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Taxes on Your Investments

Besides knowing how investment earnings are paid out, it is important to know how your earnings will be taxed.

- Capital gains on investments held more than a year are taxed at lowered rates, and sometimes not taxed at all.
- You may be able to deduct up to $3,000 in net capital losses each year.

How interest is taxed

Interest on bonds, certificates, and savings accounts is taxed as ordinary income unless the investment is tax exempt or deferred— as it is with many retirement accounts and municipal bonds. Municipal bonds issued by most states and their subdivisions may be free of federal and state taxes depending on the investor 's state of residence. That said, income from tax-exempt municipal bonds or municipal bond funds may be subject to state and local taxes, and a portion of income may be subject to the federal and/or state alternative minimum tax for certain investors. Federal income tax rules will also apply to any capital gains. US government bonds may be free of state taxes.

How dividends are taxed

Ordinary dividends are taxed at the taxpayer's ordinary income tax bracket.

Certain qualified dividends, however, are taxed at the lower capital gains rates, as noted in the chart below.

How short-term capital gains are treated

Short-term capital gains, which are gains on investments that are held for a year or less, are taxed at your ordinary income tax rate.

How long-term capital gains are treated

Capital gains on investments that are held for more than a year (called long-term capital gains) are taxed at a lower rate than most other forms of income. Prior to the new tax law that took effect in 2018, net long-term capital gains were taxed at 20% for taxpayers in the 39.6% tax bracket, and 15% for taxpayers in the 25% to 35% brackets. For those in the 10% and 15% brackets, long-term capital gains were taxed at 0%. The new law establishes income levels rather than tax brackets for both long-term capital gains and qualified dividends. These income levels also differ according to filing status.

Net investment income tax

A 3.8% net investment income tax applies to certain net investment income of high-income individuals, estates, and certain trusts. For individuals, the tax generally applies to taxpayers who have certain investment income (such as interest, dividends, capital gains, etc.) and also have more than $200,000 of modified adjusted gross income if single taxpayers, or $250,000 if married taxpayers filing jointly

You can deduct net capital losses

Another important tax implication is centered on capital losses —the opposite of capital gains. If you lose money on your investments, you may be able to deduct up to $3,000 of your losses in excess of any gains from your taxable ordinary income. Losses over $3,000 may be carried over to future years. This explains why so many people sell their stocks in December. Investors often choose to unload securities that are losing money in December in order to offset capital gains realized elsewhere in their portfolio and incidentally take advantage of this deduction on their income tax forms.

How to Win Your War Against Seasonal Allergies

Allergic reactions to airborne allergens commonly found outdoors are called seasonal allergies. Common outdoor allergens are tree, grass and weed pollen and mold spores. Symptoms of seasonal allergies are sneezing; itchy, runny nose; itchy, watery, red eyes; nasal congestion; and coughing.

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Ways to Enhance Your Self-Esteem

Feeling good about yourself is an essential element to living a healthy, happy life. Unfortunately, we are often our own worst enemy. Whether we are insecure about certain parts of our lives or we set unrealistic expectations for ourselves, how we feel about who we are and how we live our lives can greatly impact our quality of life.

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