

Minimize your tax burden

Tax digital playbook

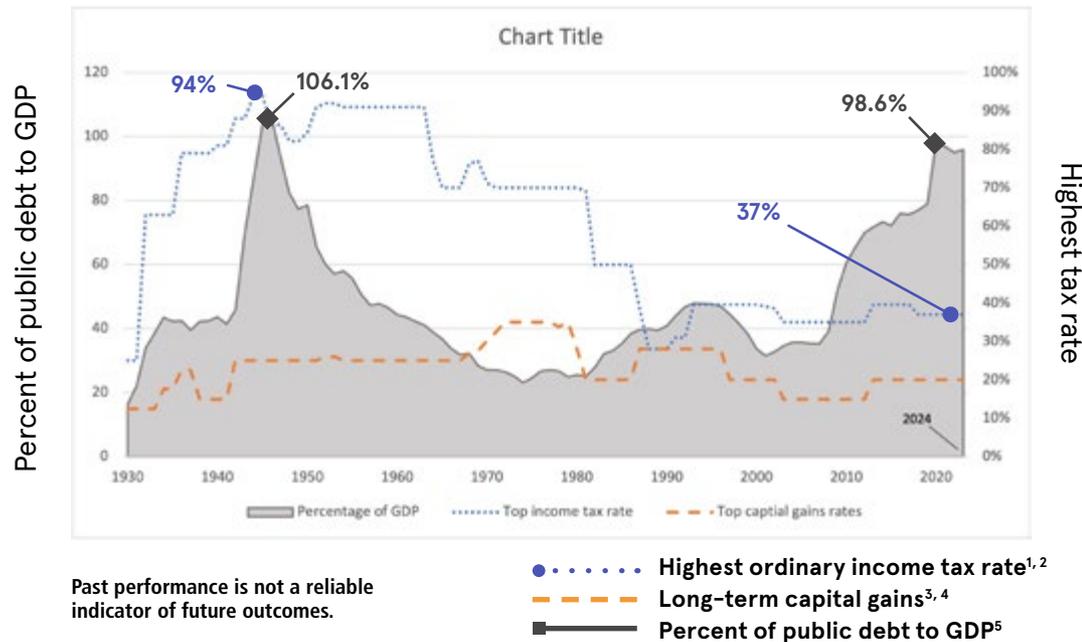


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Your taxes will need to offset increased government spending over the next few decades.

The gap between tax rates and government spending has never been wider.



- Federal deficits currently equal 6.2% of GDP with some projections showing federal debt reaching 156% of GDP by 2055.⁶ Tax rates spike and mirror government spending—and someone is going to have to pay for it.
- Capital gains, estates, and income-producing trusts continue to be targets for increased taxation to offset government spending. Proposed tax reforms signal that this trend may be here to stay.
- The Affordable Care Act adds a 3.8% tax on income* for individuals making more than \$200,000 and married couples filing jointly making more than \$250,000 annually.⁷

* Calculated on the lesser of: 1) Net Investment Income or 2) excess of Modified Adjusted Gross Income (MAGI) over the threshold.

A taxpayer must have both an excess MAGI and net investment income for the surtax to apply.

¹ Tax Policy Center, "Historical Highest Marginal Income Tax Rates," May 11, 2023.

² IRS, Rev. Proc. 2024-40, 2024.

³ Mark Luscombe, Wolters Kluwer, "Historical Capital Gains Rates," January 4, 2023.

⁴ IRS, Topic 409, "Capital Gains and Losses," September 12, 2025.

⁵ Congressional Budget Office, "Budget and Economic Outlook: 2025 to 2035," January 2025.

⁶ Congressional Budget Office, "The Long-term Budget Outlook: 2025-2055," January 2025.

⁷ IRS, "Questions and Answers on the Net Investment Income Tax," September 13, 2025.



Explore common strategies that may help reduce your tax burden.

Start by identifying your current tax situation.

Tax on income and investment gains

Want to reduce your current tax burden? Concerned about future tax law changes?

- Consider yourself a high-income earner?
- Trade or reallocate your taxable (after-tax assets) portfolio?
- Have assets like bonds, alternative investments, dividend-paying stocks, mutual funds, or allocation models in your portfolio?
- Have after-tax assets set aside for retirement?

Taxes on trusts*

Have a trust—such as an irrevocable trust—with its own trust identification number (TIN)?

- Your trust pays taxes and files a 1041?
- Your trust “makes” more income payments than needed by recipient?
- Pay taxes on gains in a trust you funded?
- Developed an estate plan?

Common irrevocable trusts include generation-skipping, spousal lifetime access (SLAT), credit shelter, intentionally defective grantor, dynasty/generation-skipping, and special-needs trusts.

Using tax-free transfers

Have any annuities or life insurance?

- Financial situation or needs changed since you originally purchased the annuity/life insurance?
- Inherited or maybe will inherit an annuity?
- Have a plan for how your assets will transfer to the next generation?
- Want some control over how and when your beneficiaries receive their inheritance and pay the taxes?

What is an annuity? An annuity is a long-term, tax-deferred vehicle 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 IRS issued a private letter ruling (“PLR”) holding that a non-grantor trust cannot utilize the IRC 72(q) exceptions for (1) reaching age 59½, (2) disability, or (3) SEPP payments. The ruling recognized a non-grantor trust may utilize the IRC 72(q) exception for death. (See PLR 202031008.)



Taxes on income and investment gains

You want to reduce your current tax burden. And you're concerned about future tax law changes.



Assess your tax situation by finding out which bracket you fall under.

INCOME TAX 2026*¹

Married filing jointly:	\$0 - \$24,800	10%
\$24,801	\$100,800	\$2,480 + 12%
\$100,801	\$211,400	\$11,600 + 22%
\$211,401	\$403,550	\$35,932 + 24%
\$403,551	\$512,450	\$82,048 + 32%
\$512,451	\$768,700	\$116,896 + 35%
\$768,701+	-	\$206,583.50 + 37%
Single:	\$0 - \$12,400	10%
\$12,401	\$50,400	\$1,240 + 12%
\$50,401	\$105,700	\$5,800 + 22%
\$105,701	\$201,775	\$17,966 + 24%
\$201,776	\$256,225	\$41,024 + 32%
\$256,226	\$640,600	\$58,448 + 35%
\$640,601+	-	\$192,979.25 + 37%

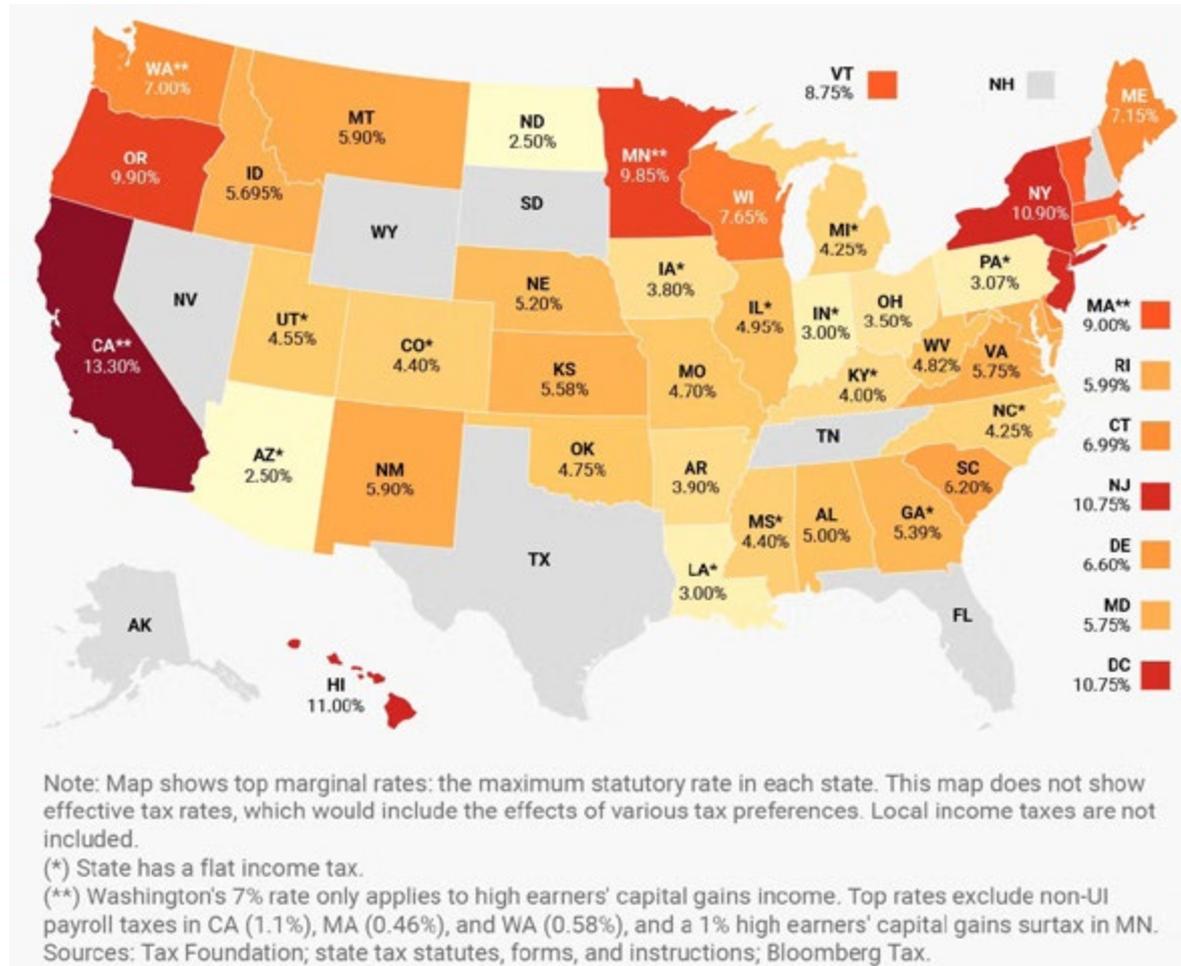
* These figures do not account for the standard deduction or any itemized deductions.

¹ IRS, Rev. Proc. 2025-32, 2025.



Determine the state you live and work in to see your state income tax.

TOP STATE MARGINAL INDIVIDUAL INCOME TAX RATES, 2025¹



Note: Map shows top marginal rates: the maximum statutory rate in each state. This map does not show effective marginal tax rates, which would include the effects of phase-outs of various tax preferences. Local income taxes are not included.

¹Andrey Yushkov and Katherine Loughead, Tax Foundation, "State Individual Income Tax Rates and Brackets, 2025," February 18, 2025.



Choose tax-efficient investments for your gross income to get your best tax rate.

Even though long-term capital gains* are taxed at lower rates than ordinary income,¹ there are situations where your effective ordinary income tax rate is lower than your capital gains rates.

Pay attention to your effective tax rate, not just your marginal tax rate.

ORDINARY INCOME VS. CAPITAL GAINS AT CERTAIN INCOME LEVELS

Gross income	Ordinary income rates		Capital gains rate
	Marginal tax rate	Effective tax rate	
\$100,000	12%	7.64% ←	15.00%
\$195,000	22%	12.94% ←	15.00%
\$275,000	24%	15.81% ←	18.80%
\$395,000	24%	18.30% ←	18.80%
\$440,000	32%	18.96%	→ 18.80%
\$615,000	35%	23.01% ←	23.80%
\$665,000	35%	23.91%	→ 23.80%

The information in this chart is summarized from IRS, Rev. Proc. 2025-32, 2025, and IRS, Topic No. 559, Net Investment Income Tax. Note: Tax rates depicted reflect the effective 2026 taxation rates for a married couple filing jointly, less the standard deduction, and do not include any additional credits or deductions.

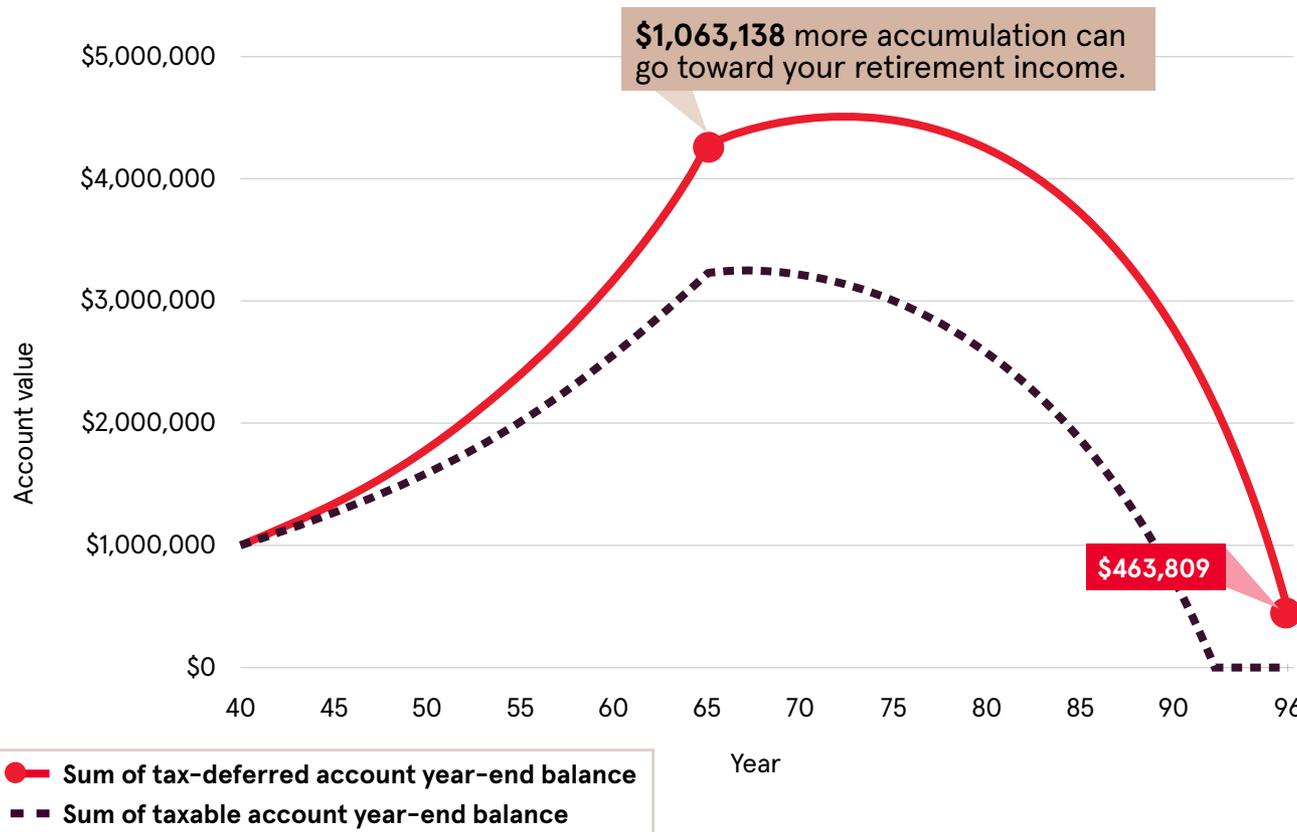
* All references to capital gains on this page are long-term capital gains rates and do not include short-term capital gains.

¹ Tax Policy Center, Briefing Book, "How Are Capital Gains Taxed?" accessed May 3, 2023.



Keep more in your account with tax deferral.*

TAX DEFERRED VS. TAXABLE ACCOUNTS†



Tax-deferred account	
Total invested at age 40:	\$1,000,000
25 years accumulation (6%) at age 65:	\$4,291,871
Total distributions at age 90:	\$6,259,138
Total income after age 65:	\$8,718,828
Total legacy remaining at age 96:	\$463,809

Taxable account	
Total invested at age 40:	\$1,000,000
25 years accumulation (6%) at age 65:	\$3,228,733
Total distributions at age 90:	\$5,885,861
Total income after age 65:	\$6,569,139
Total legacy remaining at age 96:	\$0

That's \$2,149,689 more retirement income from distributions and still leaves \$463,809 for beneficiaries.

When the client turns 65, the tax-deferred account value of \$4,291,871 less the \$1,000,000 basis is \$3,291,871 taxable. A lump sum of \$3,291,871 generates an effective tax rate of 26.29%—with \$1,128,243 in taxes paid—and an after-tax lump sum amount of \$3,163,628. Effective tax rates were calculated using the \$32,200 standard deduction for 2026.

* Tax deferral offers no additional value if an IRA or a qualified plan, such as a 401(k), is used to fund an annuity. It also may not be available if the annuity is owned by a legal entity such as a corporation or certain types of trusts.

† 6% gross rate of return for both accounts but does not include the deduction of fees and expenses for tax-deferred account.

This hypothetical example assumes a \$1,000,000 initial investment, 25 years of accumulation, 30 years of distribution and a 6% gross rate of return. Taxes on the taxable account growth are assumed to be 20% during the accumulation period. Taxes are assumed to be 15% on the taxable account and 20% on the tax-deferred account during the distribution period. The after-tax lump sum amount of \$3,163,628 from the tax-deferred account is based on an 26.29% tax rate (based on 2026 married filing jointly ordinary income rates) after 25 years of accumulation. Assumptions do not account for any state or local taxes that may apply. The actual tax results of any distribution will depend on an individual's personal tax circumstances. In the example above, ages 40–65 represent the accumulation phase where withdrawals do not take place. Ages 66–95 represent the distribution phase with an annual 5% withdrawal calculated using the age 65 account value from the taxable and tax-deferred account. Withdrawals are increased 3% each year for inflation. This hypothetical example illustrates tax deferral and does not represent the past or future performance of any particular product. Investors should consider their individual investment time horizon and income tax brackets, both current and anticipated, when making an investment decision, as these may further impact the results of the comparison. All calculations performed by Jackson.



Investigate the benefits of different tax-deferred* investments.

	IRA	NONQUALIFIED ANNUITY
Pre-59½ distribution penalty	✓ yes	✓ yes
No limits on contributions [†]	✗ no	✓ yes
No required minimum distributions (RMD)	✗ no	✓ yes
Stretch capabilities [‡]	✗ no	✓ yes

* When withdrawing assets from a nonqualified annuity, earnings are withdrawn before basis and taxed as ordinary income to the policy owner. Once all gains have been exhausted, basis is withdrawn tax-free to the policy owner.

[†] While your contribution to a traditional IRA may be limited, you may be able to deduct contributions to the IRA based on whether you are covered by an employer-sponsored plan and your income.

[‡] There are limited stretch capabilities with IRAs. See your financial professional for details.



Taxes on trusts

You have a trust with a taxpayer identification number (“TIN”)



Understand your options for an irrevocable trust and how they're taxed.

Irrevocable trusts typically use a taxpayer identification number (TIN) instead of a Social Security number (SSN). You can identify them by how they're written. SSNs mostly begin XXX-, whereas TINs begin XX-.

How irrevocable trusts are taxed

Irrevocable grantor trust	Non-grantor trusts
<ul style="list-style-type: none"> • Taxes are paid by the grantor (person who funds trust) • Taxes are paid at grantor's individual tax rates 	<ul style="list-style-type: none"> • Taxes are paid at the trust level • Taxes are paid using compressed rates

Both types of trusts may benefit from a tax-deferred annuity—to either avoid compressed trust tax rates or to reduce the grantor's tax bill each year that the trust realizes income.

Other types of irrevocable trusts

- Spousal lifetime access (SLAT)
- Credit shelter (CST)
- Intentionally defective grantor
- Dynasty/Generation-skipping (GST)
- Special-needs (SNT)



Avoid high trust tax rates to help maximize your legacy.

Good for beneficiaries

- ✓ Establish tax efficiency through tax deferral for generations
- ✓ Control inheritance funds by deferring income until they need it*
- ✓ Avoid a costly probate process for you and your beneficiaries
- ✓ Tax advantages—nonqualified stretch.†

Good for you

- ✓ Minimize a trust tax rate that could otherwise be as high as 40.8%.^{1,2}
- ✓ Gain tax deferral for your legacy‡
- ✓ Manage beneficiary distributions that provide flexibility

* Tax-deferred annuity growth does not contribute to Distributable Net Income.

† IRS Private Letter Ruling (PLR) #199905015, says (1) an annuity owned by the credit shelter trust ("B trust") is deemed to be owned by a natural person for purposes of Section 72(u) and, (2) upon dissolution of the trust, the retitling of the annuity contract from the trust as owner to the annuitant as owner does not trigger a taxable event.

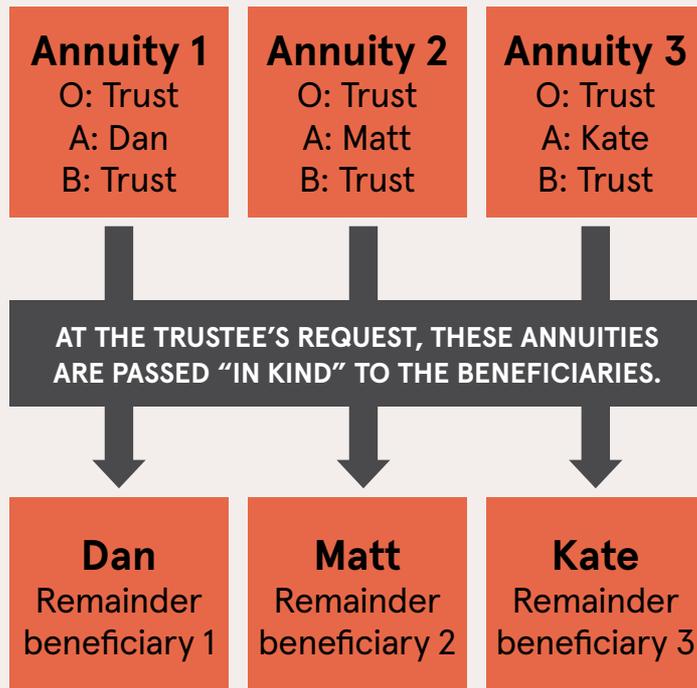
‡ Under IRC Section 72(u), trusts with non-natural beneficiaries may not qualify for tax-deferred treatment.

¹ IRS, "Questions and Answers on the Net Investment Income Tax," September 13, 2025.

² IRS, Rev. Proc. 2025-32, 2025.



Maximize your legacy gift with “pass-in-kind” titling.



What is “pass-in-kind” titling?

- A trust with three remainder beneficiaries may choose to purchase three annuities and name each remainder beneficiary as the single annuitant on their own annuity.*
- When the income beneficiary needs a distribution, one can be made and be taxed at the income beneficiary’s marginal tax rate.†
- Upon the income beneficiary’s death—and at the determination of the trustee—the **remainder beneficiaries can each receive the annuity of which they were listed as annuitant in kind without a taxable event.**

*Each remainder beneficiary must be the sole annuitant on the annuity contract for the pass-in-kind strategy to be applicable.

† The IRS issued a private letter ruling (“PLR”) holding that a non-grantor trust cannot use the IRC 72(q) exceptions for (1) reaching age 59½, (2) disability, or (3) SEPP payments. The ruling recognized a non-grantor trust may use the IRC 72(q) exception for death. (See PLR 202031008.)



Using tax-free transfers

You have annuities or life insurance.



Help make your legacy last.

What is “nonqualified stretch?”

When you pass, **nonqualified stretch** permits your beneficiaries to “stretch” their inherited distributions over their lifetime.*

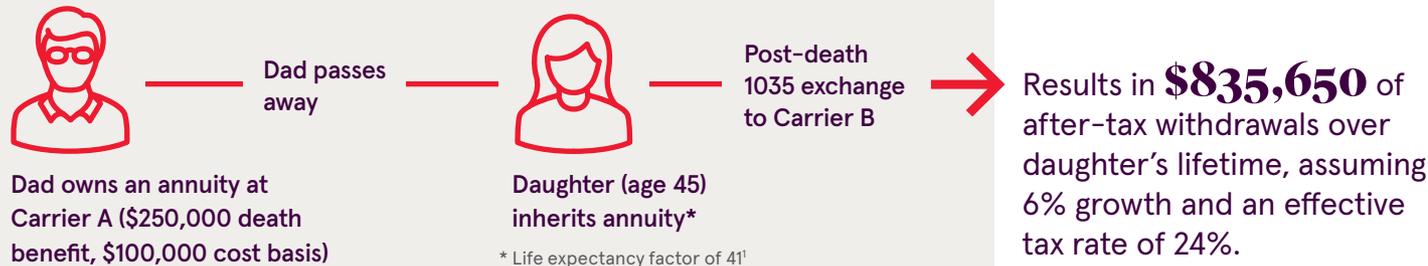
Benefits of nonqualified stretch

Income tax control	Your beneficiaries only pay taxes on withdrawals that have gains while the balance of the account remains invested. This reaps the benefit of compounded, tax-deferred growth.
Added growth potential	If your beneficiaries keep the account invested—tax-deferred—they can potentially grow the contract value.
Accelerated distributions	Unless restricted, beneficiaries can accelerate distributions and withdraw additional amounts in any year and even cash out at any time without incurring federal tax penalties.* Ordinary income taxes will apply.
Preselected death benefit	You may choose to restrict distributions to the minimum “stretch” amount until beneficiaries reach a specified age—or a specified number of years regardless of age. This helps when beneficiaries may lack the education or discipline to manage their assets.

An excess interest adjustment (interest rate adjustment in New York) may apply.

Post-death 1035 exchange (nonqualified stretch only)

The IRS issued Private Letter Ruling (PLR) 201330016 allows your clients to move inherited assets and reinvest with a new carrier more in line with their personal investment profile.



*Beneficiaries must elect stretch within one year of the annuity owner's passing and take a required minimum distribution (RMD) each year based on their life expectancy to satisfy IRS requirements.

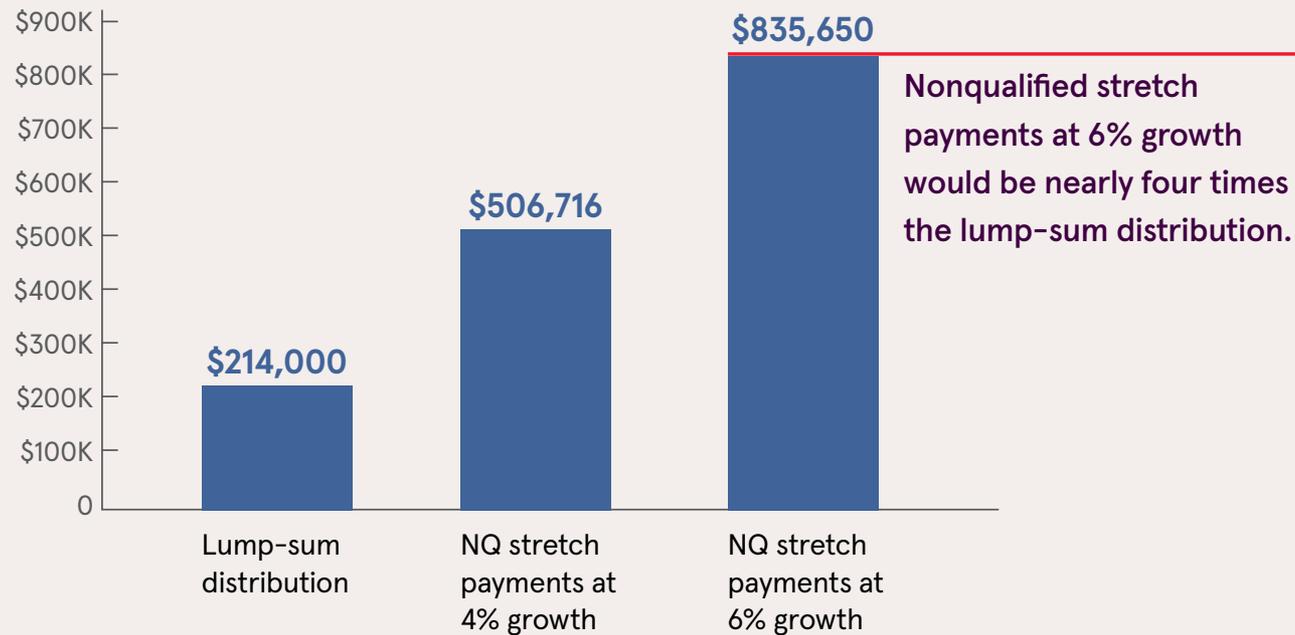
¹ IRS, Publication 590-B, "Distributions from Individual Retirement Arrangements," 2024.



Waiting to let a “stretched” account grow tax-deferred may help beneficiaries take your legacy farther.

TOTAL NONQUALIFIED STRETCH DISTRIBUTIONS OVER BENEFICIARY’S LIFETIME

Assuming beneficiary’s age of 45 (after-tax amount)

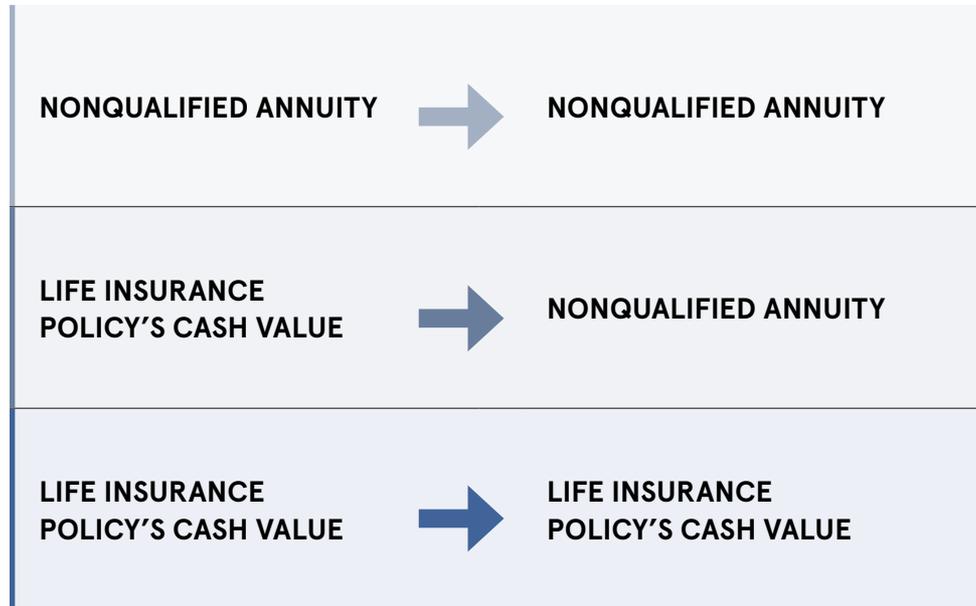


The information contained in this chart assumes a federal effective tax bracket of 24%, no state or local taxes considered, a \$100,000 cost basis, and a \$250,000 death benefit.



Realign your investment for your current needs—potentially tax-free.

1035 exchanges



1035 exchange facts

- Your transfer must go directly from one carrier to another
- You cannot receive funds directly without tax consequences
- The ownership and annuitant designations must remain the same from the original contract to the subsequent contract

Why exchange?

- ➔ Lower the cost of your account if you no longer need an add-on living benefit*
- ➔ Open growth opportunities for beneficiaries with compounding tax deferral

* Add-on benefits are available for an extra charge in addition to the ongoing fees and expenses of the variable annuity.

Please consult a qualified financial professional to determine whether a 1035 exchange may be right for you. Purchasing an annuity will begin a new early withdrawal period. Investors should carefully compare an existing annuity or life insurance policy to any newly proposed annuity product.





If you want opportunities to retain more of your assets, visit jackson.com/taxcalculator for more information on growth potential from tax deferral.



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