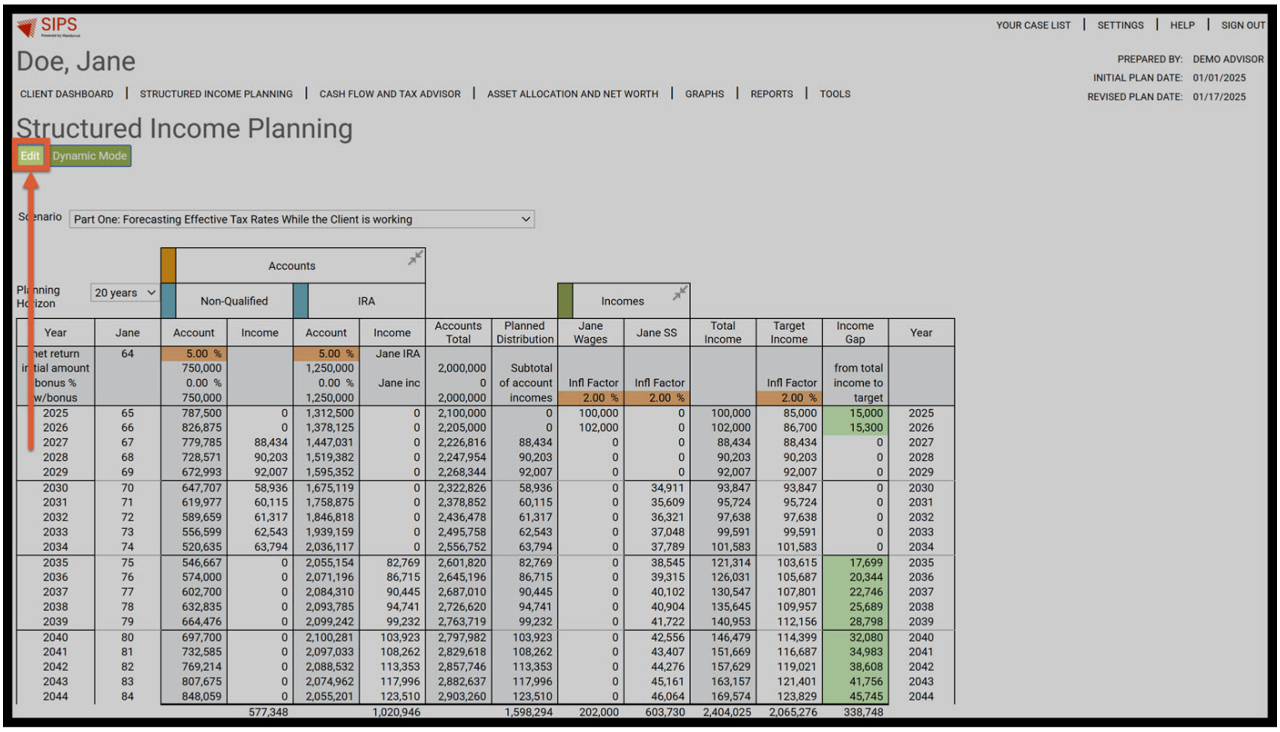
Step 10: Save: Click on the green Save button underneath the Cashflow and Tax Advisor heading.



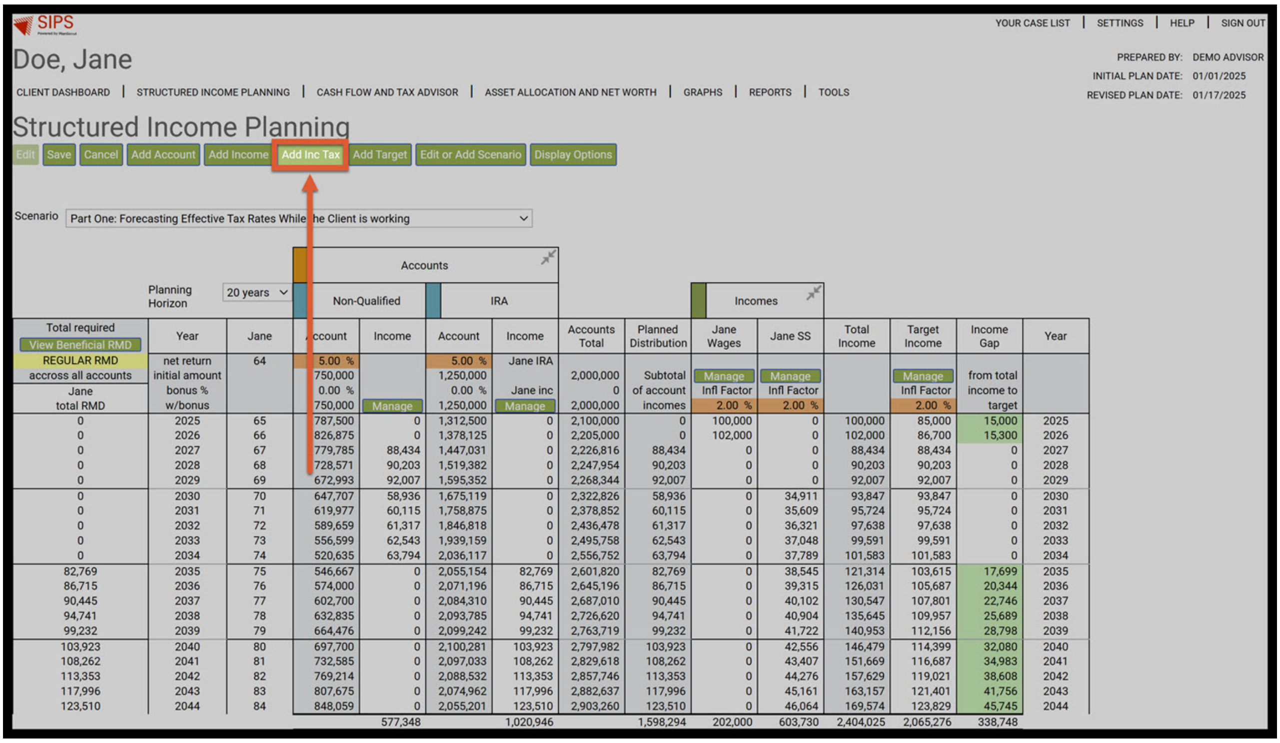
Step 11: Structured Income Planning: Click on the Structured Income Planning button underneath the Client's name heading.



Step 12: Edit: Click on the green Edit button underneath the Structured Income Planning heading.

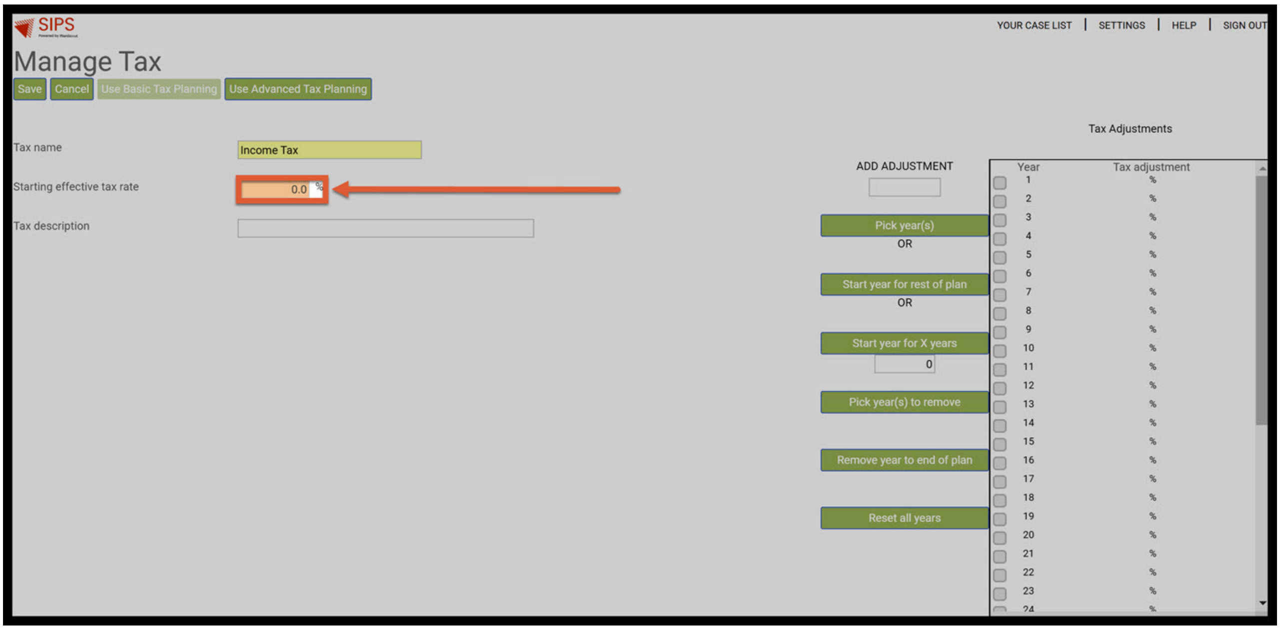


Step 13: Add Inc Tax: Click on the green Add Inc Tax button underneath the Structured Income Planning heading.



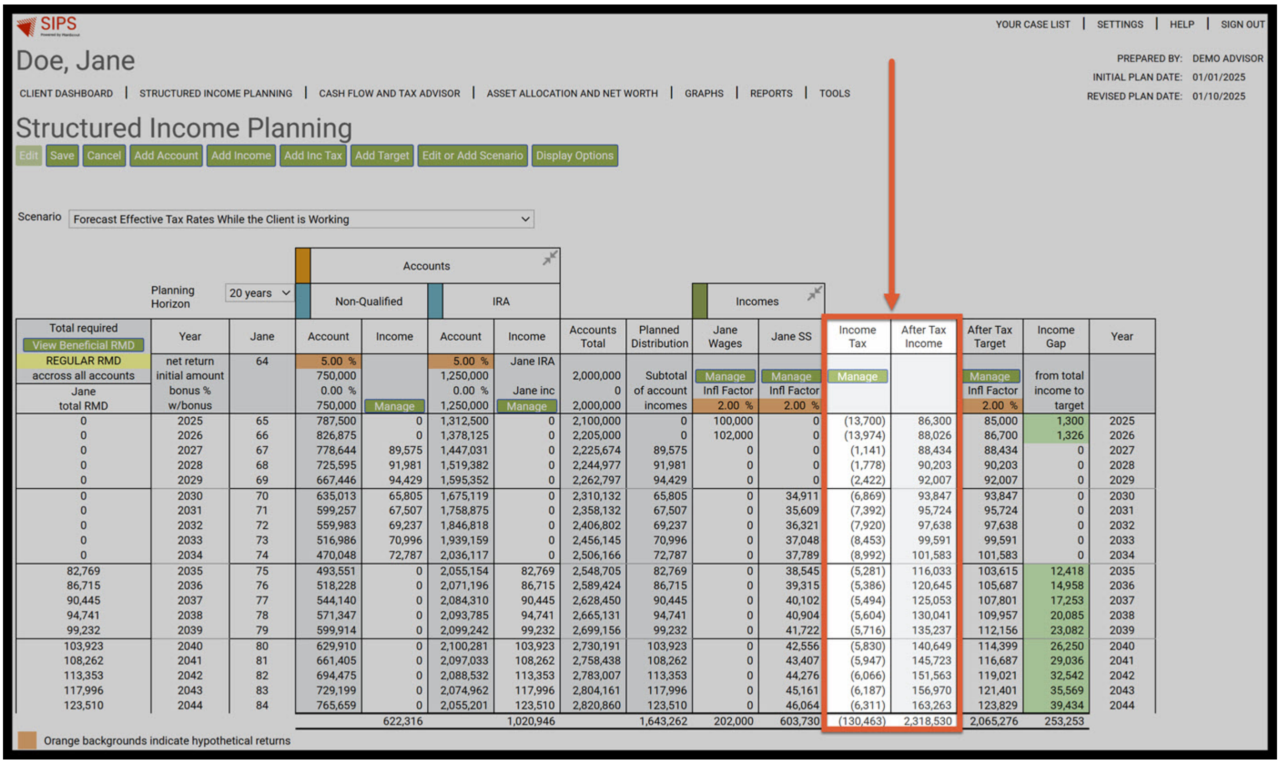
Step 14: Tax Name: Enter in a Title for the income tax.

Step 15: Starting Effective Tax Rate: Type in the effective tax rate.

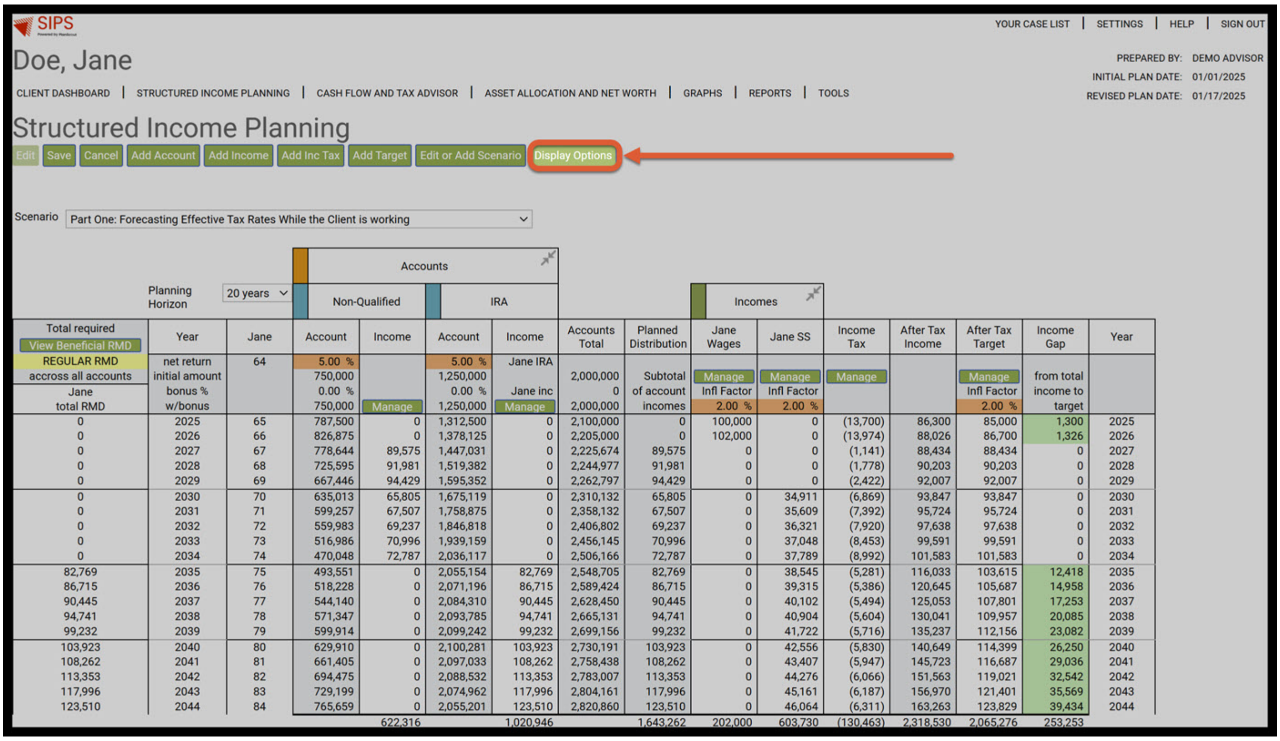


Step 16: Save: Click on the Save button underneath the Manage Tax heading.

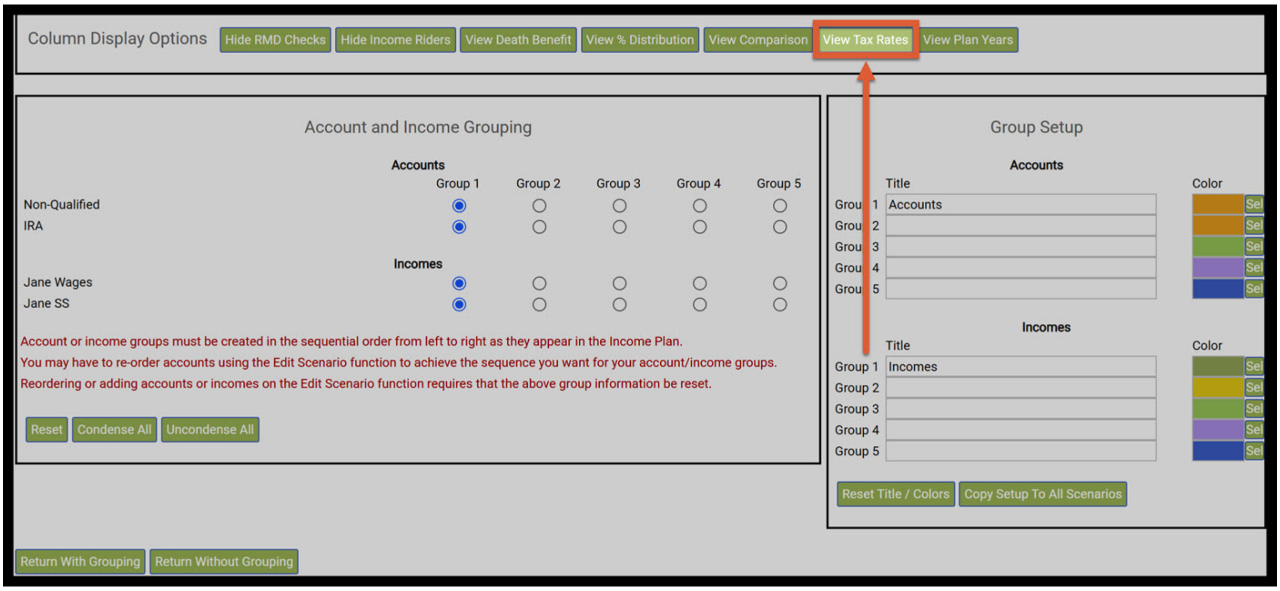
Step 17: Structured Income Planning: Two new columns have automatically appeared, the Income Tax and After Tax Income.



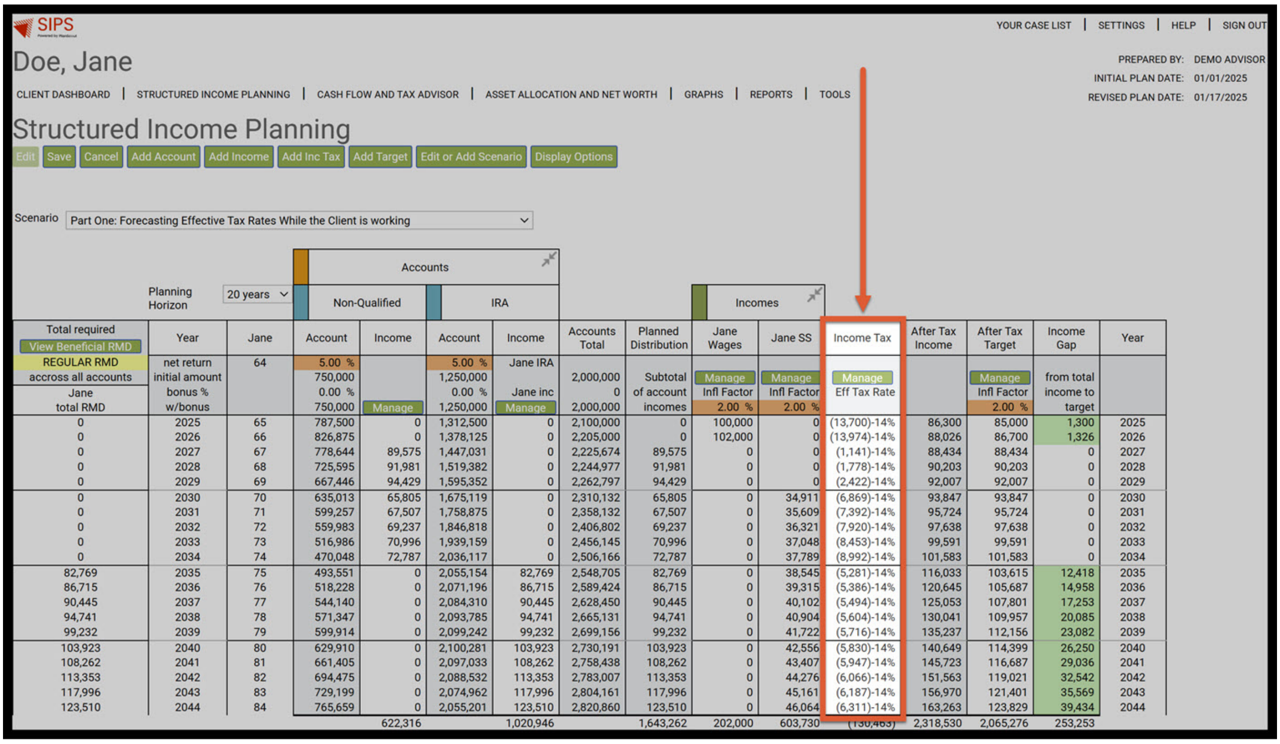
Step 18: Display Options: Click on the green Display Options button underneath the Structured Income Planning Heading.



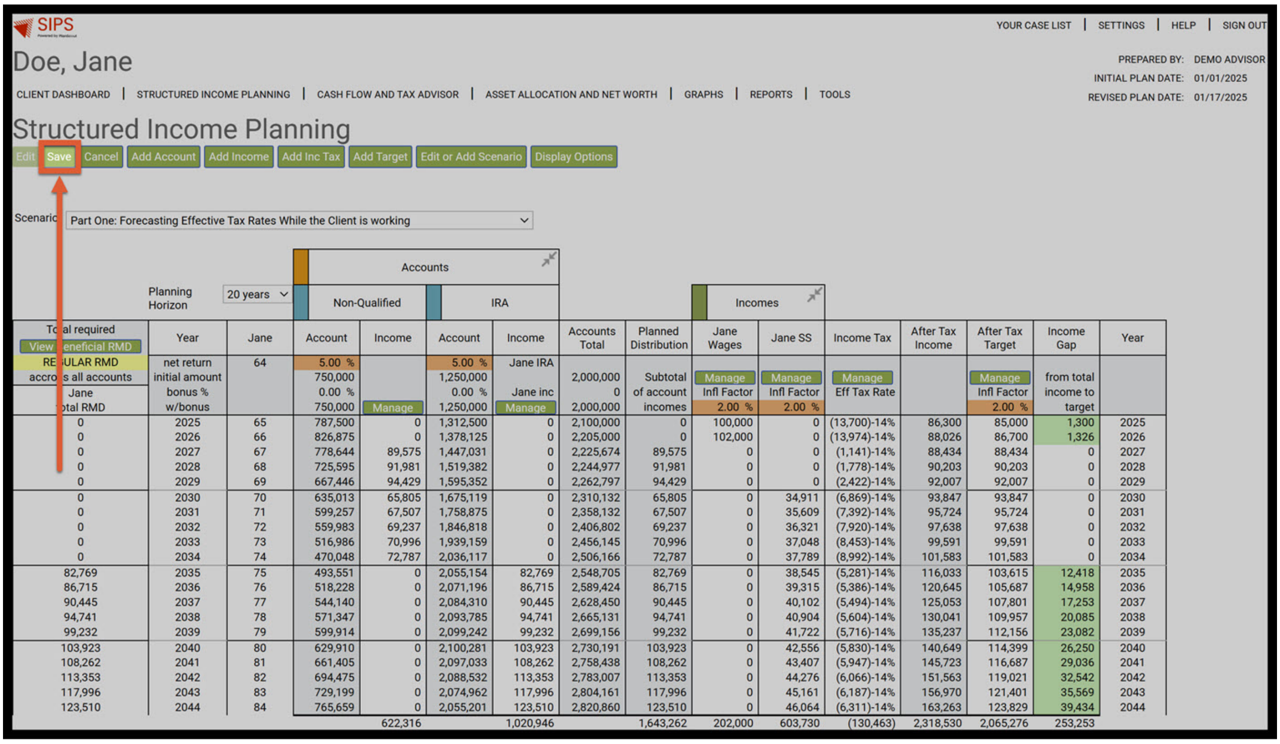
Step 19: Column Display Options: Click on the green View Tax Rates button.



Step 20: Structured Income Planning: The Income Tax Column will automatically show the percentage amount.



Step 21: Save: Click on the green save button underneath the Structured Income Planning heading.



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.