The Tax Control Triangle

Assets generally fall into one of three categories.

TAX-FAVORED

- *Tax-Free/Advantaged Distribution*
- *After-Tax Contributions*

Roth IRA
Municipal Bond
Cash Value Life Insurance

These assets are funded with after-tax dollars, may have the option for tax-deferred growth and may be distributed income tax-free. This category includes Roth IRAs, municipal bonds and cash value life insurance.

TAXABLE

- *Interest/Dividends*
- *After-Tax Contributions*

Cash
Checking
CDs
Money Market
Non-Qualified Brokerage

These assets are funded with after tax dollars and every year the owner receives a 1099 form for any interest or dividends earned. This category is often beneficial for its high liquidity and includes cash, checking, savings accounts, CDs, money market accounts and non-qualified brokerage accounts.

TAX-DEFERRED

- *Taxable Distribution*
- *Tax-Deductible Contributions*

401(k)/403(b)
Traditional IRAs
SEP/SIMPLE
Pension
Qualified Retirement Plans

These assets typically provide tax-deductible contributions and tax-deferred growth, but upon distribution, are taxed as ordinary income. This is often the only category many Americans utilize for retirement and includes 401(k) and 403(b) accounts, traditional IRAs, SEP/SIMPLE accounts, pensions and other qualified retirement plans.