# 2021 Tax Planning Guide

## Tax Brackets for 2021

<table>
<thead>
<tr>
<th>Bracket</th>
<th>Percentage</th>
<th>Married, Filing Jointly</th>
<th>Married, Filing Separately</th>
<th>Head of Household</th>
<th>Single</th>
<th>Estate and Trust</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0–$19,900</td>
<td>10.0%</td>
<td>$80,800</td>
<td>$40,400</td>
<td>$54,100</td>
<td>$40,400</td>
<td>$2,700</td>
</tr>
<tr>
<td>$19,901–$81,050</td>
<td>12.0%</td>
<td>$124,000</td>
<td>$62,000</td>
<td>$88,100</td>
<td>$62,100</td>
<td>$3,700</td>
</tr>
<tr>
<td>$81,051–$172,750</td>
<td>22.0%</td>
<td>$248,000</td>
<td>$124,000</td>
<td>$172,900</td>
<td>$124,200</td>
<td>$5,700</td>
</tr>
<tr>
<td>$172,751–$329,850</td>
<td>24.0%</td>
<td>$385,200</td>
<td>$192,600</td>
<td>$332,700</td>
<td>$192,400</td>
<td>$7,700</td>
</tr>
<tr>
<td>$329,851–$418,850</td>
<td>32.0%</td>
<td>$518,400</td>
<td>$259,200</td>
<td>$418,850</td>
<td>$259,200</td>
<td>$9,700</td>
</tr>
<tr>
<td>$418,851–$628,300</td>
<td>35.0%</td>
<td>$702,600</td>
<td>$359,300</td>
<td>$628,300</td>
<td>$359,300</td>
<td>$11,700</td>
</tr>
<tr>
<td>Over $628,300</td>
<td>37.0%</td>
<td>$1,064,000</td>
<td>$419,700</td>
<td>$628,300</td>
<td>$419,700</td>
<td>$13,700</td>
</tr>
</tbody>
</table>

### Long-Term Capital Gains/Qualified Dividend Rates

- **0.0%** rate when taxable income is below:
  - Married, filing jointly: $80,800
  - Married, filing separately: $40,400
  - Head of household: $54,100
  - Single: $40,400
  - Estate and trust: $2,700

- **15.0%** rate when taxable income is below:
  - Married, filing jointly: $501,600
  - Married, filing separately: $250,800
  - Head of household: $473,750
  - Single: $445,850
  - Estate and trust: $13,250

- **20.0%** rate applies to higher taxable income amounts. 28.0% rate applies to capital gains on collectibles.

### Standard Deduction

- **Married, filing jointly**: $25,100
- **Single**: $12,550
- **Married, filing separately**: $12,550
- **Head of household**: $18,800

**Blind or over 65**: an additional $1,350 if married; $1,700 if single and not a surviving spouse.

### Capital Loss Limit

- **Married, filing jointly**: $3,000
- **Single**: $3,000
- **Married, filing separately**: $1,500

If your capital loss exceeds your capital gains.

### Estate Tax

<table>
<thead>
<tr>
<th>Transfer tax rate (maximum)</th>
<th>40%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estate tax exemption</td>
<td>$11,700,000</td>
</tr>
<tr>
<td>Gift tax exemption</td>
<td>$11,700,000</td>
</tr>
<tr>
<td>Generation-skipping transfer exemption</td>
<td>$11,700,000</td>
</tr>
<tr>
<td>Annual gift tax exclusion amount</td>
<td>$15,000</td>
</tr>
</tbody>
</table>

### Retirement

#### IRA and Roth IRA Contributions

- **Under age 50**: $6,000
- **Aged 50 and over**: $7,000

#### Phaseout for Deducting IRA Contributions

- **(for qualified plan participants)**
  - Married, filing jointly: $105,000–$125,000 MAGI
  - Single or head of household: $66,000–$76,000 MAGI
  - Married, filing jointly: $198,000–$208,000 MAGI

#### Phaseout of Roth contribution eligibility

- **Joint**: $198,000–$208,000 MAGI
- **Single**: $125,000–$140,000 MAGI
  - Married, filing separately: $0–$10,000 MAGI

#### SEP Contribution

- **Up to 25% of compensation**: Limit $58,000
  - To participate in SEP: $650

#### SIMPLE elective deferral

- **Under age 50**: $13,500
- **Aged 50 and over**: $16,500

#### Qualified plan contributions

- **401(k), 403(b), 457, and SARSEP**: $19,500
  - Aged 50 and over: $26,000

#### Limit on additions to defined contribution plan

- $58,000

#### Annual benefit limit on defined benefit plan

- $230,000

#### Highly compensated employee makes

- $130,000

#### Annual compensation taken into account for qualified plans

- $290,000

#### Kiddie Tax

**Earned income** is taxed at single tax bracket rates.

**Unearned income** is taxed at the rates of the child’s parents.

---

1. Modified adjusted gross income.
2. Phaseout limit when an IRA contributor is not a participant in a qualified plan but a spouse is.
The SECURE Act and the CARES Act—key changes affecting retirement and education savings
The December 2019 enactment of the Setting Every Community Up for Retirement Enhancement Act—better known as the SECURE Act—and the March 2020 enactment of the Coronavirus Aid, Relief, and Economic Security (CARES) Act produced significant changes to the nation’s retirement laws. Key tax-related changes are highlighted below.

For more information, please visit [irs.gov](http://irs.gov) or go to the John Hancock Investment Management tax center at jhinvestments.com/tax-center.

### Uniform Lifetime Table*

<table>
<thead>
<tr>
<th>Age of account owner</th>
<th>Divisor</th>
<th>Age of account owner</th>
<th>Divisor</th>
</tr>
</thead>
<tbody>
<tr>
<td>70</td>
<td>27.4</td>
<td>81</td>
<td>17.9</td>
</tr>
<tr>
<td>71</td>
<td>26.5</td>
<td>82</td>
<td>17.1</td>
</tr>
<tr>
<td>72</td>
<td>25.6</td>
<td>83</td>
<td>16.3</td>
</tr>
<tr>
<td>73</td>
<td>24.7</td>
<td>84</td>
<td>15.5</td>
</tr>
<tr>
<td>74</td>
<td>23.8</td>
<td>85</td>
<td>14.8</td>
</tr>
<tr>
<td>75</td>
<td>22.9</td>
<td>86</td>
<td>14.1</td>
</tr>
<tr>
<td>76</td>
<td>22.0</td>
<td>87</td>
<td>13.4</td>
</tr>
<tr>
<td>77</td>
<td>21.2</td>
<td>88</td>
<td>12.7</td>
</tr>
<tr>
<td>78</td>
<td>20.3</td>
<td>89</td>
<td>12.0</td>
</tr>
<tr>
<td>79</td>
<td>19.5</td>
<td>90</td>
<td>11.4</td>
</tr>
<tr>
<td>80</td>
<td>18.7</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* The table progresses until the divisor becomes 1.9 for ages 115 and higher.

This approach has been known in the industry as a stretch account, often done through an inherited IRA, because the benefits from tax-deferred growth of the remaining account balance, minus RMDs, could be stretched out for decades. Beginning with deaths occurring in 2020, most individual beneficiaries must withdraw the full account within 10 years after the original account owner’s death. Only certain beneficiaries, such as a surviving spouse, can still stretch RMDs over their life expectancy.

### Key provisions of the SECURE Act and the CARES Act

**Age for RMDs from retirement accounts is increased**

The age at which an individual must begin taking required minimum distributions (RMDs) from traditional IRAs and qualified tax-deferred accounts was increased from 70½ to 72. This change only applies to those who reach 70½ after 2019 (i.e., individuals born after June 30, 1949); those who reached 70½ in 2019 or earlier are unaffected.

**Age restriction on traditional IRA contributions is eliminated**

A restriction that had previously barred contributions to a traditional IRA starting in the year in which the account holder reached 70½ was removed. Effective in 2020, contributions can be made beyond the age of 70½, provided the account holder continues to have earned income.

**Retirement plan withdrawal allowance for new parents**

An individual is now permitted to withdraw up to $5,000—or up to $10,000 for a couple—from a qualified retirement plan or IRA at the time of the birth or adoption of a child without incurring an early withdrawal penalty tax. In addition, such distributions can be recontributed beyond the normal 60-day window for indirect rollovers.

**New restrictions on inherited retirement plan accounts**

Previously, individual beneficiaries who inherited IRAs and qualified tax-deferred accounts could extend annual RMDs over their lifetimes. This approach has been known in the industry as a stretch account, often done through an inherited IRA, because the benefits from tax-deferred growth of the remaining account balance, minus RMDs, could be stretched out for decades. Beginning with deaths occurring in 2020, most individual beneficiaries must withdraw the full account within 10 years after the original account owner’s death. Only certain beneficiaries, such as a surviving spouse, can still stretch RMDs over their life expectancy.

**529 accounts may be used to pay down student loan debt**

Owners of 529 education savings accounts are now permitted to withdraw up to $10,000 tax free to pay off qualified student loans as well as use 529 assets to pay for qualified apprenticeship programs. Any student loan interest paid for with tax-free 529 plan earnings is not eligible for the student loan interest deduction.

**Special coronavirus distribution rules for IRAs and qualified plans**

Distributions related to the public health crisis created by the coronavirus pandemic and made by December 30, 2020, are allowed up to a $100,000 maximum without being subject to the additional 10% early withdrawal penalty on distributions prior to age 59½. In addition, income taxes paid on these distributions can be spread over three years, and the distributions can be recontributed.

### Required minimum distributions*

The Uniform Lifetime Table can be used by all IRA owners, starting at age 70, unless their sole beneficiary for the entire year is a spouse who is more than 10 years younger. Then the Joint Life Expectancy Table is used (see IRS Pub. 590), which could reduce the required minimum distribution even further.

---

3 Consult your financial, tax, or other advisor to learn how state-based benefits (including any limitations) would apply to your specific circumstances. Some states do not consider 529 withdrawals for primary and secondary school education, student loan repayments, and apprenticeship costs to be qualified withdrawals and, therefore, the investor may be subject to penalties. 4 The CARES Act waived the requirement to take required minimum distributions from defined contribution plans, 403(a) plans, 403(b) contracts, 457 governmental plans, and IRAs for 2020.

This material does not constitute tax, legal, or accounting advice, and neither John Hancock nor any of its agents, employees, or registered representatives are in the business of offering such advice. It was not intended or written for use, and cannot be used, by any taxpayer for the purpose of avoiding any IRS penalty. It was written to support the marketing of the transactions or topics it addresses. Anyone interested in these transactions or topics should seek advice based on his or her particular circumstances from independent professional advisors.