

Annual Tax Equivalent Yields

How much would you have to earn each year from a taxable investment in order to equal earnings on a tax-deferred investment?

Annual Tax-Deferred Yield	Federal Income Tax Bracket:						
	10%	12%	22%	24%	32%	35%	37%
	Annual Taxable Equivalent Yield						
3%	3.33%	3.41%	3.85%	3.95%	4.41%	4.62%	4.76%
3.5%	3.89%	3.98%	4.49%	4.61%	5.15%	5.38%	5.56%
4%	4.44%	4.55%	5.13%	5.26%	5.88%	6.15%	6.34%
4.5%	5.00%	5.11%	5.77%	5.92%	6.62%	6.92%	7.14%
5%	5.56%	5.68%	6.41%	6.58%	7.35%	7.69%	7.94%
5.5%	6.11%	6.25%	7.05%	7.24%	8.09%	8.46%	8.73%
6%	6.67%	6.82%	7.69%	7.89%	8.82%	9.23%	9.52%
6.5%	7.22%	7.39%	8.33%	8.55%	9.56%	10.00%	10.32%
7%	7.78%	7.95%	8.97%	9.21%	10.29%	10.77%	11.11%
7.5%	8.33%	8.52%	9.62%	9.87%	11.03%	11.54%	11.90%
8%	8.89%	9.09%	10.26%	10.53%	11.76%	12.31%	12.70%
8.5%	9.44%	9.66%	10.90%	11.18%	12.50%	13.08%	13.49%
9%	9.00%	10.23%	11.54%	11.85%	13.24%	13.85%	14.29%
9.5%	10.56%	10.80%	12.18%	12.50%	13.97%	14.62%	15.08%
10%	11.11%	11.36%	12.82%	13.16%	14.71%	15.38%	15.87%

This chart illustrates the potential benefits of a tax-deferred investment vs. a taxable investment. For example, if an investor in the 24% federal income tax bracket purchases a tax-deferred investment with a 5% annual yield, that investor's taxable equivalent yield is 6.58%. This means the investor would need to earn at least 6.58% on a taxable investment in order to match the 5% tax-deferred annual yield.

This chart is for illustrative purposes only and is not indicative of any particular investment or performance. In addition, it does not reflect any federal income tax that may be due when an investor receives distributions from a tax-deferred investment.