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The potential for a higher tax rate environment

Mapping your road ahead

How will the growing national debt affect your future?

According to the U.S. Department of the Treasury, the national debt was $34 trillion as of Dec. 29, 2023. To get this growing debt under control, or at least slow it down, spending cuts and tax increases are being considered. One thing is clear—something must be done so funding can continue for government programs in their current form.

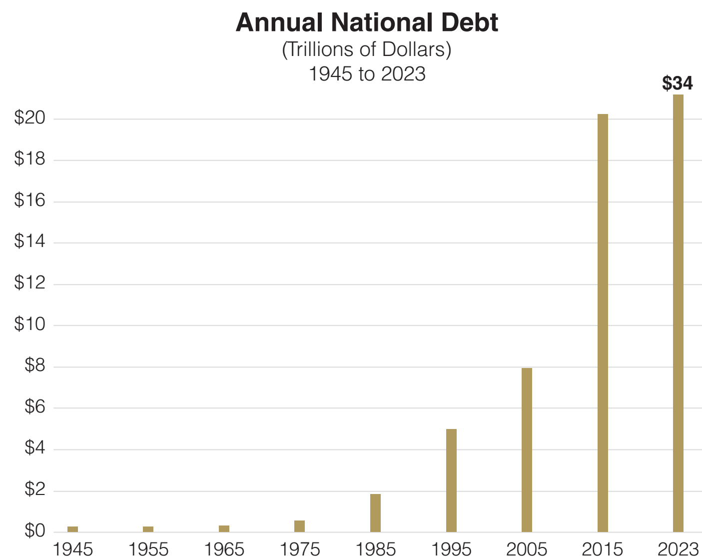
How will tax rates be affected?

Marginal income tax rates have fluctuated from a low of 1% in 1913 to a high of 94% in 1945. Considering the highest income tax rates, we're currently not in the lowest income tax rate environment in history—however, we're well below the all-time high. For 2024, the highest marginal tax rate is 37% and the lowest tax rate remains 10%.

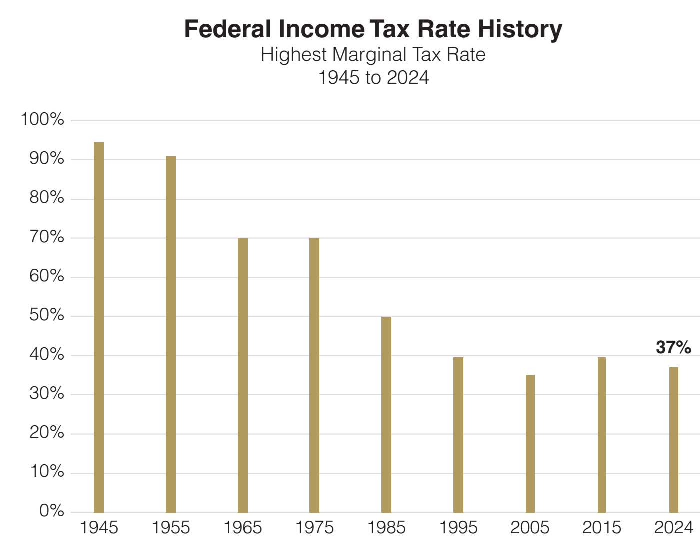
Consider diversifying a portion of your assets into vehicles that are potentially income tax-free in retirement, if you're in a high-income tax bracket or expect to be in the future. More specific strategies are listed on the back of this page.[1]

Get informed and take charge

No one knows for sure where tax rates are headed. However, by working with your Thrivent financial professional and a tax professional, you can get a grasp on your current tax situation. This knowledge will enable you to make more informed financial decisions no matter what the future may bring.



Source: United States Treasury, Bureau of Public Debt, fiscaldata.treasury.gov.



Source: Tax Foundation, U.S. Federal Individual Income Tax Rates History, 1945–2024.

Strategies to consider

- Consider converting a traditional IRA to a Roth IRA to pay taxes now rather than later.[2,3] Remember that this type of conversion is a taxable event.
- Consider investing in tax-exempt municipal bonds, which may provide federal and state tax benefits.[4]
- Consider life insurance as an asset because it generally provides a federal income tax-free death benefit and tax-deferred growth potential of your accumulated value.[5,6,7]

Start planning for your future—today.

Your Thrivent financial professional can discuss how tax rate changes may affect your investment strategy in greater detail with you. Contact us at your earliest convenience.

[1]While diversification can help reduce market risk, it does not eliminate it.

[2]A distribution from a Roth IRA generally is federal income tax-free if it meets all the requirements for a qualified distribution or it is a nonqualified distribution of after-tax contributions (basis).

[3]State tax rules may differ from federal rules governing the tax treatment of Roth IRAs and there may be conflicts between federal and state tax treatment of IRA conversions. Consult your tax professional for your state's tax rules.

[4]Municipal bonds are subject to risks that include, but are not limited to, credit risk and interest rate risk. Some issues may be subject to state and local taxes and/or the alternative minimum tax. Investing in municipal bonds for the purpose of generating tax-exempt income may not be appropriate for investors in all income tax brackets. Please consult your tax advisor for detailed discussion on your specific situation.

[5]Thrivent and its financial advisors and professionals do not provide legal, accounting or tax advice. Consult your attorney or tax professional.

[6]Under current tax law, death proceeds received by beneficiaries are income tax-free. However, death proceeds may be subject to estate and inheritance tax. If distributions are taken from the accumulated value, they may be subject to income tax.

[7]The primary purpose of life insurance is for the death benefit protection. Withdrawals may be available income tax-free to the extent of basis. Lifetime distributions of the cash value are subject to possible income taxation and penalties, could reduce the death benefit, and could cause the contract to lapse.

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