

LEARN | Income Taxes: What You Need to Know Now

There are a lot of nuances to income taxes. Here are four ways to help you get a full picture of your client's income.

Key Takeaway

When you understand a client's income sources, filing status, deductions and effective tax rate, you can identify strategies to help build better outcomes.

4 Key Things to Know About Your Client's Taxes

Learn how each item factors into your client's overall tax picture.

1

Filing Status

Tax rates and brackets can be impacted by filing status. You should be able to explain the differences between filing as single, head of household or married filing jointly/separately.

2

Sources of Income

Look beyond a client's W-2 and your firm's 1099. Consider all sources of income such as incentive compensation, real estate and assets held away.

3

Tax Deductions

Clients can choose a standard deduction (a fixed amount based on filing status) or itemize deductions (e.g., state and local taxes, mortgage interest, charitable giving).

4

Effective Tax Rate

The blended, effective tax rate is applied to your clients' taxable income after deductions and represents their average tax rate. Prioritize it over the marginal tax rate, which is the highest tax bracket applied to the last dollar earned.

Next Step

Suggest an annual review of clients' tax documents such as W-2s, Form 1040, 1099s and K-1s.

The Firm does not provide tax advice. The tax information contained herein is general and is not exhaustive by nature. Tax laws are complex and subject to change. Investors should always consult their own legal or tax professional for information concerning their individual situation.

This material is a general communication, which is not impartial, is for informational and educational purposes only, not a recommendation to purchase or sell specific securities, or to adopt any particular investment strategy. Information does not address financial objectives, situation or specific needs of individual investors.

Eaton Vance is part of Morgan Stanley Investment Management. Morgan Stanley Investment Management is the asset management division of Morgan Stanley.

**NOT FDIC INSURED. OFFER NO GUARANTEE. MAY LOSE VALUE.
NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY. NOT A
BANK DEPOSIT.**