

# Personal Finance


Personal income tax, Banking & Investment

# Topic 1 - Personal Income tax

- 1. Income sources (wage, capital gain, and more)
- 2. Whom to pay (federal, state, local)



## 3. When to pay

Wage	Auto withheld in each paycheck			
Other income	Estimated tax file quarterly  schedule 	Payment is due on:	For income earned during:	Number of months covered:
		April 15	January 1 - March 31	3
		June 15	April 1 - May 31	2
		September 15	June 1 - August 31	3
		January 15	September 1 - December 31	4
Year end tax return	File annually			
	Deadline example	Monday, May 17 Tax Day 2021 in United States		

# Personal Income tax, cont. 1

4. How much to pay for **wage and short-term capital gain** (hold investment < 1 year)

- graduated tax rates
- file status

## 2021 Federal Income Tax Rates & Brackets

Tax Rates	File status		
	Single	Married Filing Jointly	Head of Household
10%	\$0 to \$9,950	\$0 to \$19,900	\$0 to \$14,200
12%	\$9,951 to \$40,525	\$19,901 to \$81,050	\$14,201 to \$54,200
22%	\$40,526 to \$86,375	\$81,051 to \$172,750	\$54,201 to \$86,350
24%	\$86,376 to \$164,925	\$172,751 to \$329,850	\$86,351 to \$164,900
32%	\$164,926 to \$209,425	\$329,851 to \$418,850	\$164,901 to \$209,400
35%	\$209,426 to \$523,600	\$418,851 to \$628,300	\$209,401 to \$523,600
37%	\$523,601 and Over	\$628,301 and Over	\$523,601 and Over



## Tax Year 2021 California Income Tax Brackets

### Single Filers

California Taxable Income	Rate
\$0 - \$8,932	1.00%
\$8,933 - \$21,175	2.00%
\$21,176 - \$33,421	4.00%
\$33,422 - \$46,394	6.00%
\$46,395 - \$58,634	8.00%
\$58,635 - \$299,508	9.30%
\$299,509 - \$359,407	10.30%
\$359,408 - \$599,012	11.30%
\$599,013 +	12.30%

### Married Filing Jointly

California Taxable Income	Rate
\$0 - \$17,864	1.00%
\$17,865 - \$42,350	2.00%
\$42,351 - \$66,842	4.00%
\$66,843 - \$92,778	6.00%
\$92,779 - \$117,268	8.00%
\$117,269 - \$599,016	9.30%
\$599,017 - \$718,814	10.30%
\$718,815 - \$1,198,024	11.30%
\$1,198,025 +	12.30%

### Head of Household

California Taxable Income	Rate
\$0 - \$17,864	1.00%
\$17,865 - \$42,353	2.00%
\$42,354 - \$54,597	4.00%
\$54,598 - \$67,569	6.00%
\$67,570 - \$79,812	8.00%
\$79,813 - \$407,329	9.30%
\$407,330 - \$488,796	10.30%
\$488,797 - \$814,658	11.30%
\$814,659 +	12.30%

### Married Filing Separately

California Taxable Income	Rate
\$0 - \$8,932	1.00%
\$8,933 - \$21,175	2.00%
\$21,176 - \$33,421	4.00%
\$33,422 - \$46,394	6.00%
\$46,395 - \$58,634	8.00%
\$58,635 - \$299,508	9.30%
\$299,509 - \$359,407	10.30%
\$359,408 - \$599,012	11.30%
\$599,013 +	12.30%


# Personal Income tax, cont. 2

5. How much to pay for **long-term capital gain** (hold investment  $\geq 1$  year)
- State tax is the same as short-term capital gain
  - Federal tax rate is much more favorable (15%, 20%)
  - Federal tax add-on: ObamaCare tax (3.8%) + possible Biden tax charge (??)

## ORDINARY, LONG-TERM CAPITAL & QUALIFIED DIVIDEND RATES: INDIVIDUAL VS. MARRIED FILING JOINTLY

Individual			Married Filing Jointly		
Income Up To...	Ordinary Income Tax Rate	Capital Gains Tax Rate	Income Up To...	Ordinary Income Tax Rate	Capital Gains Tax Rate
\$9,700	10%	0%	\$19,400	10%	0%
\$39,375	12%		\$78,750	12%	
\$39,475		15%	\$78,950		15%
\$84,200	22%				
\$160,725	24%				
\$204,100	32%				
\$434,550	35%				
\$510,300	20%	\$612,350	20%		
\$510,300+		37%		\$612,350+	37%

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### INVESTMENT INCOME TAX

3.8 % tax on net investment income.

Individuals and heads of household with an AGI of \$200,000+, married couples filing separately with an AGI of \$125,000+, and couples filing jointly with an AGI of \$250,000+ must pay the tax.

☒ Answer a few questions about investment income and TaxACT will do the rest.

# 3.8%

**TAX** on net investment income

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# Topic 2 - Banking - Money for your daily

## FDIC insurance

### Types of banking

1. Checking and Debit Card
2. Credit Card
3. Saving (subject to capital gain tax)
4. CDs (subject to capital gain tax)
5. ... and more



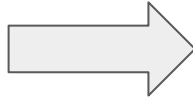
Account Type	Amount Covered by FDIC
Single Account owned by one person	\$250,000.00 per owner
Joint Accounts owned by two or more people	\$250,000.00 per co-owner
Certain retirement accounts such as an IRA (non-securities)	\$250,000.00
Revocable Trusts Accounts	\$250,000.00 per owner, per beneficiary up to 5 beneficiaries. Note that additional coverage may be available with 6 or more beneficiaries, but this is subject to specific conditions and requirements.
Corporation, partnership, and unincorporated association accounts	\$250,000.00 per entity
Irrevocable Trusts Accounts	\$250,000.00 for the non-contingent ascertainable interests of each beneficiary.

## Topic 3 Investment - Capital

### Investment 101 - Build your capital!



From  
Money



To  
Capital



Money: a means of exchanging good and services

Capital: a means of using money to generate income

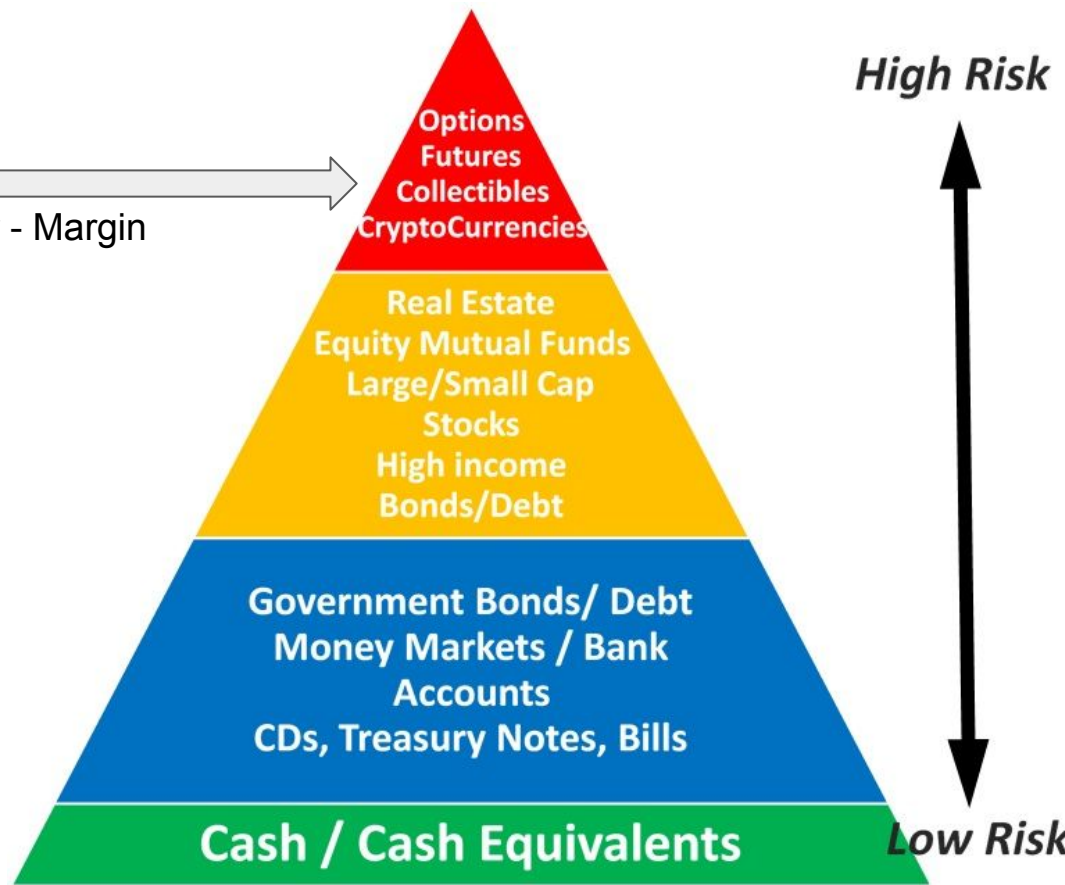
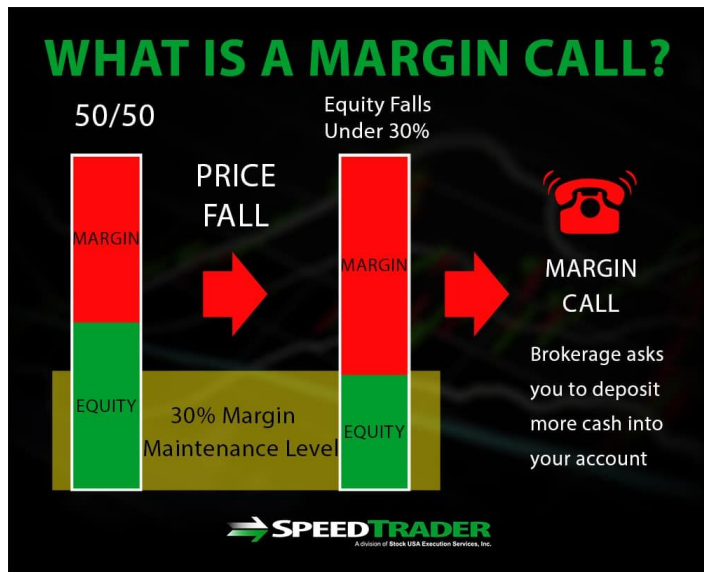


# Investment - Capital is the **King**

1. **DON'T FORGET FDIC insurance limit**
2. Types of investment and risks
3. Your capital gives you borrowing power - Margin



**Margin and margin call (careful and careful)**



**Higher risk brings either higher return or higher loss**

# Investment - Security Trading

## Types of Securities

1. Common stocks
2. ETF (index, industry, commodity, ...)
3. Mutual Funds
4. and more ...



**DON'T FORGET TAX**

## Trading strategies

1. BuyLow, then SellHigh - Long
2. SellBorrowedHigh, then BuyBackLow - Short
3. Options as insurance vs. options as investment - Option

