

*Client Profile:*

*Bob and Sue are both 55 years old*

*They are married, and file jointly with a Total Gross Income of \$140k*

*Adjustments total is \$40,000, broken down as follows:*

- *20% to 401k pre-tax = 28k*
- *HSA = \$8300*
- *Medical Premiums through payroll = \$3700.*

*AGI = \$100k*

*Below the Line Deductions = \$25,900 (standard deduction)*

*Use the formula to calculate their taxable income.*

**[Total Gross Income - Adjustments] = AGI - Below the line deductions = TAXABLE INCOME**

*[\$140,000 - \$40,000] = \$100,000 - \$25,900 = Taxable Income of \$74,100*

*The Capital Gains tax rate for Married filing jointly with Taxable Income (including the gain) under \$83,350 is 0% which creates an opportunity! This leaves Bob and Sue \$9,250 before they exceed this threshold.*

*Bob and Sue hold a stock in their brokerage account, for which they paid \$10,000. This stock is now worth \$19,000. This means they have an “embedded” or “unrealized” capital gain of \$9000. Given the room they have in the 0% Cap Gains bracket, they could sell this stock and owe zero federal taxes!*

*Bob and Sue purchased this stock with the intent of one day helping a child with a down payment on a home or the cost of a wedding. Even if Bob and Sue themselves do not remain in a 0% Capital Gains bracket when the need for the money occurs, it’s quite possible the adult child could be.*

*As long as the child is outside the grasp of “Kiddie Tax” (24 or older), Bob and Sue would be able to gift the stock to the adult child, let the child sell it, thus taking advantage of the 0% Capital Gains treatment.*

Contact **[Sage Wealth Planning](#)** to learn about different strategies that may help you minimize your tax liability.

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