

Tax Impact: Identify Opportunities

How taxes affect your clients' retirement plans and how you can help protect their wealth

The Form 1040 tax guide can help you:

Find areas where your clients could benefit from more tax-efficient strategies

Gain a more comprehensive picture of each client's financial situation

Provide value-added service to establish a stronger relationship with your clients

Underneath your personal information:

The IRS now treats digital assets (such as cryptocurrency and nonfungible tokens) as investment property and should be reported just like any other investment. This is normally detailed on Form 8949. This question originally appeared on the 2020 Form 1040, and asked specifically about "virtual currency." Since then, it has been both repeated and expanded to include other digital assets, including NFTs and stablecoin.

The IRS is sending a clear message that taxpayers who deal in digital assets must report income and gains, like any other asset class.

Lines 2a and 2b

Taxable and tax-exempt interest

Clients paying taxes on their interest income have options if they don't want or need it at the present time.

Lines 3b and 7

Dividends and capital gains from taxable mutual funds

Qualified plans, IRAs and annuities provide tax deferral on all growth, even when positions are traded, enabling your clients' money to grow faster than it would with a taxable product.

Lines 4b and 5b

RMDs, pensions and other income

Were these distributions discretionary, or were they unwanted and unneeded Required Minimum Distributions on the accounts?

Unwanted RMDs for IRA owners can be redirected to a charitable organization, allowing the client to take a 100% deduction on the RMD (up to \$100K for 2022), even if they are taking the standard deduction on their return.

For IRA beneficiaries inheriting in 2020 or later, the new distribution rules can be confusing and complex. It may be worthwhile to review these new rules with the beneficiary to ensure they're not taking the money out too slowly (or too quickly!).

For nonqualified annuity owners, there may be more tax-efficient ways to take withdrawals from the contract. Your Lincoln annuity wholesaler can discuss the unique tax advantages of a Lincoln nonqualified annuity.

Form 1040 Department of the Treasury—Internal Revenue Service **2022** OMB No. 1545-0074 IRS Use Only—Do not write or staple in this space.

Filing Status Single Married filing jointly Married filing separately (MFS) Head of household (HOH) Qualifying surviving spouse (QSS)

Digital Assets At any time during 2022, did you: (a) receive (as a reward, award, or payment for property or services); or (b) sell, exchange, gift, or otherwise dispose of a digital asset (or a financial interest in a digital asset)? (See instructions.) Yes No

Standard Deduction Spouse itemizes on a separate return or you were a dual-status alien

Age/Blindness You: Were born before January 2, 1958 Are blind **Spouse:** Was born before January 2, 1958 Is blind

Dependents (see instructions): (1) First name Last name (2) Social security number (3) Relationship to you (4) Check the box if qualifies for (see instructions): Child tax credit Credit for other dependents

Income

1a Total amount from Form(s) W-2, box 1 (see instructions)	1b Household employee wages not reported on Form(s) W-2
1c Tip income not reported on line 1a (see instructions)	1d Medicaid waiver payments not reported on Form(s) W-2 (see instructions)
1e Taxable dependent care benefits from Form 2441, line 26	1f Employer-provided adoption benefits from Form 8839, line 29
1g Wages from Form 9819, line 9	1h Other earned income (see instructions)
1i Nontaxable combat pay election (see instructions)	1j Add lines 1a through 1h
2a Tax-exempt interest	2b Taxable interest
3a Qualified dividends	3b Ordinary dividends
4a IRA distributions	4b Taxable amount
5a Pensions and annuities	5b Taxable amount
6a Social security benefits	6b Taxable amount
7 Capital gain or (loss). Attach Schedule D if required. If not required, check here	7
8 Other income from Schedule 1, line 10	8
9 Add lines 1a, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your total income	9
10 Adjustments to income from Schedule 1, line 26	10
11 Subtract line 10 from line 9. This is your adjusted gross income	11
12 Standard deduction or itemized deductions from Schedule A	12
13 Qualified business income deduction from Form 8995 or Form 8995-A	13
14 Add lines 12 and 13	14
15 Subtract line 14 from line 11. If zero or less, enter -0-. This is your taxable income	15

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Tax and Credits

16 Tax (see instructions). Check if any from Form(s): 1 <input type="checkbox"/> 8814 2 <input type="checkbox"/> 4972 3 <input type="checkbox"/>	16
17 Amount from Schedule 2, line 3	17
18 Add lines 16 and 17	18
19 Child tax credit or credit for other dependents from Schedule 8812	19
20 Amount from Schedule 3, line 8	20
21 Add lines 19 and 20	21
22 Subtract line 21 from line 18. If zero or less, enter -0-	22
23 Other taxes, including self-employment tax, from Schedule 2, line 21	23
24 Add lines 22 and 23. This is your total tax	24

Payments

25 Federal income tax withheld from:	25a
a Form(s) W-2	25b
b Form(s) 1099	25c
c Other forms (see instructions)	25d
d Add lines 25a through 25c	25d
26 2022 estimated tax payments and amount applied from 2021 return	26
27 Earned income credit (EIC)	27
28 Additional child tax credit from Schedule 8812	28
29 American opportunity credit from Form 8863, line 8	29
30 Reserved for future use	30
31 Amount from Schedule 3, line 15	31
32 Add lines 27, 28, 29, and 31. These are your total other payments and refundable credits	32
33 Add lines 25d, 26, and 32. These are your total payments	33

Refund

34 If line 33 is more than line 24, subtract line 24 from line 33. This is the amount you overpaid	34
35a Amount of line 34 you want refunded to you . If Form 8888 is attached, check here	35a
b Routing number <input type="checkbox"/> c Type: <input type="checkbox"/> Checking <input type="checkbox"/> Savings	
d Account number	
36 Amount of line 34 you want applied to your 2023 estimated tax	36

Amount You Owe

37 Subtract line 33 from line 24. This is the amount you owe .	37
For details on how to pay, go to www.irs.gov/Payments or see instructions	
38 Estimated tax penalty (see instructions)	38

Third Party Designee

Do you want to allow another person to discuss this return with the IRS? 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 _____

Spouse's signature, if a joint return, **both** must sign. _____ Date _____ Spouse's occupation _____

Preparer's name _____ Preparer's signature _____ Date _____ PTIN _____

Firm's name _____ Phone no. _____

Firm's address _____ Firm's EIN _____

Go to www.irs.gov/Form1040 for instructions and the latest information. Form 1040 (2022)

Work with your client's accountant and attorney to optimize tax, estate and income planning strategies.

Line 6b

Reduce taxes on Social Security income

Annuity and variable life insurance earnings not withdrawn are not part of modified adjusted gross income, which is used to determine how much Social Security benefits are taxed. This is also true for the tax-excludable portion of an annuitized income stream.

Line 11

IRA contributions

Clients with earned income may be able to make a deductible contribution to an IRA, which can lower their adjusted gross income (AGI) and overall tax liability. Owning an annuity inside an IRA offers access to guarantees as well as professional management, ease of diversification, and asset allocation.

Line 12

Beneficiaries: Qualified accounts and nonqualified annuities

If your client is the beneficiary of an IRA, employer-sponsored retirement plan, pension or nonqualified annuity, cashing it out as a lump sum might cause a large (and possibly unnecessary) tax liability. Make a point of discussing other more tax-efficient options with your clients.

Line 13

Qualified business income deduction

The qualified business income deduction allows certain small-business owners (including those self-employed) to deduct up to 20% of their qualified business income on their personal income tax return. This deduction has many qualifiers in terms of personal income thresholds and the types of income recognized by the business, so a tax professional should be consulted to ensure the deduction is properly taken.

IRAs, annuities and employer-sponsored retirement plans

Ask clients when they last performed a review of the beneficiary designations on these accounts. Erroneous, outdated or missing beneficiaries can lead to a thwarting of a client's legacy intentions, and a tax-inefficient transfer of wealth to the next generation.

Line 15

Employer-sponsored retirement plans

A company-sponsored retirement plan can help reduce an individual's taxable wages and has higher contribution limits than an IRA, resulting in greater retirement savings.

Line 29

College savings

A Coverdell Education Savings Account (CESA) and 529 college savings plan (CSP) can provide tax-free treatment of growth and other tax advantages.

Also, be on the lookout for leftover 529 balances that can be transferred to a Roth IRA starting in 2024.

Line 35a

Investing a tax refund

Your clients may be able to contribute all or a portion of their tax refund to a traditional IRA or Roth IRA, or purchase an annuity or life insurance policy.

Lines 25 a/b/c/d

Federal income tax withholding amounts (prior to tax year 2020, reported as a single lump amount on a single Line 25) are now broken out into three categories (25a = W2 withholding; 25b = 1099 withholding; 25c = other withholding), with the total listed on 25d. Like digital assets discussed above, this change suggests that the IRS is going to look closer at tax withholding for self-employed individuals and gig workers (e.g., Uber or DoorDash drivers).

The original SECURE Act made several changes to IRAs and employer-sponsored retirement plans to make it easier for individuals to contribute. Talk with your clients to ensure they are taking full advantage of the new rules.

While most of **SECURE 2.0's** changes to IRAs and Qualified Employer Plans do not impact 2022 tax returns, now may be a great time to discuss the legislation's new tax and retirement planning opportunities for 2023 and beyond.

Tips for talking taxes with your clients



Note that Schedules A and C may offer additional tax advantages for small-business owners and sole proprietors.



Consider how evolving tax regulations may impact your clients' estate plans and their ability to cover healthcare costs in the future.



Lincoln offers tax-efficient products and strategies that may help clients prepare for the impact of taxes.

There is no additional tax benefit for annuity contracts purchased in an IRA or other tax-qualified plan, since these are already afforded tax-deferred status. Thus, an annuity should only be purchased in an IRA or qualified plan if you value some other features of the annuity and are willing to incur any additional costs associated with the annuity to receive such benefits.

The value of partnering with Lincoln

For more than 118 years, Lincoln Financial Group has provided guidance and solutions that empower Americans to take charge of their financial lives with confidence and optimism. We are committed to helping your clients plan for retirement, prepare for the unexpected, and protect their wealth.

Don't miss this opportunity to engage your clients on their tax concerns and help them protect their wealth.

For information and guidance on the solutions mentioned here, contact your Lincoln representative.

Not a deposit
Not FDIC-insured
Not insured by any federal government agency
Not guaranteed by any bank or savings association
May go down in value



Contact your Lincoln representative or call 855-831-7067 for more information.

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