

Tax-free Investing

It's Not What You Make, It's What You Keep

Edward Jones[®]
MAKING SENSE OF INVESTING



Types of Tax-advantaged Investments

Individual
bonds

Unit
investment
trusts
(UITs)

Mutual
funds

Exchange-
traded funds
(ETFs)

Traditional and
Roth IRAs

401(k) and
403(b)

Life
insurance

Tax Exempt

Don't have to pay federal taxes on it

Muni Bonds

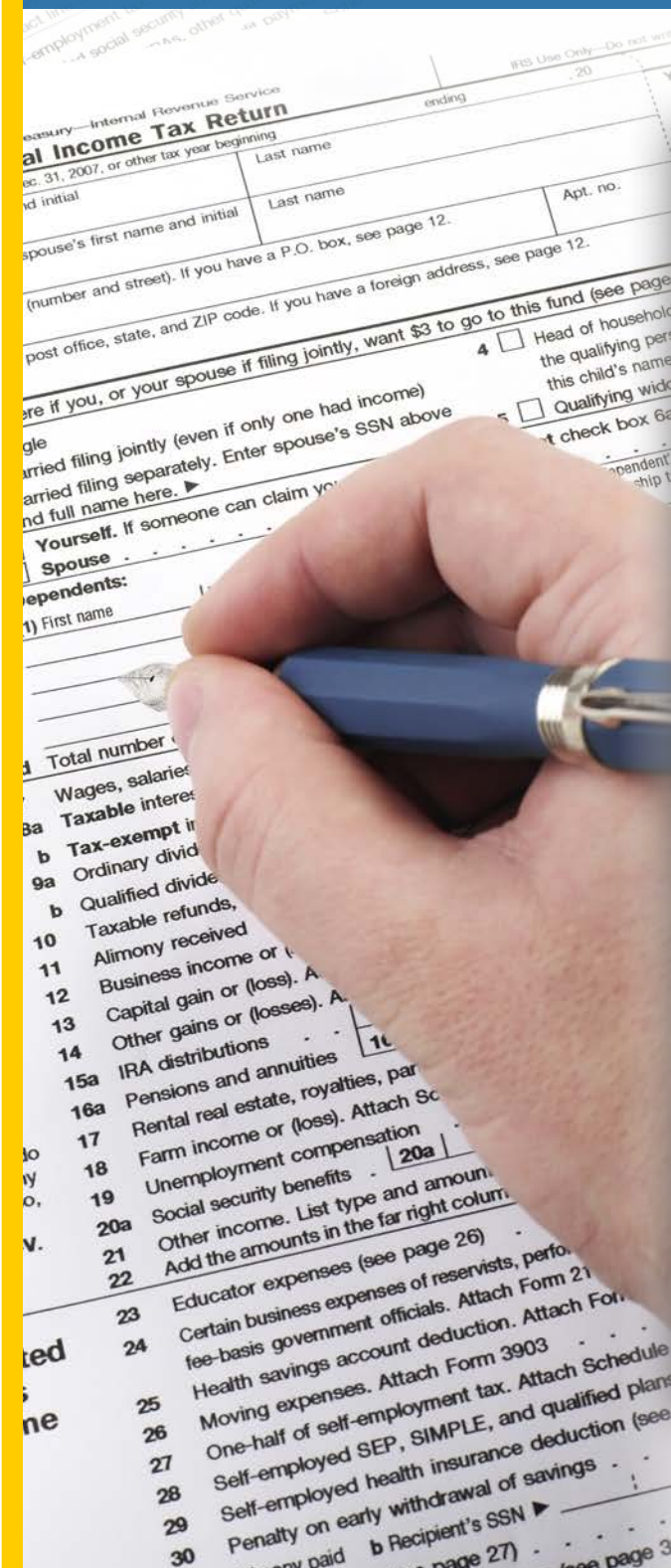
Benefit large, community-based projects

- Airports
- Schools
- Hospitals
- Public transportation

Benefits for investors

- Free from federal income tax and potentially state tax
- Possibility of lower taxes

IRS Form 1040



Filing Status

Check only one box.

1 ☐ Single

2 ☐ Married filing jointly (even if only one had income)

3 ☐ Married filing separately. Enter spouse's SSN above and full name here. ▶

4 ☐ Head of household (with qualifying person). (See page 15.) If the qualifying person is a child but not your dependent, enter this child's name here. ▶

5 ☐ Qualifying widow(er) with dependent child (see page 16)

Exemptions

6a ☐ **Yourself.** If someone can claim you as a dependent, **do not** check box 6a

b ☐ **Spouse**

c **Dependents:**

(1) First name	Last name	(2) Dependent's social security number	(3) Dependent's relationship to you	(4) <input checked="" type="checkbox"/> if qualifying child for child tax credit (see page 17)
				<input type="checkbox"/>
				<input type="checkbox"/>
				<input type="checkbox"/>
				<input type="checkbox"/>

If more than four dependents, see page 17 and check here ▶ ☐

d Total number of exemptions claimed

Income

7 Wages, salaries, tips, etc. Attach Form(s) W-2 **7**

8a **Taxable** interest. Attach Schedule B if required **8a**

b **Tax-exempt** interest. **Do not** include on line 8a **8b**

9a Ordinary dividends. Attach Schedule B if required **9a**

b Qualified dividends (see page 22) **9b**

10 Taxable refunds, credits, or offsets of state and local income taxes (see page 23) **10**

11 Alimony received **11**

12 Business income or (loss). Attach Schedule C or C-EZ **12**

13 Capital gain or (loss). Attach Schedule D if required. If not required, check here ▶ ☐ **13**

14 Other gains or (losses). Attach Form 4797 **14**

15a IRA distributions **15a** b Taxable amount (see page 24) **15b**

16a Pensions and annuities **16a** b Taxable amount (see page 25) **16b**

17 Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E **17**

18 Farm income or (loss). Attach Schedule F **18**

19 Unemployment compensation in excess of \$2,400 per recipient (see page 27) **19**

20a Social security benefits **20a** b Taxable amount (see page 27) **20b**

21 Other income. List type and amount (see page 29) **21**

22 Add the amounts in the far right column for lines 7 through 21. This is your **total income** ▶ **22**

Adjusted

23 Educator expenses (see page 29) **23**

Reducing Your Taxable Income

Tax-advantaged bonds

Tax-advantaged mutual funds

Tax-advantaged ETFs

Tax-advantaged UITs

Retirement accounts, such as
IRAs, 401(k)s and 403(b)s

Tax Freedom Day

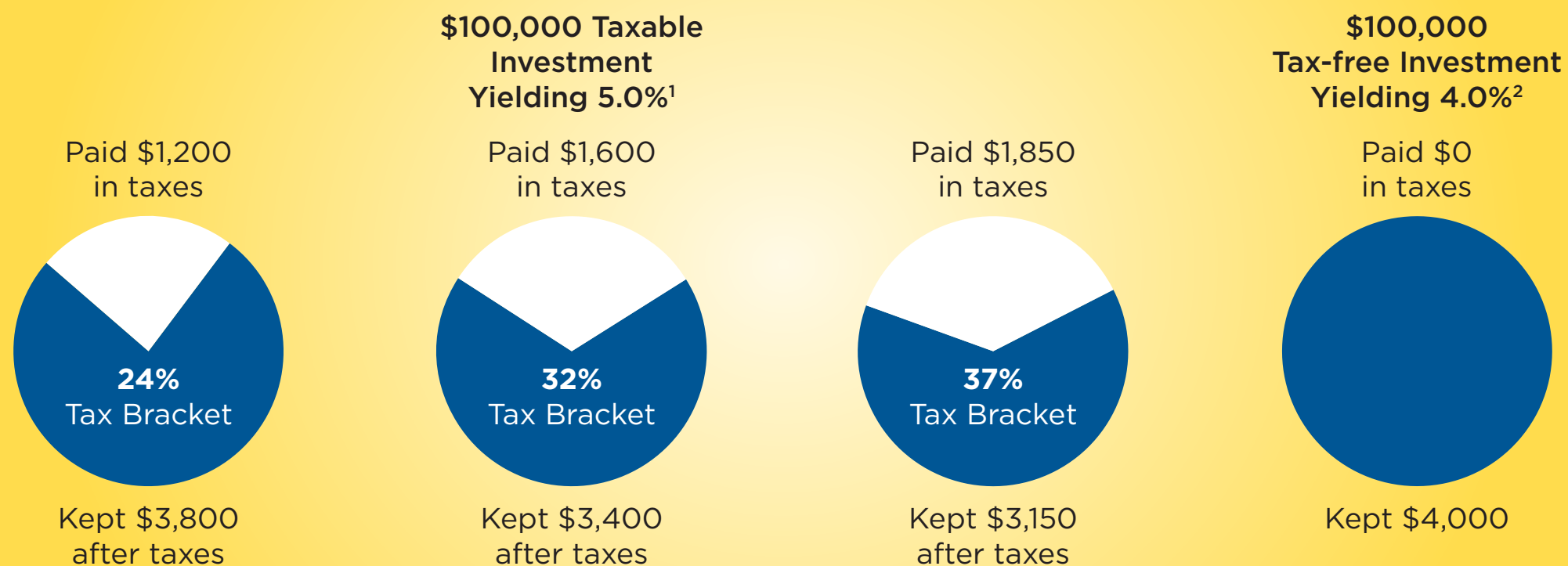
Historical Tax Freedom Days

2010	April 11
2011	April 11
2012	April 13
2013	April 18
2014	April 21
2015	April 24
2016	April 24
2017	April 23
2018	April 19
2019	April 16
2020	April 15
2021	April 17

Source: Tax Foundation. Tax Foundation calculations are based on data from the Bureau of Economic Analysis, Congressional Budget Office, Joint Committee on Taxation, Office of Management and Budget, Internal Revenue Service, Congressional Research Service and National Bureau of Economic Research.

Tax-free vs. Taxable Comparison

Tax Savings



This chart is for illustrative purposes only; it does not represent the performance of any available mutual fund.

1 Assumes a one-year holding period, a fixed rate of return, no fluctuation in principal and the stated federal income tax rates. State and local taxes and the effect of the alternative minimum tax are not reflected. Fund dividends and principal value will vary with market conditions.

2 Assumes a one-year holding period, a fixed rate of return and no fluctuation in principal. Fund dividends and principal value will vary with market conditions. Dividends are generally subject to state and local taxes, if any. For investors subject to the alternative minimum tax, a small portion of fund dividends may be taxable. Distributions of capital gains are generally taxable.

2021 Tax Brackets

Single Return Taxable Income	Federal Tax Bracket	Joint Return Taxable Income
\$0 – \$9,950	10%	\$0 – \$19,900
\$9,951 – \$40,525	12%	\$19,901 – \$81,050
\$40,526 – \$86,375	22%	\$81,051 – \$172,750
\$86,376 – \$164,925	24%	\$172,751 – \$329,850
\$164,926 – \$209,425	32%	\$329,851 – \$418,850
\$209,426 – \$523,600	35%	\$418,851 – \$628,300
Over \$523,600	37%	Over \$628,300

Source: U.S. Master Tax Guide

Taxable vs. Tax-free

Tax-free Yield	Federal Income Tax Rate and Taxable-equivalent Yields						
	10%	12%	22%	24%*	32%*	35%*	37%*
2.00	2.22%	2.27%	2.56%	2.77%	3.12%	3.27%	3.38%
3.00	3.33%	3.41%	3.85%	4.16%	4.67%	4.90%	5.07%
4.00	4.44%	4.55%	5.13%	5.54%	6.23%	6.54%	6.76%
5.00	5.56%	5.68%	6.41%	6.93%	7.79%	8.17%	8.45%

* These yields include the 3.8% Affordable Care Investment Tax in addition to the Marginal Tax Rate where applicable.

Source: Edward Jones

Four Ways to Own Muni Bonds

Individual bonds

UITs

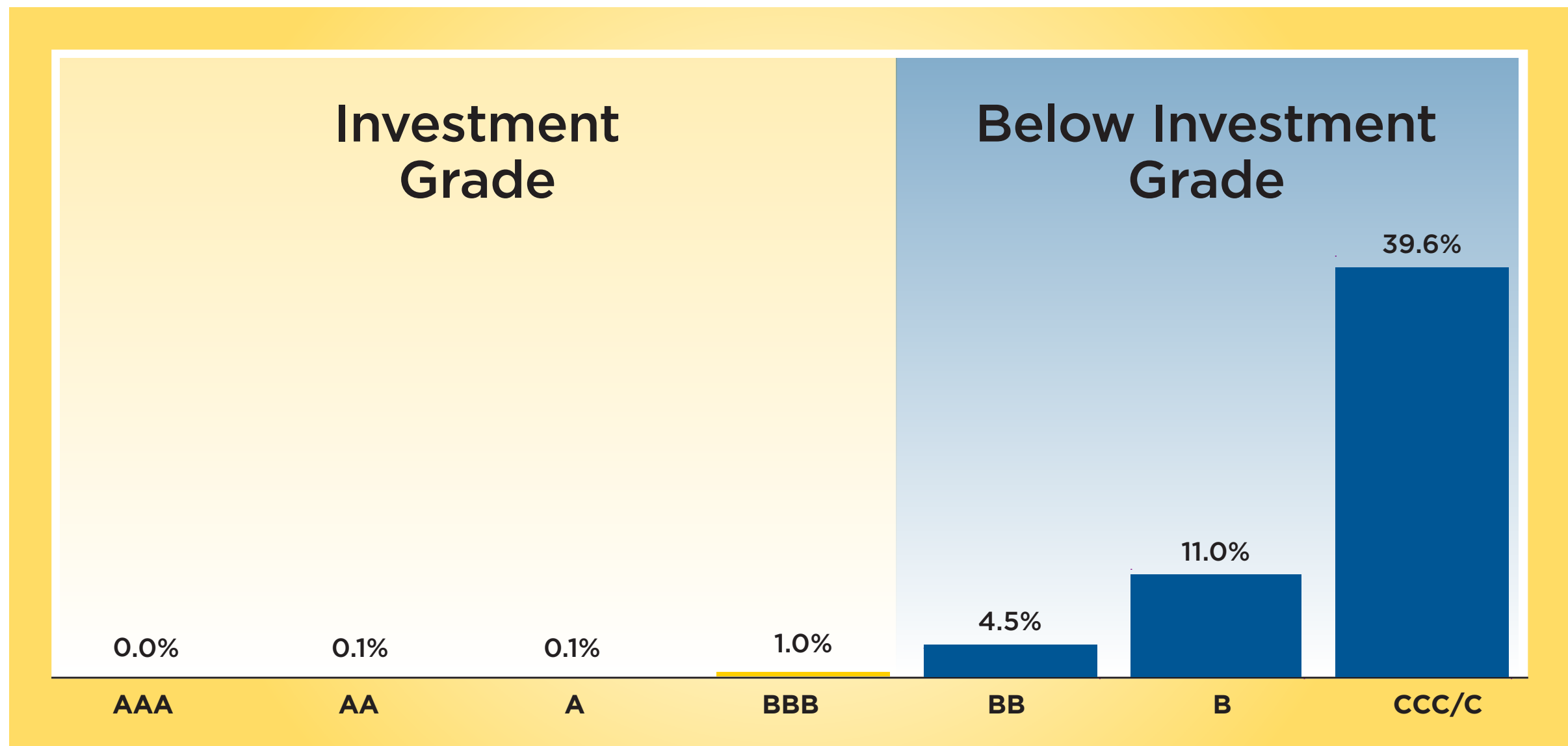
Mutual funds

ETFs

Individual Bond Benefits

- Can be exempt from state and local taxes
- Semiannual payments at a fixed interest rate
- Fixed maturity date
- May yield more than a UIT of similar bonds
- Minimum purchase: \$5,000 and can be purchased in \$5,000 increments
- Bondholders will receive par value back if bonds mature or are called
- As prices rise or fall, bond payments remain constant

Average Cumulative Municipal Bond Default Rates 1986–2020



Source: Standard & Poor's. Past performance does not guarantee future results. Diversification does not guarantee a profit or protect against loss. Cumulative average default rates are calculated by taking the weighted average of annual default rates in each rating category and accumulating the results across all the years covered by the study. In this way, they take into account any change in an issuer's credit rating over time.

Individual Bond Risks

- May be sold at the current market price, which may be more than, less than or the same as your original investment
- Lower-rated bonds are subject to greater fluctuations in value and risk of loss of principal
- Bonds are subject to interest rate risk such that when interest rates rise, the prices of bonds can decrease, and the investor can lose principal value if the bonds are sold prior to maturity
- Bonds will pay their par value back if held until maturity, unless they default

Individual Bond Risks (cont'd)

- Bond payments do not increase or decrease with inflation
- Rising inflation results in a loss of buying or purchasing power of bond principal and interest
- No immediate diversification
- Many individual bonds are callable, and any bond called prior to maturity may result in reinvestment risk for the bond owner
- Tax-free bonds may be subject to state and local taxes, as well as the alternative minimum tax

UIT Benefits

- Immediate diversification
- Fixed interest rate
- Holds a variety of bonds with fixed maturities
- Bonds in the trust are professionally selected and monitored
- Minimum investment is lower than that with individual bonds – \$1,000
- Bondholders will receive principal back when bonds mature or are called

UIT Risks

- UITs may be sold at the current market price, which may be more than, less than or the same as your original investment
- UITs that own lower-rated bonds are subject to greater fluctuations in value and risk of loss of principal
- UITs are subject to interest rate risk such that when interest rates rise, the prices of bonds can decrease, and the investor can lose principal value if they are sold prior to maturity
- The income from the bonds inside tax-exempt municipal unit investment trusts is expected to be generally free from federal taxation. However, activity inside the trust portfolio, including liquidations from other unitholders, may cause early returns of principal to be distributed to the investor. Some or all of the income of the trust, and any principal distributions, may be reclassified as taxable income or taxable capital gains distributions. This reclassification will be disclosed on the investor's end-of-year tax documents

UIT Risks (cont'd)

- Distributions from this trust also may be subject to state and local taxes
- UIT interest payments do not increase with inflation. As prices rise, payments and principal remain constant. This results in a loss of buying or purchasing power.
- As bonds in the trust are called or mature, principal will be returned. It cannot be reinvested into the UIT

Mutual Fund Benefits

- Immediate diversification
- Bonds in the fund are selected, monitored and professionally managed
- Smaller initial investment than with a UIT
- May be able to move shares without additional commission

ETF Benefits

- Can provide broad exposure to asset classes for additional diversification
- Low expenses due to passive management style
- Trade on an exchange, so price changes throughout the day

Mutual Fund Risks

- May be sold at the current market price, which may be more than, less than or the same as your original investment. Lower-rated bonds are subject to greater fluctuations in value and risk of loss of principal
- Bond funds are subject to interest rate risk such that when interest rates rise, the price or net asset value (NAV) of the bond fund can decrease, and the investor can lose principal value
- Typically, the rate of return will fluctuate along with interest rates
- No fixed maturity; principal may not be returned
- Dividends may be increased, decreased or eliminated at any point without notice

ETF Risks

- May be sold at the current market price, which may be more than, less than or the same as your original investment. Lower-rated bonds are subject to greater fluctuations in value and risk of loss of principal
- Bond ETFs are subject to interest rate risk such that when interest rates rise, the price or net asset value (NAV) of the bond ETF can decrease, and the investor can lose principal value
- Typically, the rate of return will fluctuate along with interest rates
- No fixed maturity, principal may not be returned
- Dividends may be increased, decreased or eliminated at any point without notice
- High-yield bond ETFs tend to have less liquidity, and these indexes are more difficult to track
- Leveraged and Inverse ETFs are not suitable long-term investments

IRAs

Traditional IRA

- Contributions may be tax-deductible
- Grow tax-deferred
- May be in a lower tax bracket when you take a distribution

Roth IRA

- Assets distributed tax-free as long as certain requirements are met
- Be aware of income limitations

Employer-sponsored Plans

401(k) and 403(b)

- Pretax contributions, lower taxable income
- Grow tax deferred
- May be in a lower tax bracket when you take a distribution

Roth 401(k) and 403(b)

- Contributions are after-tax
- Distribution is tax-free as long as certain requirements are met
- No income limitation

Life Insurance Benefits

Death benefit distributed
free of federal income tax

Permanent life insurance
cash value grows tax deferred

Tax-free Investment Features

	Individual Bonds	UITs	Mutual Funds	ETFs
Interest rate	Fixed interest rate	Fixed interest rate	Fluctuating interest rate	Fluctuating interest rate
Maturity	Fixed maturity	Fixed average maturity	No specific maturity date	No specific maturity date
Professional management	Not managed	Monitored for quality – not managed	Professionally managed	Not managed, designed to track performance of an index
Interest payments	Semiannual payments	Relatively consistent monthly payments	Variable payments, option to reinvest	Variable payments, option to reinvest
Diversification	Own one bond	Own part of a portfolio of 15 to 30 bonds	Own part of a portfolio of 30 to more than 100 bonds	Own part of a portfolio of 30 to more than 100 bonds
Liquidity	Can be sold on any day at current market price	Can be sold on any day at current market price	Can be sold on any day at current market price	Can be sold on any day at current market price

Tax-free Investment Risk

	Individual Bonds	UITs	Mutual Funds	ETFs
Market fluctuation	X	X	X	X
Interest rate risk	X	X	X	X
Reinvestment risk	X	X	X	X
Inflation risk	X	X	X	X
Default risk	X	X	X	X
Bond value decline	X	X	X	X

Why Individual Bonds?

Designed to help preserve wealth

Produce predictable and reliable income for retirement

Federal (and sometimes state and local) income tax-free

Why UITs?

Designed to generate an income stream

Built-in diversification

Professionally selected and monitored

Produce relatively consistent
income for retirement

Federal (and sometimes state
and local) income tax-exempt

Why Mutual Funds?

Built-in diversification

Professionally managed

Federal (and sometimes state
and local) income tax-exempt

Why ETFs?

Can provide additional diversification

Track the performance of an index

Federal (and sometimes state and local) income tax-exempt

Why Roth and Traditional IRA and 401(k) and 403(b)?

Traditional IRA contributions may be tax-deductible; they offer tax-deferred growth potential

Roth IRA tax-free withdrawals if certain requirements are met

401(k) and 403(b) pretax contributions that lower taxable income; they offer tax-deferred growth potential

Why Life Insurance?

Protect loved ones

Permanent life accrues
cash value tax-deferred

Death benefits are distributed free
of federal income tax to beneficiaries

Questions & Answers

Thank You

PLEASE COMPLETE YOUR EVALUATION NOW

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Important Information

Mutual funds and unit investment trusts (UITs) are offered and sold by prospectus. You should consider the investment objectives, risks, and charges and expenses carefully before investing. Your Edward Jones financial advisor can provide a prospectus, which should be read carefully before investing.

Before investing in individual municipal bonds, municipal bond UITs or mutual funds, you should understand the risks involved. The value of bonds fluctuates, and you may lose some or all of your principal. Bond investments are subject to interest rate risk such that when interest rates rise, the prices of bonds can decrease, and the investor can lose principal value. Lower-rated bonds are subject to greater fluctuations in value and risk of loss of income and principal. Any bonds called prior to maturity may result in reinvestment risk for the bond owner. Fixed-rate bond payments do not increase with inflation. As prices rise, bond payments and principal remain constant, which can result in a loss of buying power. If the bond defaults, you will no longer receive interest payments and may lose your original investment. Tax-free bonds are free from federal income tax but may be subject to state and local taxes, and the alternative minimum tax.

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