

Tax Planning Strategies WITH 2020 FORM 1040 OVERLAY

**BRINGING YOU IDEAS AND STRATEGIES
THAT MAY INCORPORATE LIFE INSURANCE**



PACIFIC LIFE

Form 1040 Overlay

TAX STRATEGIES

Tax advisors and financial or investment professionals* have an acute awareness of their clients' personal income, business income, and other financial information. Correspondingly, these financial professionals typically have insight into their clients' potential planning needs, including retirement planning, business succession planning, executive compensation planning, charitable planning, family protection planning, and estate planning.

This Form 1040 Overlay Tax Planning Strategies brochure may be used as a tool to help advisors identify clients' planning needs on a more comprehensive basis. See the Potential Client Needs and Potential Strategies highlighted throughout this guide, as well as the overlay pages, in conjunction with the client's 2020 Form 1040 and Schedule 1 in order to uncover their planning needs and potential sales opportunities.



Pacific Life, its affiliates, their distributors and respective representatives do not provide tax, accounting or legal advice. Any taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor or attorney.

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* In order to sell life insurance, a financial professional must be a properly licensed and appointed life insurance producer.

Federal Tax OVERVIEW¹

Keep these tax facts in mind as you review your client's 2020 Form 1040. These maximum rates and additional taxes primarily affect your high-earning clients.

- **Maximum annual IRA contributions allowed are \$6,000** (with additional catch-up amount of \$1,000 for those age 50 or older).²
- **Income limitations for Roth IRA contributions:** Single taxpayers with \$139,000 or more of modified adjusted gross income (MAGI) and married filing jointly taxpayers with \$206,000 or more of MAGI cannot contribute to a Roth IRA (in 2020).
- **Highest individual tax rate:** 37% (for single taxpayers with taxable income over \$518,400 and married filing jointly taxpayers with taxable income over \$622,050)
- **Long-term capital gains tax rate:** 20% (for single taxpayers with adjusted gross income (AGI) over \$441,450 and married filing jointly taxpayers with AGI over \$496,600)
- **"Medicare" surtax on Net Investment Income (e.g., interest, dividends, capital gains):** 3.8% (for single taxpayers with income of \$200,000 or more, and married filing jointly taxpayers with income of \$250,000 or more)
- **Additional tax on earned income for higher income taxpayers:** 0.9% (for single taxpayers with income of \$200,000 or more, and married filing jointly taxpayers with income of \$250,000 or more)
- **Pease limitations:** The Pease limitations on itemized deductions for certain higher income individuals were eliminated by the Tax Cuts and Jobs Act of 2017, but may be reinstated by tax reform legislation in 2021. Pease limitations on itemized deductions for individuals with AGI higher than \$xxx,xxx (single) or \$xxx,xxx (married filing jointly) have been reinstated by name of legislation.
- **Personal Exemption:** The personal exemption was eliminated by the Tax Cuts and Jobs Act of 2017 (TCJA) for tax year 2018 and beyond.
- **Standard and Itemized deductions:** The standard deduction is \$12,400 for single taxpayers and \$24,800 for married filing jointly taxpayers. Itemized deductions may not be as beneficial to taxpayers for tax year 2018 and beyond due to the doubled standard deduction under TCJA. Note that if a taxpayer itemizes deductions, state and local taxes (SALT) may be deducted, but the deduction is capped at \$10,000 per return.

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A thumbnail image of the 2020 Form 1040, the U.S. Individual Income Tax Return. It shows the standard layout with various sections for income, deductions, and taxes.

Form 1040

A thumbnail image of a red overlay sheet. It contains various lines and boxes, some of which are highlighted in red, likely indicating areas of interest or changes. It appears to be a supplementary document related to the tax form.

Overlay

- 1 The Tax Cuts and Jobs Act of 2017 (TCJA) was signed into law by President Trump on December 22, 2017. For tax years beginning in 2018, the rules and rates under TCJA apply, with some provisions expiring at the end of the year 2025.
- 2 The IRS rules for whether a client's contributions to a traditional IRA may be deductible are complex. See IRS Publication 590-A (2020): www.irs.gov/publications/p590a.

Client Planning Opportunities Using Life Insurance

FROM FORM 1040 AND SCHEDULE 1

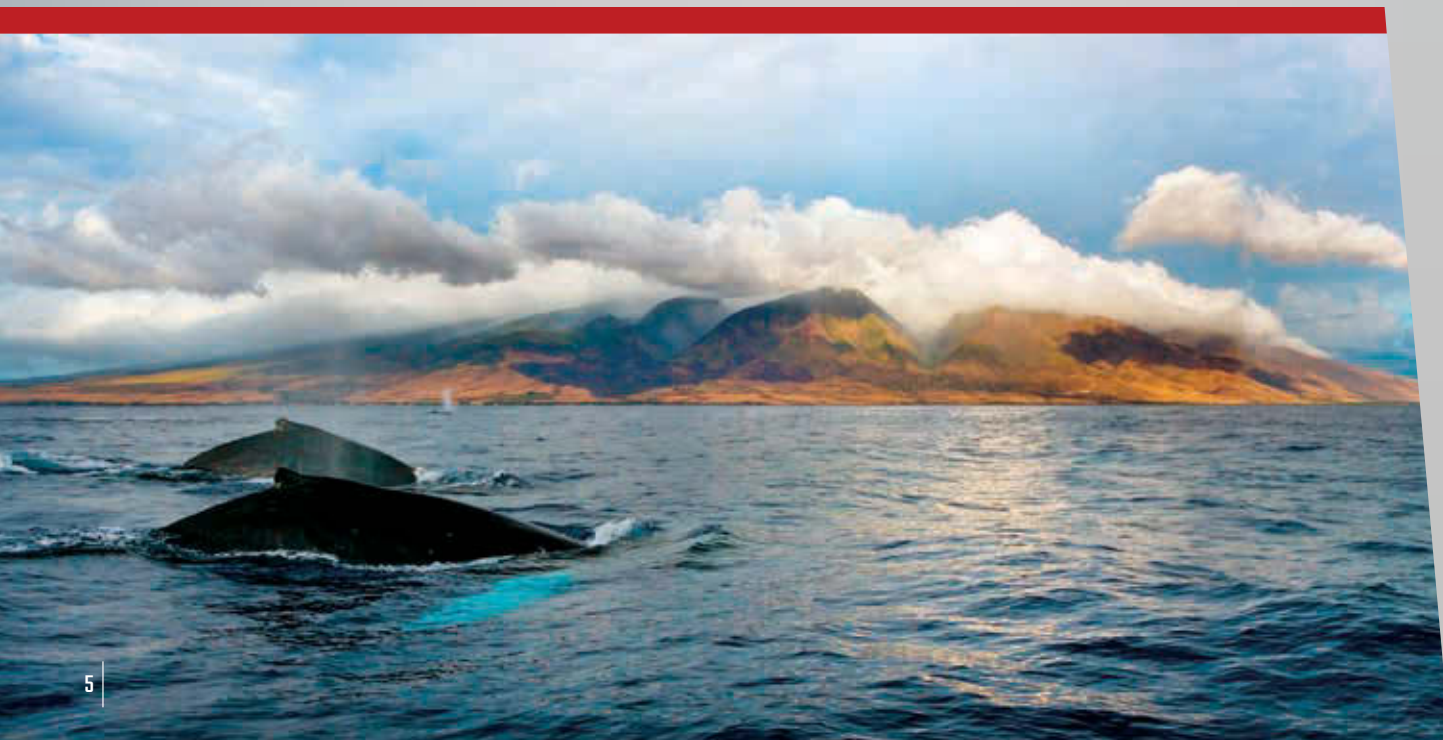
Line Number(s)	Description	Potential Client Needs	Potential Strategies
PAGE ONE - FORM 1040			
	Filing Status	<ul style="list-style-type: none"> Income replacement for main or both earners 	<ul style="list-style-type: none"> Family Protection – Individually-Owned Life Insurance Policy
	Name(s)	<ul style="list-style-type: none"> Income replacement for main or both earners 	<ul style="list-style-type: none"> Family Protection – Individually-Owned Life Insurance Policy
	Dependents	<ul style="list-style-type: none"> Provide for children, including those from a previous relationship Family protection if there is only one main earner 	<ul style="list-style-type: none"> Policy review to ensure current life insurance coverage is adequate Life Insurance for the Blended Family Family Protection - Individually-Owned Life Insurance Policy
Line 1	Wages, salaries, tips	<ul style="list-style-type: none"> Catch up on retirement savings (if 401(k) or other retirement plan contributions are at or close to the maximum)* Potential estate tax liquidity planning Family protection if there is only one main earner 	<ul style="list-style-type: none"> Life Insurance for Risk Protection If business owner, Split-Funded Defined Benefit Plan using Life Insurance Estate Tax Liquidity Planning using Life Insurance Basic Estate Planning Individually-Owned Life Insurance Policy
Lines 2b and 3b	Interest and dividends	<ul style="list-style-type: none"> Reduce taxable income 	<ul style="list-style-type: none"> Reposition surplus taxable assets into tax-deferred assets Life Insurance for Risk Protection
Lines 4a, 5a	IRAsPension-savings, and annuities income	<ul style="list-style-type: none"> If this is surplus income and clients need death benefit protection, consider the client’s potential need for cash value life insurance 	<ul style="list-style-type: none"> Life Insurance for Risk Protection
Lines 6a, 6b	Social Security benefits ²	<ul style="list-style-type: none"> Reduce taxable income or use surplus benefits to buy cash value life insurance (with potentially tax-free withdrawals and loans)³ 	<ul style="list-style-type: none"> Life Insurance for Risk Protection
Line 13	Qualified Business Income Deduction	<ul style="list-style-type: none"> If client is a pass-through business owner and taking no deduction or a minimal deduction, consider their need to reduce taxable income in order to qualify for this deduction 	<ul style="list-style-type: none"> Split-Funded Defined Benefit Plans using Life Insurance
PAGE TWO - FORM 1040			
Line 35a	Refund	<ul style="list-style-type: none"> If clients with a death benefit need are receiving surplus income via a tax refund, consider the client’s potential need for cash value life insurance 	<ul style="list-style-type: none"> Life Insurance for Risk Protection

* 401(k) contributions can be found on Box 12 of client’s W-2.
 2 Clients’ Social Security benefits may be taxed in part, depending on their taxable income. Higher income taxpayers will have up to 85% of their Social Security benefits taxed at their then-current federal tax rate.

Line Number(s)	Description	Potential Client Needs	Potential Strategies
SCHEDULE 1 - Additional Income and Adjustments to Income			
Lines 2a and 18a	Alimony received or paid**	■ Recipient: Death benefit protection in case of premature death of paying spouse	■ Individually-owned Life Insurance Policy
		■ Payor: Tax-deferred fund from which to pay alimony	■ Individually-owned Life Insurance Policy
Line 3	Business income	■ Reduce taxable income	■ Strategy that reduces taxable income (e.g., Split-Funded Defined Benefit Plan using Life Insurance)
		■ Business continuation planning	■ Funded buy-sell agreement
		■ Catch up on retirement savings	■ Life Insurance for Risk Protection ■ Split-Funded Defined Benefit Plans using Life insurance
		■ Retain and/or incentivize key employees	■ Key Person Life Insurance ■ Executive Bonus using Life Insurance ■ Split-Dollar Life Insurance Arrangements ■ Non-qualified Deferred Compensation (informally funded with life insurance)
Line 5	■ Rental real estate, Partnership or S Corporation income, and trust income	■ Convert taxable assets into more tax-efficient assets	■ If clients have a death benefit need, Life Insurance for Risk Protection
		■ Retain and/or incentivize key employees	■ Key Person Life Insurance ■ Non-qualified Deferred Compensation (informally funded with life insurance) ■ Executive Bonus using Life Insurance ■ Split-Dollar Life Insurance Arrangement
Line 15	Self-employed SEP, SIMPLE, and qualified plan contributions	■ Contribute even more towards retirement savings	■ If clients have a death benefit need, Life Insurance for Risk Protection ■ Split-Funded Defined Benefit Plans using life insurance
Line 19	IRA deduction	■ If higher income earner, client(s) may not be allowed to contribute to an IRA, and may need to catch-up on retirement savings	■ If clients have a death benefit need, Life Insurance for Risk Protection

** Note that the alimony deduction for a payor ex-spouse and the inclusion of alimony in gross income of a recipient ex-spouse are repealed under TCJA for any divorce or separation document executed after 12/31/2018, or for certain such documents executed on or before 12/31/2018 and modified after that date.

3 For federal income tax purposes, tax-free income assumes, among other things: (1) withdrawals do not exceed tax basis (generally, premiums paid less prior withdrawals); (2) policy remains in force until death (any outstanding policy debt at time of lapse or surrender that exceeds the tax basis will be subject to tax); (3) withdrawals taken during the first 15 policy years do not cause, occur at the time of, or during the two years prior to, any reduction in benefits; and (4) the policy does not become a modified endowment contract. See IRC §§ 72, 7702(f)(7)(B), 7702A. Any policy withdrawals, loans and loan interest will reduce policy values and may reduce benefits.



The Power Of Pacific

For more than 150 years, Pacific Life has helped millions of individuals and families with their financial needs through a wide range of life insurance products, annuities, and mutual funds, and offers a variety of investment products and services to individuals, businesses, and pension plans. Whether your goal is to protect loved ones or grow your assets for retirement, Pacific Life offers innovative products and services that provide value and financial security for current and future generations. Pacific Life counts more than half of the 100 largest U.S. companies as its clients and has been named one of the 2021 World's Most Ethical Companies® by the Ethisphere Institute. For additional company information, including current financial strength ratings, visit www.PacificLife.com.

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Tax Planning Strategies **WITH 1040 OVERLAY**



Pacific Life Insurance Company
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Life insurance is subject to underwriting and approval of the application and will incur monthly policy charges.

Pacific Life's individual life insurance products are marketed exclusively through independent third-party life insurance producers, which may include bank-affiliated entities.

Investment and Insurance Products: Not a Deposit	Not Insured by any Federal Government Agency	
Not FDIC Insured	No Bank Guarantee	May Lose Value

• **Filing status:** Please refer to page 3.

• **Name(s):** Please refer to page 3.

• **Dependents:** Please refer to page 3.

• **Wages, salaries, tips:** Please refer to page 3.

• **Interest and dividends:** Please refer to page 3.

• **IRAs, pensions, and annuities income:** Please refer to page 3.

• **Social security benefits:** Please refer to page 3.

• **Qualified Business Income Deduction:** Please refer to page 3.

CLIENT PLANNING OPPORTUNITIES USING FORM 1040

Line up the boxes below with the corresponding line on the client's Form 1040 ([2020]).
Clients should use the 1040 overlay page with their independent advisor to discuss whether any of the potential strategies fit their individual needs.

THIS COORDINATES WITH PAGE 1 OF FORM 1040.

Filing Status ☐ Single ☒ Married filing jointly ☐ Married filing separately (MFS) ☐ Head of household (HOH) ☐ Qualifying widow(er) (QW)

Check only one box. If you checked the MFS box, enter the name of your spouse. If you checked the HOH or QW box, enter the child's name if the qualifying person is a child but not your dependent ▶

Your first name and middle initial John	Last name Client	Your social security number
If joint return, spouse's first name and middle initial Christine	Last name Client	Spouse's social security number
Home address (number and street). If you have a P.O. box, see instructions. 123 Maple Street		Presidential Election Campaign Check here if you, or your spouse if filing jointly, want \$3 to go to this fund. Checking a box below will not change your tax or refund. <input type="checkbox"/> You <input type="checkbox"/> Spouse
City, town, or post office. If you have a foreign address, also complete spaces below. Anytown, Anystate, USA		
Foreign country name	Foreign province/state/county	
Apt. no.		ZIP code
Foreign postal code		

At any time during 2020, did you receive, sell, send, exchange, or otherwise acquire any financial interest in any virtual currency? ☐ Yes ☐ No

Standard Deduction **Someone can claim:** ☐ You as a dependent ☐ Your spouse as a dependent
☐ Spouse itemizes on a separate return or you were a dual-status alien

Age/Blindness **You:** ☐ Were born before January 2, 1956 ☐ Are blind **Spouse:** ☐ Was born before January 2, 1956 ☐ Is blind

Dependents (see instructions):		(2) Social security number	(3) Relationship to you	(4) <input checked="" type="checkbox"/> if qualifies for (see instructions):	
(1) First name	Last name			Child tax credit	Credit for other dependents
Sarah Client			Daughter	<input checked="" type="checkbox"/>	<input type="checkbox"/>
James Client			Son	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Max Client			Son	<input type="checkbox"/>	<input checked="" type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>


Attach Sch. B if required.	1 Wages, salaries, tips, etc. Attach Form(s) W-2	1 \$350,000
	2a Tax-exempt interest	2a
	3a Qualified dividends	3a
	4a IRA distributions	4a
	5a Pensions and annuities	5a
	6a Social security benefits	6a
	b Taxable interest	2b \$75,000
	b Ordinary dividends	3b \$40,000
	b Taxable amount	4b
	b Taxable amount	5b
	b Taxable amount	6b
7 Capital gain or (loss). Attach Schedule D if required. If not required, check here <input type="checkbox"/>	7	
8 Other income from Schedule 1, line 9	8	
9 Add lines 1, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your total income	9	
10 Adjustments to income:		
a From Schedule 1, line 22	10a	
b Charitable contributions if you take the standard deduction. See instructions	10b	
c Add lines 10a and 10b. These are your total adjustments to income	10c	
11 Subtract line 10c from line 9. This is your adjusted gross income	11	
12 Standard deduction or itemized deductions (from Schedule A)	12	
13 Qualified business income deduction. Attach Form 8995 or Form 8995-A	13	
14 Add lines 12 and 13	14	
15 Taxable income. Subtract line 14 from line 11. If zero or less, enter -0-	15	

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions.

Cat. No. 11320B

Form 1040 (2020)

Refund: Please refer to page 3.



CLIENT PLANNING OPPORTUNITIES USING FORM 1040

Line up the boxes below with the corresponding line on the client's Form 1040 ([2020]).
Clients should use the 1040 overlay page with their independent advisor to discuss whether any of the potential strategies fit their individual needs.

THIS COORDINATES WITH PAGE 2 OF FORM 1040.

Taxpayers should seek advice based on the taxpayer's particular circumstances from an independent tax advisor or attorney.

NOTE: If taxpayers have a death benefit protection need and received a tax refund (see Line [35a] on page 2 of Form 1040), they may consider using the refund for premiums on a life insurance policy for family protection and/or supplemental retirement income. (Refer to Page 3.)

16	Tax (see instructions). Check if any from Form(s): 1 <input type="checkbox"/> 8814 2 <input type="checkbox"/> 4972 3 <input type="checkbox"/> 	16	
17	Amount from Schedule 2, line 3	17	
18	Add lines 16 and 17	18	
19	Child tax credit or credit for other dependents	19	
20	Amount from Schedule 3, line 7	20	
21	Add lines 19 and 20	21	
22	Subtract line 21 from line 18. If zero or less, enter -0-	22	
23	Other taxes, including self-employment tax, from Schedule 2, line 10	23	
24	Add lines 22 and 23. This is your total tax	24	
25	Federal income tax withheld from:		
a	Form(s) W-2	25a	
b	Form(s) 1099	25b	
c	Other forms (see instructions)	25c	
d	Add lines 25a through 25c	25d	
26	2020 estimated tax payments and amount applied from 2019 return	26	
27	Earned income credit (EIC)	27	
28	Additional child tax credit. Attach Schedule 8812	28	
29	American opportunity credit from Form 8863, line 8	29	
30	Recovery rebate credit. See instructions	30	
31	Amount from Schedule 3, line 13	31	
32	Add lines 27 through 31. These are your total other payments and refundable credits	32	
33	Add lines 25d, 26, and 32. These are your total payments	33	
Refund	34 If line 33 is more than line 24, subtract line 24 from line 33. This is the amount you overpaid	34	
	35a Amount of line 34 you want refunded to you . If Form 8888 is attached, check here <input type="checkbox"/>	35a	
Direct deposit? See instructions.	b Routing number c Type: <input type="checkbox"/> Checking <input type="checkbox"/> Savings		
	d Account number 		
	36 Amount of line 34 you want applied to your 2021 estimated tax	36	
Amount You Owe	37 Subtract line 33 from line 24. This is the amount you owe now	37	
For details on how to pay, see instructions.	Note: Schedule H and Schedule SE filers, line 37 may not represent all of the taxes you owe for 2020. See Schedule 3, line 12e, and its instructions for details.		
	38 Estimated tax penalty (see instructions)	38	

• If you have a qualifying child, attach Sch. EIC.
• If you have nontaxable combat pay, see instructions.

Third Party Designee

Do you want to allow another person to discuss this return with the IRS? See instructions ☐ **Yes. Complete below.** ☐ **No**

Designee's name Phone no. Personal identification number (PIN)

Sign Here

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Your signature 	Date	Your occupation 	If the IRS sent you an Identity Protection PIN, enter it here (see inst.)
Spouse's signature. If a joint return, both must sign. 	Date	Spouse's occupation 	If the IRS sent your spouse an Identity Protection PIN, enter it here (see inst.)

Phone no. Email address

Paid Preparer Use Only

Preparer's name	Preparer's signature	Date	PTIN	Check if: <input type="checkbox"/> Self-employed
Firm's name 	Firm's address 			Phone no.
				Firm's EIN

Go to www.irs.gov/Form1040 for instructions and the latest information.

Form **1040** (2020)

Business income: Please refer to page 4.

Rental real estate, partnership, S Corporation, or trust income: Please refer to page 4.

Self-employed SEP, SIMPLE, and qualified plan contributions: Please refer to page 4.

Alimony received or paid: Please refer to page 4.

IRA deduction: Please refer to page 4.

CLIENT PLANNING OPPORTUNITIES USING SCHEDULE 1

Line up the boxes below with the corresponding line on the client's Schedule 1 ([2020]).
Clients should use the Schedule 1 overlay page with their independent advisor to discuss whether any of the potential strategies fit their individual needs.

THIS COORDINATES WITH SCHEDULE 1.

Taxpayers should seek advice based on the taxpayer's particular circumstances from an independent tax advisor or attorney.

SCHEDULE 1
(Form 1040)

Department of the Treasury
Internal Revenue Service

Additional Income and Adjustments to Income

▶ **Attach to Form 1040, 1040-SR, or 1040-NR.**
▶ **Go to www.irs.gov/Form1040 for instructions and the latest information.**

OMB No. 1545-0074

2020
Attachment
Sequence No. **01**

Name(s) shown on Form 1040, 1040-SR, or 1040-NR

Your social security number

Part I Additional Income

1	Taxable refunds, credits, or offsets of state and local income taxes	1	
2a	Alimony received	2a	
b	Date of original divorce or separation agreement (see instructions) ▶		
3	Business income or (loss). Attach Schedule C	3	\$50,000
4	Other gains or (losses). Attach Form 4797	4	
5	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E	5	\$60,000
6	Farm income or (loss). Attach Schedule F	6	
7	Unemployment compensation	7	
8	Other income. List type and amount ▶	8	
9	Combine lines 1 through 8. Enter here and on Form 1040, 1040-SR, or 1040-NR, line 8	9	\$110,000

Part II Adjustments to Income

10	Educator expenses	10	
11	Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106	11	
12	Health savings account deduction. Attach Form 8889	12	
13	Moving expenses for members of the Armed Forces. Attach Form 3903	13	
14	Deductible part of self-employment tax. Attach Schedule SE	14	
15	Self-employed SEP, SIMPLE, and qualified plans	15	\$20,000
16	Self-employed health insurance deduction	16	
17	Penalty on early withdrawal of savings	17	
18a	Alimony paid	18a	\$24,000
b	Recipient's SSN ▶		
c	Date of original divorce or separation agreement (see instructions) ▶		
19	IRA deduction	19	
20	Student loan interest deduction	20	
21	Tuition and fees deduction. Attach Form 8917	21	
22	Add lines 10 through 21. These are your adjustments to income . Enter here and on Form 1040, 1040-SR, or 1040-NR, line 10a	22	

For Paperwork Reduction Act Notice, see your tax return instructions.

Cat. No. 71479F

Schedule 1 (Form 1040) 2020