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Taxes are like a jar of jelly beans

Every handful contains a mix of flavors

When thinking about retirement planning, it can be helpful to visualize each of your future income sources as individual flavors of jelly beans mixed up in a jar. W-2 wages are strawberry flavored. Your IRA distribution might be blueberry. You get the idea.

Many people perceive that ordinary income tax occurs in layers. For example, W-2 wages fill up the first bracket(s), then annuity distributions, then IRA distributions. This is not the case. Instead, all of your ordinary income is lumped together and "shaken up" like jelly beans in a jar, less applicable deductions, in this case the standard deduction. The ordinary income rate you actually pay is the average of all your applied ordinary income rates. For instance, one may perceive W-2 wages (strawberry jelly beans) are taxed at 10%, and IRA distributions (blueberry jelly beans) are taxed at 22%. In reality, for this hypothetical married couple earning $185,000 in ordinary income with a $30,000 standard deduction, all of these sources of income are shaken up and taxed at 12.93%.[1, 2]

When you take a withdrawal from an annuity, that income isn't taxed at a specific marginal rate. Because the withdrawal is effectively mixed in with the rest of your income sources, it becomes part of your combined withdrawals and is taxed at a combined tax rate, also referred to as your effective tax rate.

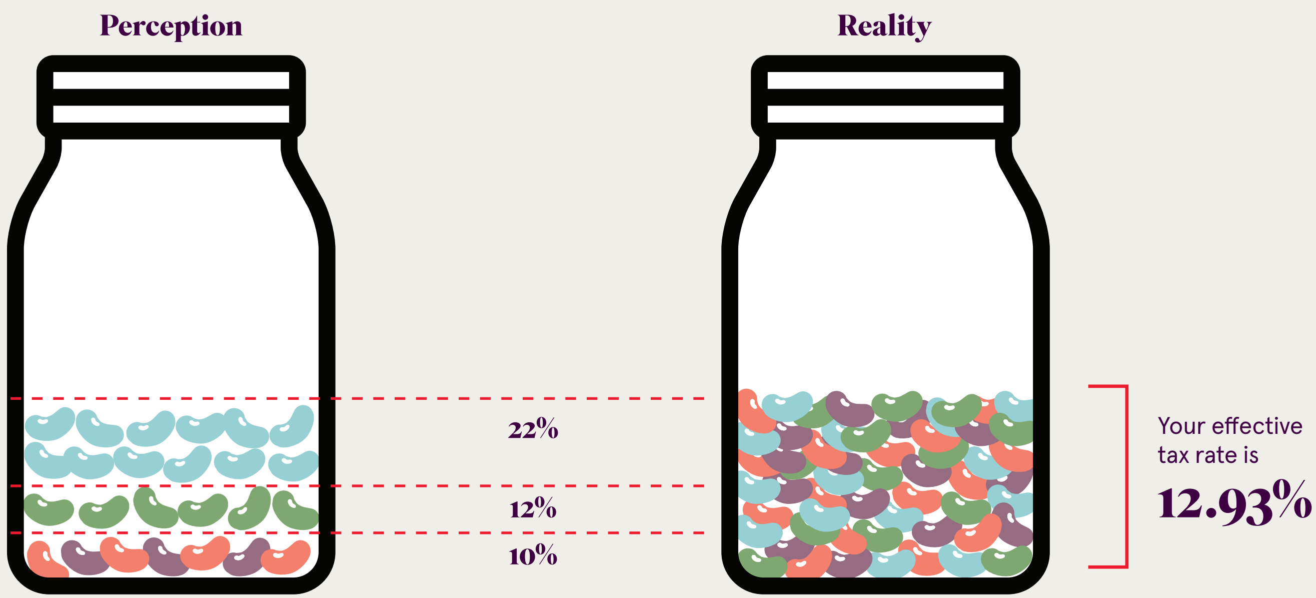
Get a digital walkthrough.

Scan the QR code or visit **Jackson.com/tax-brackets** to get started.

$185K

Ordinary income

- W-2 wages
- Annuity distribution
- IRA distribution
- Short-term capital gains



What is an annuity?
Annuities are long-term, tax-deferred vehicles designed for retirement. Variable annuities involve investment risks and may lose value. Earnings are taxable as ordinary income when distributed. Individuals may be subject to a 10% additional tax for withdrawals before age 59½ unless an exception to the tax is met.

The tax information contained in this graphic is hypothetical and is not representative of any specific situation. Your situation and results will vary.

[1] Jackson calculated the income figures pursuant to the Tax Cuts and Jobs Act and its updates for 2025. *See* Rev. Proc. 2024-40, 26 CFR 601.602 (2024).

[2] Erin Gobler, Business Insider, "Marginal vs. Effective Tax Rate: Two Ways to Measure What You're Paying" November 5, 2022.

Many people also misunderstand long-term capital gains taxation. When calculating long-term capital gains, you first apply all of your applicable deductions to ordinary income that fill up your ordinary income brackets.[3] Long-term capital gains are then calculated on top of ordinary income. In this case, our hypothetical couple's income places them in the 15% capital gains bracket.[4]

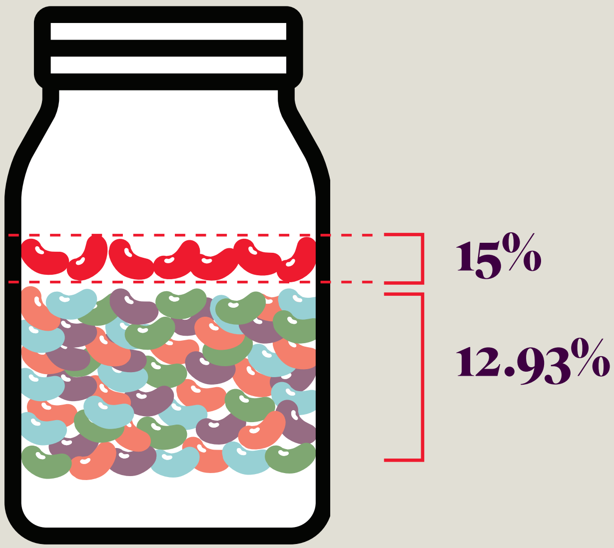
$185K
Ordinary income

AND

$25K
Long-term capital gains

- W-2 wages
- Annuity distribution
- IRA distribution
- Short-term capital gains
- Long-term capital gains

Reality



To discuss retirement income options that could be better suited for today's challenges, contact your financial professional.

[3] Michael Kitces, kitces.com, "Mechanics of the 0% Long-term Capital Gains Tax Rate and Harvesting Capital Gains for a Free Step-up in Basis!" November 26, 2014.
[4] Rev. Proc. 2024-40, 26 CFR 601.602 (2024).

Before investing, investors should carefully consider the investment objectives, risks, charges, and expenses of the variable annuity and its underlying investment options. The current contract prospectus and underlying fund prospectuses provide this and other important information. Please contact your financial professional or the Company to obtain the prospectuses. Please read the prospectuses carefully before investing or sending money.

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