



# The Planner's Guide to the 1040 Form!

Unlocking the annuity and life insurance planning opportunities that other financial advisors are out of position to pursue.

## **PLAN** Noun - \plan\

Definition - "A program worked out beforehand for the accomplishment of an objective."

**One of the best ways to beat the competition in financial services is to work within a domain they know little or nothing about.** Another way to beat the competition is the focus on financial product features they are not capable of providing. For many decades, planning strategies have been the domain of the traditional insurance agent. As stated above, a plan is something that is worked out beforehand for the accomplishment of an objective.

**Financial planning is, therefore, a program worked out beforehand to accomplish an individual's financial goals.** One reason insurance producers have dominated this area is that we work with a set of financial products that are designed for a specific purpose to accomplish a specific objective at specific points in time. Advisors who do not work with such products suffer the fate of the financial prognosticator who uses assumptions, trends and crossed fingers to hopefully, with a little luck, approach the goal of the client.

**This planning advantage, combined with clear tax advantages, allows an annuity and life insurance agent to identify opportunities and capture business that others simply miss.** There are many methods for identifying challenges and solutions but one of the easiest is to just follow the suitability directive we work under. A key part of suitability (making a good recommendation) is understanding the client's tax status. So, just ask to review your client's tax return.

***Here is a brief list of line items you should consider...***

## **Lines 1-5: Filing Status**

Learn of your client's marriage status or if they are responsible for others in their life. Their playing field may affect financial decisions they make.

## **Line 6c: Dependents**

Having dependents leads to life insurance sales. If you see dependents, make a note to also include a complete review of existing coverages. Evaluate if you can improve their situation.

## **Line 7: Wages**

Review the sources of W-2 income. Understand their employer and their line of work. This will lead to other assets like 401(k) money. If you see multiple W-2s, you may find they have changed jobs and some of their retirement resources may be eligible for transfer to an IRA. In addition, more employers are allowing "in service distributions" of some or all of the 104(k) assets.

## **Line 8a & 8b: Interest**

Typically, interest bearing assets are fairly easy to liquidate into cash. Is the client earning interest and not using this interest to pay for daily living expenses? If so, tax-deferral may be a great benefit. If they own bonds, check the maturity date. Many people are surprised to see that they own bonds that do not mature for 25 years or more. This means that if they need liquidity, they will be forced to sell at the market price. This value could be higher or lower than what they paid. They don't decide how much that asset is worth; the market does.

## **Line 9: Dividends and Line 13: Capital Gains**

The accompanying schedule B will provide you with good insight into the client's investment portfolio. Consider: Does their market driven portfolio conflict with their risk tolerance?

## **Line 11: Alimony**

A key part of planning includes any and all future income. Be sure you and the client know the nature of the alimony, when they began and when are they scheduled to stop.

## **Line 12: Business income or loss**

Small business owners have a great need of insurance to protect their families and their employees. They will also find alternative savings methods simpler and more appealing than many options they have seen in the past. For example, max funding a Universal Life Insurance policy allows for attractive cash-value buildup that can be borrowed income tax-free at a later date. The individual may prefer to convert existing IRAs into a Roth IRA so they can drive down their future taxable income.

## **Line 15a: IRA Distributions**

If the client is under 70 ½, be sure you know why they are touching their IRA funds. This may indicate an income planning opportunity. If they are over 70 ½, ask if they would like to explore eliminating future required distributions. This may lead to a Roth IRA conversion. Historically, a high percentage of IRAs are invested in risk-based investments. Is it time to stabilize this important retirement asset?

## **Line 16a: Pensions and Annuities**

Systematic income and understanding the nature of their pension or annuity income is “must have” information prior to making any recommendations.

## **Line 17: Rental real estate, Royalties, Partnerships, S Corps and Trusts**

These are often huge sources of assets or cash flow that may be ready for a change. Divesting of real estate creates cash. Excess cash flow may lead to funding life insurance or increasing contributions to retirement accounts.

## **Line 20a: Social Security Benefits**

If your client is receiving benefits and other income, they could very well be paying taxes on their Social Security Benefits. Tax deferring any interest they don't plan on using can help them keep more of this important retirement income.

## **Line 28: Self Employed**

Think life insurance for business protection or succession planning. Think accumulation of assets and future income planning. Discuss key employees that are highly compensated. These folks are potential clients as well.

## **Line 32: IRA Deductions**

If they are deducting, they are savers! Let's evaluate that IRA!

## **Line 40: Itemized Deductions (Schedule A)**

This is where you may see the client's disposition for charitable giving. Charitable planning strategies often lead to very fulfilling sales for you and the client. You will also see the evidence of any fee based planning advice incurred during that tax year.

## **The Paid Preparer line:**

Knowing their tax preparer and working in cooperation together will improve your chances of success.

## **Make it Happen!**

Leave the world of “maybe” behind. Use guaranteed products with clear purposes and advantages to accomplish financial objectives. Fixed Annuities, Indexed Annuities, Income Riders and Life Insurance will set you apart.

## **Call us for help on your next case!**

**800.523.5851**

**“The Number One Resource for Independent Agents in their Life and Annuity Sales”**

For the year Jan. 1–Dec. 31, 2013, or other tax year beginning , 2013, ending , 20
Your first name and initial Last name Your social security number
If a joint return, spouse's first name and initial Last name Spouse's social security number
Home address (number and street). If you have a P.O. box, see instructions. Apt. no.
City, town or post office, state, and ZIP code. If you have a foreign address, also complete spaces below (see instructions).
Foreign country name Foreign province/state/county Foreign postal code

Filing Status

- 1 Single
2 Married filing jointly (even if only one had income)
3 Married filing separately. Enter spouse's SSN above and full name here.
4 Head of household (with qualifying person). (See instructions.) If the qualifying person is a child but not your dependent, enter this child's name here.
5 Qualifying widow(er) with dependent child

Exemptions

6a Yourself. If someone can claim you as a dependent, do not check box 6a
b Spouse
c Dependents: (1) First name Last name (2) Dependent's social security number (3) Dependent's relationship to you (4) if child under age 17 qualifying for child tax credit (see instructions)
d Total number of exemptions claimed

Income

7 Wages, salaries, tips, etc. Attach Form(s) W-2
8a Taxable interest. Attach Schedule B if required
b Tax-exempt interest. Do not include on line 8a
9a Ordinary dividends. Attach Schedule B if required
b Qualified dividends
10 Taxable refunds, credits, or offsets of state and local income taxes
11 Alimony received
12 Business income or (loss). Attach Schedule C or C-EZ
13 Capital gain or (loss). Attach Schedule D if required. If not required, check here
14 Other gains or (losses). Attach Form 4797
15a IRA distributions 15a Taxable amount
16a Pensions and annuities 16a Taxable amount
17 Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E
18 Farm income or (loss). Attach Schedule F
19 Unemployment compensation
20a Social security benefits 20a Taxable amount
21 Other income. List type and amount
22 Combine the amounts in the far right column for lines 7 through 21. This is your total income

Adjusted Gross Income

23 Educator expenses
24 Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106 or 2106-EZ
25 Health savings account deduction. Attach Form 8889
26 Moving expenses. Attach Form 3903
27 Deductible part of self-employment tax. Attach Schedule SE
28 Self-employed SEP, SIMPLE, and qualified plans
29 Self-employed health insurance deduction
30 Penalty on early withdrawal of savings
31a Alimony paid b Recipient's SSN
32 IRA deduction
33 Student loan interest deduction
34 Tuition and fees. Attach Form 8917
35 Domestic production activities deduction. Attach Form 8903
36 Add lines 23 through 35
37 Subtract line 36 from line 22. This is your adjusted gross income

Tax and Credits

**38** Amount from line 37 (adjusted gross income) . . . . . **38**

**39a** Check  **You** were born before January 2, 1949,  **Blind.** } **Total boxes**  
 if:  **Spouse** was born before January 2, 1949,  **Blind.** } **checked ▶ 39a**

**b** If your spouse itemizes on a separate return or you were a dual-status alien, check here ▶ **39b**

**40** **Itemized deductions** (from Schedule A) or your **standard deduction** (see left margin) . . . . . **40**

**41** Subtract line 40 from line 38 . . . . . **41**

**42** **Exemptions.** If line 38 is \$150,000 or less, multiply \$3,900 by the number on line 6d. Otherwise, see instructions . . . . . **42**

**43** **Taxable income.** Subtract line 42 from line 41. If line 42 is more than line 41, enter -0- . . . . . **43**

**44** **Tax** (see instructions). Check if any from: **a**  Form(s) 8814 **b**  Form 4972 **c**  . . . . . **44**

**45** **Alternative minimum tax** (see instructions). Attach Form 6251 . . . . . **45**

**46** Add lines 44 and 45 . . . . . **46**

**47** Foreign tax credit. Attach Form 1116 if required . . . . . **47**

**48** Credit for child and dependent care expenses. Attach Form 2441 . . . . . **48**

**49** Education credits from Form 8863, line 19 . . . . . **49**

**50** Retirement savings contributions credit. Attach Form 8880 . . . . . **50**

**51** Child tax credit. Attach Schedule 8812, if required . . . . . **51**

**52** Residential energy credits. Attach Form 5695 . . . . . **52**

**53** Other credits from Form: **a**  3800 **b**  8801 **c**  . . . . . **53**

**54** Add lines 47 through 53. These are your **total credits** . . . . . **54**

**55** Subtract line 54 from line 46. If line 54 is more than line 46, enter -0- . . . . . **55**

Other Taxes

**56** Self-employment tax. Attach Schedule SE . . . . . **56**

**57** Unreported social security and Medicare tax from Form: **a**  4137 **b**  8919 . . . . . **57**

**58** Additional tax on IRAs, other qualified retirement plans, etc. Attach Form 5329 if required . . . . . **58**

**59a** Household employment taxes from Schedule H . . . . . **59a**

**b** First-time homebuyer credit repayment. Attach Form 5405 if required . . . . . **59b**

**60** Taxes from: **a**  Form 8959 **b**  Form 8960 **c**  Instructions; enter code(s) . . . . . **60**

**61** Add lines 55 through 60. This is your **total tax** . . . . . **61**

Payments

**62** Federal income tax withheld from Forms W-2 and 1099 . . . . . **62**

**63** 2013 estimated tax payments and amount applied from 2012 return . . . . . **63**

**64a** **Earned income credit (EIC)** . . . . . **64a**

**b** Nontaxable combat pay election **64b** . . . . .

**65** Additional child tax credit. Attach Schedule 8812 . . . . . **65**

**66** American opportunity credit from Form 8863, line 8 . . . . . **66**

**67** Reserved . . . . . **67**

**68** Amount paid with request for extension to file . . . . . **68**

**69** Excess social security and tier 1 RRTA tax withheld . . . . . **69**

**70** Credit for federal tax on fuels. Attach Form 4136 . . . . . **70**

**71** Credits from Form: **a**  2439 **b**  Reserved **c**  8885 **d**  . . . . . **71**

**72** Add lines 62, 63, 64a, and 65 through 71. These are your **total payments** . . . . . **72**

Refund

**73** If line 72 is more than line 61, subtract line 61 from line 72. This is the amount you **overpaid** . . . . . **73**

**74a** Amount of line 73 you want **refunded to you**. If Form 8888 is attached, check here . . . . . **74a**

**b** Routing number . . . . . **c** Type:  Checking  Savings

**d** Account number . . . . .

**75** Amount of line 73 you want **applied to your 2014 estimated tax** ▶ **75**

Amount You Owe

**76** **Amount you owe.** Subtract line 72 from line 61. For details on how to pay, see instructions ▶ **76**

**77** Estimated tax penalty (see instructions) . . . . . **77**

Third Party Designee

Do you want to allow another person to discuss this return with the IRS (see instructions)?  **Yes.** Complete below.  **No**

Designee's name ▶ Phone no. ▶ Personal identification number (PIN) ▶

Sign Here

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Your signature	Date	Your occupation	Daytime phone number
Spouse's signature. If a joint return, <b>both</b> must sign.	Date	Spouse's occupation	If the IRS sent you an Identity Protection PIN, enter it here (see inst.)

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
Firm's name ▶	Firm's EIN ▶			
Firm's address ▶	Phone no.			