

Change your focus. Change your future.

Defer your taxes and compound your earnings

Utilizing a tax-deferred investment structure could allow you to walk away with more after-tax dollars

+21%

More After-Tax Dollars

On a \$1,000,000 contingency fee, attorneys could take home an additional \$253,920 by utilizing a tax-deferred structure versus an after-tax brokerage account. --- a +21% benefit.

“To Defer or Not Defer?”

Hypothetical Case Study | Two attorneys both earned a \$1,000,000 contingency fee. Each attorney plans to invest the funds for 20 years. Each attorney plans to withdraw (distribute) a portion of the funds annually for living expenses, and eventually draw the investment account down to \$0. Attorney A elects to utilize a tax-deferred vehicle while Attorney B opts to take the upfront lump sum payout. Investing in the same plan, they both earn an annualized 7% (net of fees) growth in their portfolios. **After 20 years of growth and taxes paid out, which attorney has more take-home dollars?**

	Attorney A	Attorney B
Investment Structure	Tax-Deferred Account	After-Tax Brokerage Account (initial cash payout)
Contingency Fee	\$1,000,000	\$1,000,000
Initial Taxes Paid	- \$0	- \$320,000
Starting Portfolio Value	= \$1,000,000	= \$680,000
After 20 years of 7% annualized growth		
Additional Taxes Paid	- \$701,843	- \$253,920
Total Take-Home Dollars Net of Taxes	\$1,491,416	\$1,237,496
Additional dollars created by tax deferral program	+ \$253,920	

It is important to consult your own tax and accounting advisors for specific recommendations or comments regarding tax rates that apply to your situation as individual circumstances may vary.

For these hypothetical scenarios, all figures are estimates. Annualized Growth (net of fees) results are hypothetical and do not represent any particular investment. We applied the following assumptions: federal income tax rate of 25%, state income rate of 7%. 15% federal capital gains tax, and 7% state capital gains tax. Dividends were taxed at the ordinary income levels. 4% annual portfolio turnover in addition to necessary turnover to raise cash for annual distributions. For additional information on the reporting, please contact NorthCoast Asset Management at (203) 532-7000.

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