



# *What You Should Know*

Martavius D. Jones  
Financial Advisor  
Chartered Federal Employee Benefits Consultant<sup>SM</sup>  
Licensed Insurance Agent  
Jones Wealth Management Group  
280 Hernando Street, 2<sup>nd</sup> Floor  
Memphis, TN 38126  
Phone: 901-312-9166  
Fax: 901-312-9167  
Toll-Free: 800-754-1218  
[www.joneswealthmgmt.com](http://www.joneswealthmgmt.com)

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## Background



Martavius Jones started his career in financial services in 1990 in Hartford, Connecticut, as a Pathways Associate in the Employee Benefits Division (EBD) of Aetna Life & Casualty Company. EBD was responsible for the sales and service of group pensions, group health and group life plans. Mr. Jones transferred to the Nashville, Tennessee office of Aetna (Health Plans) in 1993 where he recruited physicians and other healthcare providers for participation in managed healthcare plans, HMOs, PPOs, etc.

In 1994, he began his investment career with A.G. Edwards & Sons, in Nashville, Tennessee. In 1998, he joined the investment department of First American Bank, and in 1999 transferred to the Memphis office of First American, which was subsequently acquired by AmSouth Bank. Since 2001, Mr. Jones has been an independent (contractor) financial advisor.

Mr. Jones earned his bachelor's degree in finance from Howard University in Washington, D.C., and currently holds the Series 7, 24, 63, 65, and 66 licenses and has a Tennessee Insurance License (resident) and non-resident licenses in several states. He is an avid football fan who has served as a NFL Players Association Registered Financial Advisor and is a recreational golfer, who likes to read and help clients meet their financial goals. Mr. Jones is also a member of the Omega Psi Phi Fraternity, Inc.

Additionally, Mr. Jones is a Chartered Federal Employee Benefits Consultant<sup>SM</sup>. A Chartered Federal Employee Benefits Consultant<sup>SM</sup> is a financial planning professional who has been specially trained on the complexities associated with the retirement and other benefits offered to the employees of the federal government.

From 2006 until 2009, Mr. Jones appeared weekly on WHBQ-TV, Fox 13, on Tuesdays at 7:45am providing financial commentary for the "Money Matters" segment of Good Morning Memphis.

Mr. Jones served on the City of Memphis Alcohol Commission from November 2003 until December 2013. In January 2006, he was appointed to the Memphis City Schools Board of Commissioners to fill the unexpired term of a vacated seat and subsequently elected to a full, four-year term in November 2006, re-elected in 2010, and served until 2013. In November 2007, Mr. Jones was selected as one of the Memphis Business Journal's Top 40 Under 40 and was a member of the 2008 Leadership Memphis Executive Program.

His additional community service present and past has included board member of Methodist Extended Care Hospital, Memphis Police Foundation, Memphis in May International Festival, Playhouse on the Square, and the Memphis Rock 'n' Soul Museum.

In January 2016, Mr. Jones was sworn in as a member of the Memphis City Council serving Super District 8, Position 3, after winning the seat in October 2015.



## Know Your Tax Rate

In the table below, identify your tax filing status from the four (4) as either single, married filing jointly (or qualifying widow(er)), married filing separately, or head of household, and then identify the range of your annual income. Look to the tax rate column and identify the corresponding tax rate for the range that includes your income you have your **TAX RATE** or tax brackets as it is sometimes referenced. For example, a married couple that earns \$100,000 in combined income would fall into the 25% tax bracket, meaning that for every dollar that they earn, a quarter has to go to taxes.

### 2016 Income Tax Brackets

Tax rate	Single filers	Married filing jointly or qualifying widow(er)	Married filing separately	Head of household
10%	Up to \$9,275	Up to \$18,550	Up to \$9,275	Up to \$13,250
15%	\$9,276 to \$37,650	\$18,551 to \$75,300	\$9,276 to \$37,650	\$13,251 to \$50,400
25%	\$37,651 to \$91,150	\$75,301 to \$151,900	\$37,651 to \$75,950	\$50,401 to \$130,150
28%	\$91,151 to \$190,150	\$151,901 to \$231,450	\$75,951 to \$115,725	\$130,151 to \$210,800
33%	\$190,151 to \$413,350	\$231,451 to \$413,350	\$115,726 to \$206,675	\$210,801 to \$413,350
35%	\$413,351 to \$415,050	\$413,351 to \$466,950	\$206,676 to \$233,475	\$413,351 to \$441,000
39.6%	\$415,051 or more	\$466,951 or more	\$233,476 or more	\$441,001 or more

Source: <http://www.bankrate.com/finance/taxes/tax-brackets.aspx>

Jones Wealth Management Group does not provide tax advice. Please consult your tax consultant as it pertains to your situation.



## Know That All Income Is Not Taxed at the Same Rate

All income is not taxed at the same rate – it will depend upon the source of that income. On the previous page, you identified your tax rate, based upon the ranges of income listed. It's a known fact that as your income goes up, so does your tax rate, and subsequently, the amount of taxes that you pay. In the table below, many sources of income are identified below and there are some sources omitted, but in general, all income from all sources are totaled, and that total amount will fall into one of the seven (7) tax brackets (15% - 39.6%).

There are exceptions however. For tax filers in the 10% or 15% tax bracket, the tax rate on qualified dividends and long-term capital gains is **zero percent (0%)**. For tax filers in the 25%, 28%, 33%, or 35% tax bracket, the maximum qualified dividend and long-term capital gains tax rate is **fifteen percent (15%)**, and for filers in the 39.6% tax bracket, the maximum qualified dividend and long-term capital gains tax rate is **twenty percent (20%)**.

Taxed at Ordinary Income Tax Rates (10%, 15%, 25%, 28%, 33%, 35% or 39.6%)	Maximum Tax Rate of <b>15%*</b>	Maximum Tax Rate of <b>0%</b>
<ul style="list-style-type: none"> <li>• Wages</li> <li>• Salaries</li> <li>• Pensions</li> <li>• Annuities</li> <li>• Rental Income</li> <li>• 401(k) Distributions</li> <li>• 403(b) Distributions</li> <li>• TSP Distributions</li> <li>• IRA Distributions</li> <li>• Checking Account Interest</li> <li>• Savings Account Interest</li> <li>• Interest from CDs</li> <li>• Interest from corporate and government bonds</li> <li>• Short-term capital gains</li> </ul>	<ul style="list-style-type: none"> <li>• Qualified Dividends</li> <li>• Long-Term Capital Gains</li> </ul>	<ul style="list-style-type: none"> <li>• Qualified Roth Account Distributions</li> <li>• Interest from municipal bonds</li> </ul>

Qualified Roth Account Distributions and interest from municipal bonds provide the potential to earn income that's **TAX-FREE** from federal income taxes. **TAX-FREE** income is also available for single filers that earn less than \$37,650, head of household filers that earn less than \$50,400, and married filing jointly filers that earn less than \$75,300 because the tax rate on qualified dividends and capital gains is **zero percent (0%)**.

An ideal situation would be to have income from all three colored categories in retirement.

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## Know that Uncle Sam Benefits Most When You Take a Lump Sum Distribution

Any distribution or withdrawal from a retirement plan that is taken as an one-time or lump sum payment is combined with your other income and that total amount is your new income amount and it will be taxed accordingly. For example, a married couple that files jointly and earns \$100,000 per year would fall into the 25% tax bracket. If the husband retires withdraws his total retirement plan balance of \$150,000, their new total income amount is \$250,000 and instead of being in the 25% tax bracket, they now fall into the 33% tax bracket. For most retirement plans, any withdrawals made before someone turns 59½ years of age, are also subject to an additional 10% early withdrawal penalty. So in the example given above, if the husband is 57 years old, their \$250,000 income level subject them to the 33% tax rate, but there would be an additional 10% on the \$150,000 withdrawal making it a total of 43% effectively going to taxes.



## Know When to Retire

Some people choose to retire once they have achieved a milestone anniversary year, such as 25<sup>th</sup>, 30<sup>th</sup>, 35<sup>th</sup>, etc., or achieved a milestone birthday such as 60, 62, or 65. Instead of basing that decision on retirement years or retirement age, it should be based upon retirement assets and whether those assets would be able to replace the income you'll no longer be earning on the job. You should consult with a financial advisor that will advise you whether now is a better time to retire versus postponing retirement for a few years.

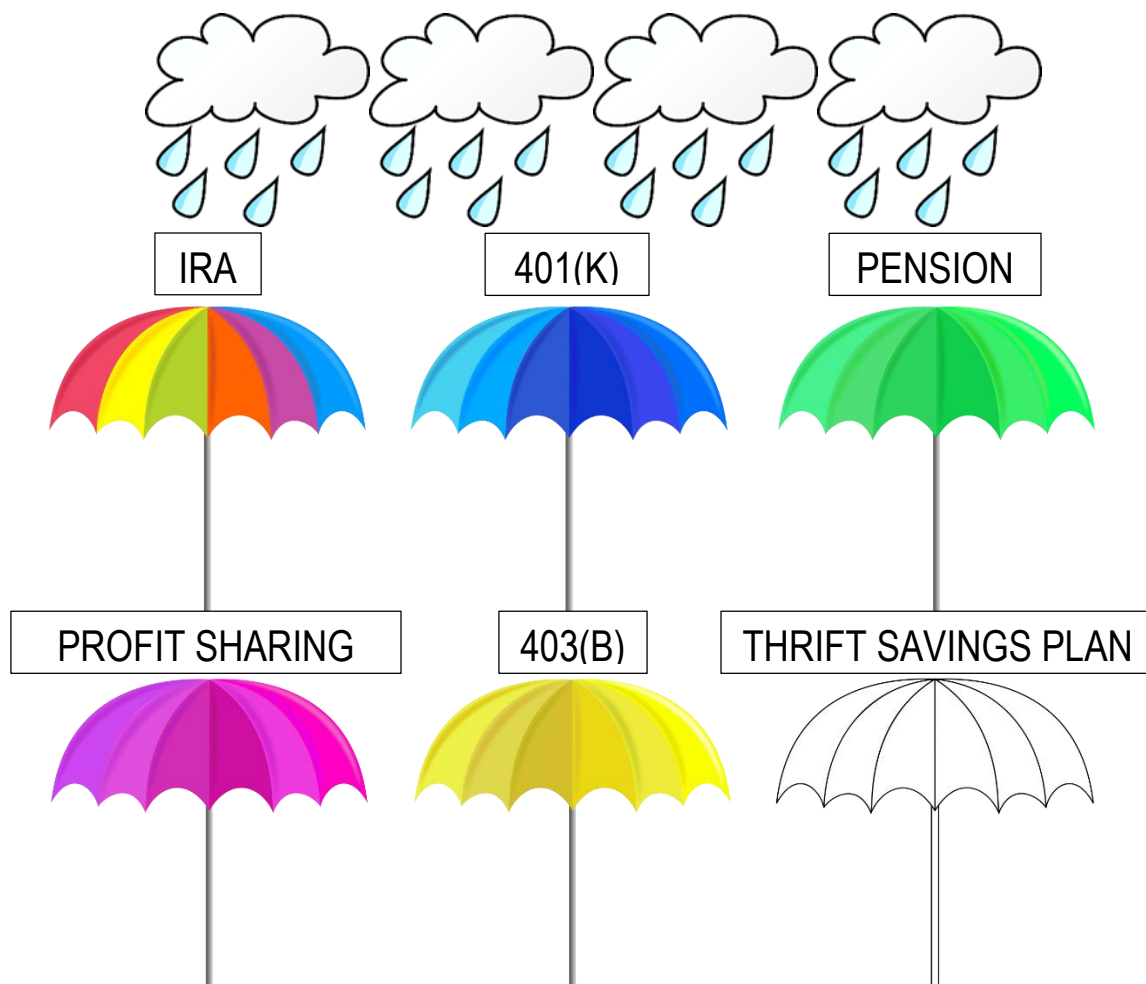
Knowing when to retire also applies to the time of year. If you are considering retiring in the last quarter of the year – October, November, or December – it may be more advantageous to wait until the beginning of the year, particularly if there will be a need to make any withdrawals from your retirement plan. Any retirement withdrawals would be combined with an entire year's worth of earnings that could push you into the next tax bracket. Any withdrawals needed in December should be split into two, taking one in December and one in January, thereby splitting the tax bill over two (2) years.



## Know That a Rollover to an IRA is Non-Taxable Event

An IRA is an account, but not an investment. Think of an IRA as an umbrella. As an umbrella protects us from rain, tax-deferred retirement accounts such as IRAs, 401(k)s, profit sharing, and Thrift Savings Plans, amongst others, protect us from taxes. It isn't until you make a withdrawal or distribution that you (get wet) are subject to taxes. Rolling over your 401(k), Thrift Savings Plan, pension or profit sharing plan, in a sense, is changing out one colored umbrella for another. An IRA is an account that holds your investment and allows it to grow tax-deferred until you make withdrawals or distributions. The rate of return or interest rate of your IRA will depend upon the particular investment that's in your IRA account.

## TAXES





## Know That Your Expenses Won't Remain Fixed in Retirement - Neither Should Your Income

The average American life expectancy is 78.9 years (Source: <http://kff.org/other/state-indicator/life-expectancy>) and during this greater period of retirement years than previous generations, your retirement funds have to last longer. And while there hasn't been double-digit inflation of the late 70s and early 80s, daily living expenses naturally increase over time, such as utility and fuel costs, food, and health care costs. Today's low interest rates can present a challenge for those persons seeking to have the potential for an increasing income in retirement, so instead of going it alone, seek the advice and experience of a trusted financial advisor that can help you manage your retirement assets in a manner to give you the potential for an increasing income in retirement.

The chart below provides the annual amount of income generated at various hypothetical interest rate or withdrawals rates based upon various retirement plan balances.

A trusted financial advisor can thoroughly explain to you the options available to you to help you manage your retirement assets.

<b>Hypothetical Interest Rate or Withdrawal Rate</b>					
	1%	2%	3%	4%	5%
<b>\$100,000</b>	\$1,000	\$2,000	\$3,000	\$4,000	\$5,000
<b>\$150,000</b>	\$1,500	\$3,000	\$4,500	\$6,000	\$7,500
<b>\$200,000</b>	\$2,000	\$4,000	\$6,000	\$8,000	\$10,000
<b>\$250,000</b>	\$2,500	\$5,000	\$7,500	\$10,000	\$12,500
<b>\$300,000</b>	\$3,000	\$6,000	\$9,000	\$12,000	\$15,000
<b>\$350,000</b>	\$3,500	\$7,000	\$10,500	\$14,000	\$17,500
<b>\$400,000</b>	\$4,000	\$8,000	\$12,000	\$16,000	\$20,000
<b>\$450,000</b>	\$4,500	\$9,000	\$13,500	\$18,000	\$22,500
<b>\$500,000</b>	\$5,000	\$10,000	\$15,000	\$20,000	\$25,000
<b>\$750,000</b>	\$7,500	\$15,000	\$22,500	\$30,000	\$37,500
<b>\$1,000,000</b>	\$10,000	\$20,000	\$30,000	\$40,000	\$50,000



## Know Your Life Insurance Options

Before you retire, you should inquire about options for your life insurance. Some employers allow retirees to carry their life insurance into retirement, even if it's at a reduced rate of coverage. If it's at a reduced rate, you should contact a trusted financial advisor to review your current insurance needs and determine if the amount of coverage you have is sufficient to fulfill your wishes and cover the needs of your loved ones.



## Contact

# Have Additional Question About Your Retirement Options?

Call or email today to schedule a no-cost,  
complimentary phone or in-person  
consultation:

901-312-9166 / 800-754-1218

[info@joneswealthmgmt.com](mailto:info@joneswealthmgmt.com)



## Disclosures

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