

# CAREER AND LIFE PLANNING EXERCISE



## Calculating Income After Taxes

"Pay the Piper" and plan your budget.

# Calculating Income After Taxes

Understand how taxes impact your cash flow and how to estimate your income after taxes, so you'll have a solid foundation when budgeting for your mortgage, car, emergency savings fund, living expenses, and investments.

## Objectives:

In this exercise, the participant will:

- Learn how to estimate their taxable income. They will:
  - Learn how to calculate federal tax liabilities and state withholdings to estimate their take-home pay.



# Calculating Income After Taxes

## How to Use This Tool:

Use this tool to estimate your take-home pay when completing your budget projections in E-29. This will aid you in assessing each offer you receive.

## Related Resources

To view resource, click on the desired Title or go to [physiciancareerplanning.com](http://physiciancareerplanning.com) and type in the desired title or Resource No. into the "Enter Keyword" field and click search.

TITLE	RESOURCE NO.
<a href="#">Federal Income Tax Calculator</a>	C-11
<a href="#">Finance Basics</a>	ST-09
<a href="#">Creating a Savings and Spending Plan</a>	E-29



# Calculating Income After Taxes

Most residents will quadruple their income in their first year of practice, pushing them into higher tax brackets. With this worksheet you can estimate your income after taxes, which will help you create a more-realistic budget for your mortgage, car, emergency savings fund, investments, and living expenses. Before you make any major financial decisions, however, you should consult with a financial planner or CPA.

## Step 1: Estimate Your Annual Taxable Income

**Line 1:** Estimated Annual Salary: \_\_\_\_\_ +  
**Line 2:** Sign-On Bonus: \_\_\_\_\_ +  
*\*The sign-on bonus should not be considered a recurrent item when budgeting for future years.*  
**Line 3:** Loan Repayment (Year 1): \_\_\_\_\_ -  
*\*Loan Repayment, if provided by employer, will most likely be taxed as income.*  
**Line 4:** Pre-tax Retirement Contribution: \_\_\_\_\_ +/-  
*\*Saving at least 10% (up to 20%) of income for long-term retirement savings is reasonable.*  
**Line 5:** Other: \_\_\_\_\_ =  
**Line 6:** Total Taxable Income: \_\_\_\_\_

## Step 2: Estimate Your Taxes

**Line 7:** Federal Taxes: \_\_\_\_\_ +  
*Go to 2013 Tax Schedule (next page) to determine your taxable income.*  
**Line 8:** State Taxes: \_\_\_\_\_ +  
*State taxes range from 0% to 10%, depending on the state in which you practice.*  
To estimate your State Taxes go to:  
[http://taxfoundation.org/article\\_ns/state-individual-income-tax-rates-2000-2013](http://taxfoundation.org/article_ns/state-individual-income-tax-rates-2000-2013) and search for your state.  
**Line 9:** Social Security and Medicare Taxes: \_\_\_\_\_ =  
*\*6.2% (Social Security) tax on all wages up to \$113,700 (2013) and 1.45% (Medicare) tax on all wages.*  
**Line 10:** Total Estimated Taxes: \_\_\_\_\_

## Step 3: Calculate Your Net Income

**Line 11:** Subtract Line 10 from Line 6: \_\_\_\_\_ -  
**Line 12:** Subtract Line 3 from Line 11 (*since loan repayment is being paid towards your loans and not paid directly to you*): \_\_\_\_\_  
**Line 13:** Net Income: \_\_\_\_\_

The above exercise is intended to help you calculate an estimated net income number. The result is not precise and will vary based on several unique identifiers. You should seek expert advice from a financial planner or Certified Public Accountant (CPA) when determining your actual net income.

(Continue on next page)

# Calculating Income After Taxes

## Step 4: Budget Your Personal Expenses

Beginning a career in your late 20s or early 30s with a six-figure debt can place an enormous burden on new physicians who aren't prepared to manage their finances with their future in mind. To create a personal budget and plan for an emergency savings fund, children's education, investments, and other big-ticket items, such as a second home, go to: Spending Plan Worksheet, Resource E-29 in the Online Resource Library.

## 2015 Federal Tax Estimator by Filing Status

Tax Rate	Single	Married/Joint & Widow(er)	Married/Separate	Head of Household
10%	\$1 - \$9,225	\$1 - \$18,450	\$1 - \$9,225	\$1 - \$13,150
15%	\$9,226-\$37,450	\$18,451 to \$74,900	\$9,226 to \$37,450	\$13,151 to \$50,200
25%	\$37,451 to \$90,750	\$74,901 to \$151,200	\$37,451 to \$75,600	\$50,201 to \$129,600
28%	\$90,751 to \$189,300	\$151,201 to \$230,450	\$75,601 to \$115,225	\$129,601 to \$209,850
33%	\$189,301 to \$411,500	\$230,451 to \$411,500	\$115,226 to \$205,750	\$209,851 to \$411,500
35%	\$411,501 to \$413,200	\$411,501 to \$464,850	\$205,751 to \$232,425	\$411,501 to \$439,200
39.6%	over \$413,200	over \$464,850	over \$232,425	over \$439,200

