

Use each client's 1040 tax form to increase business

Using the 1040 federal tax return is a great way to make the most of the time you spend with your clients.

Number of dependents (line 6C)

Do your clients have young children who may attend college? On this part of the tax form, each child is listed as a dependent, providing an ideal and personalized way to inform your clients of the need to save for college and the tax benefits of a 529 college savings plan. Each parent can contribute up to \$14,000 in a single year without exceeding the federal annual gift tax exclusion, and the money compounds in the account tax free. Withdrawals for qualified higher education expenses are generally free from federal income tax, and in many states withdrawals are also exempt from state taxes (please consult your applicable state tax rules).

Reduce your taxable income (line 7)

Line 7 shows your clients' wages, salaries, tips, etc., from their W-2 forms. Encourage your clients to contribute to their 401(k) or 403(b) plans, if they have one. Not only do many companies match contributions to these plans, but employee contributions are generally made with pretax dollars, which reduces taxable income. As a result, these retirement plans are two of the best ways for your clients to save during their earning years. In addition, discussing retirement plans with your clients may help you uncover opportunities for IRA rollovers.

It's not what you earn, it's what you keep (line 8a)

Illustrate the impact of taxes on your clients' investments by reviewing line 8a, which lists taxable interest income. Show how much money your clients would have to invest in a CD versus a Putnam municipal bond fund to obtain the same after-tax return. And because municipal bonds have historically generated higher returns than CDs, your clients may not have to invest as much to generate the same amount of income, leaving them able to invest additional assets in a conservatively managed stock fund with the goal of outpacing inflation.

Putnam offers a broad range of municipal bond funds that are managed by an experienced fixed-income team of over 70 investment professionals who seek to balance a durable level of income with capital preservation.

Unlike stocks, which incur more risk, certificates of deposit (CDs) offer a fixed rate of return, and the interest and principal on CDs is generally insured by the FDIC up to \$250,000.

Reduce taxes on business income (lines 12 and 17)

If your clients own a business or are partners in a partnership that appears on lines 12 and 17 of the 1040 form, respectively, you can help them save on taxes and save for retirement with an Individual 401(k), a SEP IRA, or a SIMPLE IRA plan.

Individual 401(k) and SEP IRA plans generally allow an employer to deduct contributions of up to 25% of compensation, limited to \$53,000 for 2016.

SIMPLE IRA plans allow participants to defer up to 100% of compensation up to \$12,500 per individual for 2016. Your clients' business can match this deferral up to 3% of compensation or make a 2% non-elective contribution (subject to the annual compensation limit, which is \$265,000 in 2016) to all eligible employees.

Earnings grow tax deferred, and the contributing company receives a current-year tax deduction. Individual 401(k)s and SIMPLE IRAs also can provide for catch-up contributions, which means your clients age 50 and older can shelter even more money from taxes. For details, order Putnam's Individual 401(k) and SEP IRA kits and SIMPLE IRA employer and employee kits.

Some business owners reporting business losses instead of income may want to consider a Roth IRA conversion. In certain cases where losses are being carried forward for tax purposes (otherwise known as a Net Operating Loss or NOL carryforward), income generated from the Roth IRA

conversion can be matched against the amount of the NOL to absorb that tax loss. The result is the establishment of a tax-free Roth IRA without any tax consequences for that particular year. Complex tax rules govern reporting an NOL so consultation with a tax professional is critical.

Retirement plan income (lines 15a and 16a)

Do you have clients taking required minimum distributions (RMDs), nearing retirement, or leaving their jobs? The 1040 tax form shows IRA income (line 15a) and pension and annuity income from distributions (line 16a). Some clients taking RMDs may have mentioned that they don't need or want the money. In those cases, you may want to consider showing them how they can use the extra money to establish a Putnam 529 for AmericaSM account for their child or grandchild. Once taxes have been paid on the distribution, this money can be put to work and grow federal income tax free. Or, IRA owners over the age of 70½ may want to consider donating their IRA distribution (up to \$100,000 annually) tax free directly to a qualified charity.

Reduce taxes with an IRA (line 32)

IRA contribution limits for the 2016 tax year are \$5,500 (\$6,500 for individuals age 50 and older), and are generally deductible in full for anyone not actively participating in an employer's retirement plan, such as a 401(k). A person who is not an active participant in a company retirement plan, but is married to someone who is, may make fully deductible contributions of up to \$5,500 (\$6,500 for individuals age 50 and over) in 2016 if the couple's income is less than \$184,000. For such married couples with higher incomes, the deduction is subject to a phaseout. Depending on your clients' income and their filing status, they may also be eligible for a tax credit of up to \$1,000 for contributions to an IRA or employer plan.

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Your clients should carefully consider the investment objectives, risks, charges, and expenses of a fund before investing. For a prospectus, or a summary prospectus if available, containing this and other information for any Putnam fund or product, call Putnam Dealer Marketing Services at 1-800-354-4000. Your clients should read the prospectus carefully before investing.

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Another thing to consider: After changing jobs during a career, clients can often end up with numerous IRA accounts held with various institutions. Offer your clients an IRA checkup to determine what they own and whether they are on track to meet their retirement savings goal. Recommend consolidating accounts to your clients so the accounts are held under one IRA, with only one IRA fee and one statement. Use Putnam's IRA checklist (IR666) to begin the information-gathering process today.

Use tax refunds wisely (line 74a)

Finally, help your clients make the best use of their tax refunds (shown on line 73a of the IRS 1040 form) by establishing an investment account to reach their financial goals. Whether your clients have \$25 or \$1,000, they have the flexibility to invest systematically on a weekly, monthly, quarterly, or annual basis with Putnam Investments. If your clients are withholding too much for federal taxes, show them how they can change their W-4 forms to withhold less and start a systematic investing program today.

Regular investing, of course, does not guarantee a profit or protect against a loss in a declining market. Investors should consider their ability to continue purchasing shares during periods of low prices.

Important information

For marketing and sales assistance

Dealer Marketing Services: 1-800-354-4000

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