

# Financial Guidelines for 2018

## *For Advisors and Planners*

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This information should be used for informational purposes only and should not be considered as legal advice. Each professional must evaluate the tax, legal, and financial consequences of each individual situation. This brochure discusses only federal income tax consequences. State laws may vary.

**RESULTS OF \$1,000 SINGLE SUM  
INVESTED AT VARIOUS ANNUAL INTEREST  
RATES FOR VARIOUS PERIODS OF TIME**  
*(Investment Made at Beginning of Year 1)*

<b>Years</b>	<b>2.0%</b>	<b>4.0%</b>	<b>6.0%</b>	<b>8.0%</b>	<b>10.0%</b>
1	\$1,020	\$1,040	\$1,060	\$1,080	\$1,100
2	1,040	1,082	1,124	1,166	1,210
3	1,061	1,125	1,191	1,260	1,331
4	1,082	1,170	1,262	1,360	1,464
5	1,104	1,217	1,338	1,469	1,611
6	1,126	1,265	1,419	1,587	1,772
7	1,149	1,316	1,504	1,714	1,949
8	1,172	1,369	1,594	1,851	2,144
9	1,195	1,423	1,689	1,999	2,358
10	1,219	1,480	1,791	2,159	2,594
11	1,243	1,539	1,898	2,332	2,853
12	1,268	1,601	2,012	2,518	3,138
13	1,294	1,665	2,133	2,720	3,452
14	1,319	1,732	2,261	2,937	3,797
15	1,346	1,801	2,397	3,172	4,177
16	1,373	1,873	2,540	3,426	5,595
17	1,400	1,948	2,693	3,700	5,054
18	1,428	2,026	2,854	3,996	5,560
19	1,457	2,107	3,026	4,316	6,116
20	1,486	2,191	3,207	4,661	6,727
21	1,516	2,279	3,400	5,034	7,400
22	1,546	2,370	3,604	5,437	8,140
23	1,577	2,465	3,820	5,871	8,954
24	1,609	2,563	4,049	6,341	9,850
25	1,641	2,666	4,292	6,846	10,835
26	1,674	2,772	4,549	7,396	11,918
27	1,707	2,883	4,822	7,988	13,110
28	1,741	2,999	5,112	8,627	14,421
29	1,776	3,118	5,418	9,317	15,863
30	1,812	3,243	5,743	10,063	17,449
35	2,000	3,946	7,686	14,785	28,102
40	2,208	4,801	10,286	21,725	45,259
45	2,438	5,841	13,765	31,920	72,890
50	2,692	7,106	18,420	46,902	117,391

**YEARS UNTIL EXHAUSTION OF  
\$100,000 IN RETIREMENT SAVINGS**

<b>Monthly Withdrawal</b>	<b>Interest Rate on Savings</b>							
	<b>3%</b>	<b>4%</b>	<b>5%</b>	<b>6%</b>	<b>7%</b>	<b>8%</b>	<b>9%</b>	<b>10%</b>
\$ 400	32	43	*	*	*	*	*	*
500	23	27	34	62	*	*	*	*
600	18	20	23	29	*	*	*	*
700	14	16	18	20	25	*	*	*
800	12	13	14	16	18	22	30	*
900	10	11	12	13	14	16	19	26
1,000	9	10	10	11	12	13	15	17
1,200	7	8	8	9	9	10	10	11
1,400	6	6	7	7	7	8	9	9
1,600	5	5	6	6	6	6	7	7

\* The asterisk shows withdrawals that can be made without time limitation.

## EQUIVALENT YIELDS OF MUNICIPAL BONDS COMPARED TO TAXABLE INVESTMENTS

Bond Yield	15% Bracket	25% Bracket	28% Bracket	33% Bracket	35% Bracket	39.6% Bracket
2.0%	2.35%	2.67%	2.78%	2.99%	3.08%	3.31%
2.5	2.9	3.3	3.5	3.7	3.8	4.14
3.0	3.5	4.0	4.2	4.5	4.6	4.97
3.5	4.1	4.7	4.9	5.2	5.4	5.79
4.0	4.7	5.3	5.6	6.0	6.2	6.62
4.5	5.3	6.0	6.3	6.7	6.9	7.45
5.0	5.88	6.67	6.94	7.46	7.69	8.25

Equivalent of tax-free investments = Bond Yield / (1.0 – bondholder’s marginal tax bracket). State income tax savings may also be available for bonds issued within the taxpayer’s state.

## WHAT ANNUAL INVESTMENTS OF \$1,000 WILL GROW TO OVER TIME\*

Years	2%	4%	5%	6%	8%	10%
1	\$1,020	\$1,040	\$1,050	\$1,060	\$1,080	\$1,100
2	2,060	2,122	2,153	2,184	2,246	2,310
3	3,122	3,246	3,310	3,375	3,506	3,641
4	4,204	4,416	4,526	4,637	4,867	5,105
5	5,308	5,633	5,802	5,975	6,336	6,716
6	6,434	6,898	7,142	7,394	7,923	8,487
7	7,583	8,214	8,549	8,897	9,637	10,436
8	8,755	9,583	10,027	10,491	11,488	12,579
9	9,950	11,006	11,578	12,181	13,487	14,937
10	11,169	12,486	13,207	13,972	15,645	17,531
11	12,412	14,026	14,917	15,870	17,977	20,384
12	13,680	15,627	16,713	17,882	20,495	23,523
13	14,974	17,292	18,599	20,015	23,215	26,975
14	16,293	19,024	20,579	22,276	26,152	30,772
15	17,639	20,825	22,657	24,673	29,324	34,950
16	19,012	22,698	24,840	27,213	32,750	39,545
17	20,412	24,645	27,132	29,906	36,450	44,599
18	21,841	26,671	29,539	32,760	40,446	50,159
19	23,297	28,778	32,066	35,786	44,762	56,275
20	24,783	30,969	34,719	38,993	49,423	63,002
21	26,299	33,248	37,505	42,392	54,457	70,403
22	27,845	35,618	40,430	45,996	59,893	78,543
23	29,422	38,083	43,502	49,816	65,765	87,497
24	31,030	40,646	46,727	53,864	72,106	97,347
25	32,671	43,312	50,113	58,156	78,954	108,182
26	34,344	46,084	53,669	62,706	86,351	120,100
27	36,051	48,968	57,403	67,528	94,339	133,210
28	37,792	51,966	61,323	72,640	102,966	147,631
29	39,568	55,085	65,439	78,058	112,283	163,494
30	41,379	58,328	69,761	83,802	122,346	180,943
35	50,994	75,598	94,837	118,102	186,102	298,127
40	61,609	98,826	126,840	164,048	279,781	486,852
45	73,330	125,870	167,686	225,508	417,426	790,795
50	86,270	158,733	219,816	307,756	619,672	1,280,299

\* Assuming tax-free growth of principal with investments made at the start of each year

## MONTHLY INTEREST INCOME FROM VARIOUS SUMS

Principal	2%	3%	4%	5%	6%	7%	8%	9%
\$ 20,000	33	50	67	83	100	117	133	150
40,000	67	100	133	166	200	233	266	300
60,000	100	150	200	250	300	350	400	450
80,000	133	200	267	333	400	466	533	600
100,000	167	250	333	416	500	583	666	750

## INFLATION RATE HISTORY

*(Based on the Annual Consumer Price Index)*

Year	Annual Inflation Rate	Year	Annual Inflation Rate	Year	Annual Inflation Rate	Year	Annual Inflation Rate
1941	5.0%	1960	1.6%	1979	11.3%	1998	1.6%
1942	10.8	1961	1.0	1980	13.5	1999	2.2
1943	6.2	1962	1.1	1981	10.4	2000	3.4
1944	1.6	1963	1.2	1982	6.1	2001	2.8
1945	2.3	1964	1.4	1983	3.2	2002	1.6
1946	8.4	1965	1.7	1984	4.3	2003	2.3
1947	14.5	1966	2.8	1985	3.6	2004	2.7
1948	7.6	1967	2.9	1986	1.9	2005	3.4
1949	1.0	1968	4.2	1987	3.6	2006	3.2
1950	1.0	1969	5.3	1988	4.0	2007	2.8
1951	7.9	1970	5.9	1989	4.8	2008	3.8
1952	2.1	1971	4.3	1990	5.4	2009	-.04
1953	0.8	1972	3.3	1991	4.2	2010	1.6
1954	0.5	1973	6.2	1992	3.0	2011	3.2
1955	0.4	1974	11.0	1993	3.0	2012	2.1
1956	1.5	1975	9.1	1994	2.6	2013	1.5
1957	3.6	1976	5.8	1995	2.8	2014	1.6
1958	2.7	1977	6.5	1996	3.0	2015	0.1
1959	0.9	1978	7.7	1997	2.3	2016	2.5
						2017	2.1

### 2018 Social Security Taxes

- Employers and employees each pay a 6.2% Social Security tax on wages up to \$128,400 and a 1.45% Medicare tax on all earnings.
- Self-employed individuals pay a 12.4% Social Security tax on income up to \$128,400 and a 2.9% Medicare tax on their entire income.
- Retirees under age 66 who continue to work can earn up to \$17,040 without loss of Social Security benefits; recipients lose \$1 in benefits for every \$2 of earnings in excess of \$17,040. There is no cutback in Social Security benefits for retirees who have reached full retirement age and continue to have earned income.
- Up to one-half of Social Security benefits is taxable for single persons with provisional income (adjusted gross income plus tax-exempt interest) over \$25,000; up to 85% is taxable if provisional income exceeds \$34,000. For joint filers, up to half of Social Security benefits is taxable if provisional income exceeds \$32,000; up to 85% is taxable if provisional income exceeds \$44,000.

## MORTALITY TABLE\*

Age	Male	Female	Age	Male	Female	Age	Male	Female
0	76.2	81.0	34	44.0	48.2	68	15.6	18.0
1	75.7	80.5	35	43.1	47.2	69	14.9	17.2
2	74.7	79.5	36	42.2	46.2	70	14.2	16.5
3	73.8	78.5	37	41.3	45.3	71	13.5	15.7
4	72.8	77.6	38	40.3	44.3	72	12.9	15.0
5	71.8	76.6	39	39.4	43.4	73	12.2	14.3
6	70.8	75.6	40	38.5	42.4	74	11.6	13.6
7	69.8	74.6	41	37.6	41.5	75	11.0	12.9
8	68.8	73.6	42	36.6	40.5	76	10.4	12.2
9	67.8	72.6	43	35.7	39.6	77	9.8	11.5
10	66.8	71.6	44	34.8	38.7	78	9.3	10.9
11	65.8	70.6	45	33.9	37.7	79	8.7	10.3
12	64.8	69.6	46	33.0	36.8	80	8.2	9.7
13	63.9	68.6	47	32.1	35.9	81	7.7	9.1
14	62.9	67.6	48	31.3	35.0	82	7.2	8.5
15	61.9	66.6	49	30.4	34.1	83	6.7	8.0
16	60.9	65.7	50	29.6	33.2	84	6.3	7.4
17	60.0	64.7	51	28.7	32.3	85	5.8	6.9
18	59.0	63.7	52	27.9	31.4	86	5.4	6.5
19	58.0	62.7	53	27.0	30.5	87	5.1	6.0
20	57.1	61.7	54	26.2	29.6	88	4.7	5.6
21	56.2	60.8	55	25.4	28.8	89	4.4	5.2
22	55.2	59.8	56	24.6	27.9	90	4.1	4.8
23	54.3	58.8	57	23.8	27.0	91	3.8	4.5
24	53.4	57.8	58	23.0	26.2	92	3.5	4.1
25	52.4	56.9	59	22.2	25.3	93	3.3	3.8
26	51.5	55.9	60	21.5	24.4	94	3.1	3.6
27	50.6	54.9	61	20.7	23.6	95	2.9	3.3
28	49.6	54.0	62	19.9	22.8	96	2.7	3.1
29	48.7	53.0	63	19.2	22.0	97	2.5	2.9
30	47.8	52.0	64	18.4	21.1	98	2.3	2.7
31	46.8	51.1	65	17.7	20.3	99	2.2	2.5
32	45.9	50.1	66	17.0	19.5	100	2.1	2.3
33	45.0	49.1	67	16.3	18.7			

\* Source: CDC/NCHS, National Vital Statistics System, 2010

### HOW ACCURATE IS THE RULE OF 72?

To estimate how many years it will take for an investment to double in value, you can divide 72 by the annual interest rate you expect to receive (assuming tax-free annual compounding).

$$\frac{72}{\text{Interest Rate}} = \text{Number of years money will take to double in value}$$

Here is a comparison of rule-of-72 estimates to results obtained from a financial calculator, which proves that the rule of 72 is close enough for most purposes.

Interest Rate	Years to Double Under Rule of 72	Actual Years for Funds to Double
3	24.0	23.5
5	14.4	14.3
7	10.3	10.2
10	7.2	7.3
12	6.0	6.1

## REQUIRED MINIMUM RETIREMENT PLAN DISTRIBUTIONS

Current Age	Distributions Period (Years)	Percent	Current Age	Distributions Period (Years)	Percent
70	27.4	3.65%	93	9.6	10.42%
71	26.5	3.77	94	9.1	10.99
72	25.6	3.91	95	8.6	11.63
73	24.7	4.05	96	8.1	12.35
74	23.8	4.20	97	7.6	13.16
75	22.9	4.37	98	7.1	14.08
76	22.0	4.55	99	6.7	14.93
77	21.2	4.72	100	6.3	15.87
78	20.3	4.93	101	5.9	16.95
79	19.5	5.13	102	5.5	18.18
80	18.7	5.35	103	5.2	19.23
81	17.9	5.59	104	4.9	20.41
82	17.1	5.85	105	4.5	22.22
83	16.3	6.13	106	4.2	23.81
84	15.5	6.45	107	3.9	25.64
85	14.8	6.76	108	3.7	27.03
86	14.1	7.09	109	3.4	29.41
87	13.4	7.46	110	3.1	32.26
88	12.7	7.87	111	2.9	34.48
89	12.0	8.33	112	2.6	38.46
90	11.4	8.77	113	2.4	41.67
91	10.8	9.26	114	2.1	47.62
92	10.2	9.80	115 +	1.9	52.63

See IRS Pub. 590 for RMD tables where account owner has spouse who is more than 10 years younger.

## MAXIMUM RETIREMENT PLAN CONTRIBUTIONS

### Individual Retirement Accounts (Including Roth IRAs)

\$5,500 (plus \$1,000 catch-up, ages 50 and above)

Roth IRA contributions eligibility is phased out for single taxpayers with modified adjusted gross incomes above \$120,000 (\$189,000 for joint returns). Income restrictions on *converting* to Roth IRAs were eliminated after 2009.

### 401(k) and 403(b) Plans

\$18,500 (plus \$6,000 catch-up, ages 50 and above)

### Simple IRA

\$12,500 (plus \$3,000 catch-up, ages 50 and above)

### 457 Deferred Compensation Plan

\$18,500 maximum deferral

### SEP-IRA, Money Purchase, and Profit-sharing Plans

\$55,000 maximum contribution; \$275,000 compensation cap

### Defined Benefit Plans

\$220,000 maximum annual benefit

## HEALTH SAVINGS ACCOUNTS

Contribution limits: \$3,450 for individuals; \$6,900 for families; \$1,000 catch-up for individuals ages 55 and older

Maximum out-of-pocket: \$6,650 for individuals; \$13,300 for families

Minimum deductible: \$1,350 for individuals; \$2,700 for families

## SOCIAL SECURITY BENEFITS

Full Retirement and Age 62 Benefit by Year of Birth						
Year of birth <sup>1</sup>	Full (normal) ret. age	Months between age 62 and full ret. age	At Age 62 <sup>2</sup>			
			A \$1,000 ret. benefit would be reduced to	The ret. benefit is reduced by <sup>3</sup>	A \$500 spouse's benefit would be reduced to	The spouse's benefit is reduced by <sup>4</sup>
1943-54	66	48	\$750	25.00%	\$350	30.00%
1955	66 + 2 mon.	50	741	25.83	345	30.83
1956	66 + 4 mon.	52	733	26.67	341	31.67
1957	66 + 6 mon.	54	725	27.50	337	32.50
1958	66 + 8 mon.	56	716	28.33	333	33.33
1959	66 + 10 mon.	58	708	29.17	329	34.17
1960/later	67	60	700	30.00	325	35.00

- For persons born on January 1, refer to the previous year.
- For persons born on the first of the month, birthdays are moved to the previous month. Individuals must be at least 62 for the entire month to receive benefits.
- Percentages are approximate due to rounding.
- The maximum benefit for the spouse is 50% of the benefit the worker would receive at full retirement age. The percentage reduction for the spouse should be applied after the automatic 50% reduction. Percentages are approximate due to rounding.

### HOW MUCH WILL DELAYED RETIREMENT BENEFITS INCREASE THE BENEFIT?

Each additional year a person works adds another year of earnings to their Social Security record. Higher lifetime earnings may result in higher benefits when a person retires. In addition, a person's benefit will be increased by 8% annually if they delay retirement. These increases, called delayed retirement credits, will be added in automatically from the time a person reaches full retirement age until that individual starts taking benefits or reaches age 70.

### Key Tax Numbers for 2018

- \$11,180,000** Tax exemption (indexed for inflation) against the federal estate tax, gift tax, and generation-skipping transfer tax. Amounts over \$11,180,000 are taxed at a 40% rate.
- \$600,000** Starting point for the 37% tax bracket for married taxpayers filing jointly. Taxable incomes below \$600,000 are taxed at rates ranging from 10% to 35%. Taxable income of \$600,000 is also the threshold for the 20% tax rate on long-term capital gains and qualified dividends for joint returns. (Heads of households incur higher tax rates at income of \$300,000.)
- \$500,000** Starting point for the 37% tax bracket for unmarried taxpayers and the 20% tax on long-term capital gains and qualified dividends. Taxable incomes of single taxpayers below \$500,000 are taxed at rates ranging from 10% to 35%.
- \$250,000** Joint filers become liable for the 3.8% tax on net investment income and an extra .9% of Medicare tax on earned income.
- \$200,000** Unmarried taxpayers and heads of households become liable for the 3.8% tax on net investment income and the additional .9% Medicare tax on earned income.
- \$77,400** Maximum amount of taxable income qualifying for the 0% tax rate on dividends and long-term capital gains for married persons filing jointly.
- \$38,700** Maximum amount of taxable income qualifying for the 0% tax rate on dividends and long-term capital gains for unmarried taxpayers.
- \$15,000** Gift amount that can pass free of gift taxes in 2018, *per donee*.

## CHARITABLE REMAINDER UNITRUSTS (2.0% AFR)

Payout Rate/Percent of Gift Deductible						
Age	5.0%	6.0%	7.0%	8.0%	9.0%	10%
55	.31854	.26147	.21693	.18196	.15428	.13216
56	.33971	.27290	.22768	.19193	.16347	.14059
57	.34266	.28465	.23877	.20227	.17304	.14940
58	.35507	.29667	.25018	.21296	.18296	.15858
59	.36773	.30901	.26195	.22403	.19330	.16817
60	.38066	.32168	.27410	.23552	.20407	.17821
61	.39383	.33467	.28663	.24743	.21528	.18871
62	.40722	.34794	.29949	.25971	.22690	.19961
63	.42081	.36148	.31267	.27236	.23890	.21094
64	.43459	.37529	.32619	.28538	.25133	.22270
65	.44858	.38937	.34005	.29880	.26417	.23491
66	.46292	.40391	.35444	.31282	.27768	.24781
67	.47758	.41886	.36932	.32740	.29181	.26139
68	.49248	.43415	.38464	.34249	.30649	.27556
69	.50760	.44975	.40034	.35804	.32171	.29033
70	.52289	.46562	.41641	.37403	.33743	.30565
71	.53837	.48176	.43284	.39048	.35368	.32156
72	.55398	.49816	.44963	.40736	.37044	.33805
73	.56970	.51473	.46668	.42459	.38765	.35506
74	.58542	.53141	.48392	.44211	.40521	.37250
75	.60109	.54810	.50127	.45980	.42302	.39025
76	.61665	.56477	.51866	.47761	.44104	.40828
77	.63210	.58139	.53607	.49554	.45923	.42657
78	.64740	.59792	.55348	.51353	.47758	.44507
79	.66253	.61434	.57085	.53155	.49602	.46375
80	.67743	.63059	.58811	.54954	.51449	.48253
81	.69210	.64665	.60522	.56744	.53296	.50138
82	.70648	.66246	.62216	.58523	.55139	.52025
83	.72056	.67801	.63887	.60285	.56969	.53907
84	.73432	.69325	.65531	.62025	.58784	.55778
85	.74771	.70815	.67145	.63739	.60578	.57635
86	.76072	.72269	.68725	.65423	.62346	.59471
87	.77332	.73681	.70265	.67070	.64082	.61278
88	.78552	.75053	.71766	.68680	.65784	.63057
89	.79727	.76378	.73222	.70248	.67446	.64799

## CHARITABLE GIFT ANNUITY DEDUCTIONS (PER \$10,000 CONTRIBUTED)

Age	Payout Rate*	Deduction (2.0% AFR)	Age	Payout Rate*	Deduction (2.0% AFR)	Age	Payout Rate*	Deduction (2.0% AFR)
55	4.0%	\$2,269	70	5.1%	\$3,901	85	7.8%	\$5,582
56	4.1	2,278	71	5.3	3,917	86	8.0	5,729
57	4.1	2,481	72	5.4	4,060	87	8.2	5,878
58	4.2	2,504	73	5.5	4,209	88	8.4	6,028
59	4.3	2,538	74	5.7	4,263	89	8.7	6,133
60	4.4	2,582	75	5.8	4,426	90	9.0	6,243
61	4.4	2,800	76	6.0	4,501	91	9.0	6,474
62	4.5	2,858	77	6.2	4,588	92	9.0	6,693
63	4.5	3,079	78	6.4	4,685	93	9.0	6,900
64	4.6	3,151	79	6.6	4,792	94	9.0	7,096
65	4.7	3,231	80	6.8	4,908	95	9.0	7,281
66	4.8	3,323	81	7.0	5,032	96	9.0	7,454
67	4.8	3,558	82	7.2	5,162	97	9.0	7,616
68	4.9	3,664	83	7.4	5,298	98	9.0	7,769
69	5.0	3,778	84	7.6	5,438	99	9.0	7,912

\* Payout Rates are rates recommended by the American Council on Gift Annuities. Charities historically have employed the Council's payout rates but may pay higher or lower rates. Deductions assume quarterly payments.

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