Net Unrealized Appreciation (NUA)

Will you end up paying too much in ordinary income taxes for company stock in your 401(k) plan?

Avoid higher taxes on your company stock within your 401(k) and protect your wealth. Start exploring your NUA strategies with us today!

Transferring shares of your company stock as part of a lump-sum distribution generally results in the cost basis of these shares taxed at the higher ordinary income tax rates.

The trade-off is the NUA process enables the company stock to be taxed at the lower capital gains rate rather than facing higher ordinary income tax rates.

Example

1. Ava is retiring at age 65 this year. Her 401(k) plan has $500,000 in a target date fund, along with $500,000 in company stock, which has a cost basis of $100,000.
2. Ava elects NUA treatment for the company stock. The company stock is transferred in-kind as a lump-sum distribution to a brokerage account. The cost basis of $100,000 is generally taxed at the higher ordinary income tax rates.
3. Ava's non-company stock (target date fund) will rollover into an IRA. Future sales of the company stock in the brokerage account will be taxed at lower long-term capital gains rates.
4. Our expertise adds a time sensitive step in the process for clients to take advantage of a special tax provision that eliminates the ordinary income tax on the cost basis of the shares without losing the NUA benefits.

The NUA Process

1. Separation from employer, disability, or attained 59.5 years old.

2. Employer stock is distributed as a lump-sum in-kind transfer to a taxable brokerage account.

3. Rollover non-employer stock into an IRA.

4. Utilize a time sensitive process to eliminate ordinary income tax on the cost basis of the company shares.

4. Enjoy long-term capital gains tax rate on your appreciated company stock in your brokerage account.

*The information provided in this publication is a hypothetical situation and could vary depending on an individual's unique tax situation and age. This is not intended to provide specific recommendations or course of action.

Learn how transferring the cost basis through NUA can significantly reduce taxes on your retirement savings!

www.fortunefinancialadvisors.com

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