

NEWS

For Immediate Release

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Timelineapp Announces New U.S. Tax Feature

New addition to Timeline automatically calculates taxes, allows advisors to create different scenarios and assess the impact of taxes on retirees

LONDON [June 10, 2020] – [Timelineapp Tech Limited](#) (Timeline), a fintech company that provides financial advisors with next-generation retirement income software, recently announced the launch of their new U.S. tax feature on the Timeline platform, which will allow taxes to be calculated automatically using U.S. Federal income tax brackets. Before this, Financial Planners and Registered Investment Advisors (RIAs) had to enter the information manually for each investment account.

This new feature is unique in the way it incorporates taxes across a range of investment and retirement accounts, by modeling Traditional IRAs, 401(k)s, Social Security, Roth IRAs, Defined Benefit (DB) pensions and annuities. Users can select the required income option as either gross or net. By selecting net income, Timeline calculates the total gross income amount a client can withdraw to sustain the required net income figure. By selecting gross income, the software uses the relevant tax brackets to calculate the income tax – and it works out the net income.

Timeline has modeled 85% of Social Security benefits as being taxed at the relevant tax band and 15% as being tax-free. For 401(k) and Traditional IRAs, income withdrawals before the age of 59 incur an additional tax charge. Roth IRAs and Roth 401(k)s are considered tax-free, while DB pensions and annuities are taxed at the relevant Federal tax bands. Within Brokerage accounts, income is taxed based on either an increase in the account value, or as a result of interest and/or dividend payments.

Timeline uses Total Return Indices for asset classes. It has estimated the average dividend and interest as a percentage of the total returns over an 80-year period. It considers years that have positive portfolio returns, so the total return is made up of capital gains, dividend and interest – all of which are appropriately taxed within the Brokerage account. Capital gains are taxed based on the CGT rates, depending on the individual's total taxable income. Dividends are considered 'qualified dividends' as set out by the Internal Revenue Service (IRS) tax code and they meet specific criteria for taxation. For example, dividends that are being taxed at

lower longer-term capital gains rates rather than at higher rates for the individual's taxable income.

The conventional wisdom for most retirees is to largely rely on their tax-deferred accounts – 401(k)s as well as Social Security benefits, to fund their retirement lifestyles. But, some draw on their retirement assets in taxable (Brokerage) accounts first. Deciding how to use this combination of accounts to draw income in retirement illustrates the impact that taxes have on withdrawals.

There's logic to drawing on taxable accounts first. Leaving tax-deferred accounts untouched means there's more time for their value to increase. Doing it the other way around – taking income initially from tax-deferred 401(k)s – could mean your income is taxed at much higher rates. Advisors' clients could have more money to spend and have a healthy legacy to leave to their estate. To view an example of this, please [visit the Timeline blog](#).

Timeline's modeling of U.S. taxes helps to efficiently account for retirement taxes, keep income sustainable, and ensure the client doesn't run out of money. Users can create different tax planning scenarios and assess the impact of taxes on their client's retirement journey. This is just one of the many ways that Timeline helps advisors improve on the accepted wisdom of drawing down certain accounts. It helps users with detailed financial planning – especially with how to take advantage of taxable income and leave a healthy legacy to a client's estate by maximizing the after-tax value of accounts.

ABOUT TIMELINE

Timelineapp Tech Limited is the next-gen retirement income software used by financial planners to illustrate, create and manage sustainable withdrawal strategy for their clients. It is used by financial professionals in the UK, US and other developed countries across the world. Timeline's extensive empirical asset class and longevity data help financial advisors bring a client's retirement journey to life and answer their big retirement income questions through unique personalization and engagement capabilities. Learn more at www.timelineapp.co. Follow Timeline on Twitter [@Timeline_Tech](#).

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