Aspen Wealth Management

aspenwealthmgmt.com

HOW MARGINAL TAX RATES ACTUALLY WORK

37%	INCOME OVER $768,700
35%	INCOME FROM $512,451 – $768,700
32%	INCOME FROM $403,551 – $512,450
24%	INCOME FROM $211,401 – $403,550
22%	INCOME FROM $100,801 – $211,400
12%	INCOME FROM $24,801 – $100,800
10%	INCOME UP TO $24,800 (MARRIED FILING JOINTLY)

WHAT "MARGINAL" MEANS

Your **income is taxed in layers**, not all at once.

When you move into a higher bracket:

- Only the **last dollars earned** are taxed at that higher rate.
- Everything below stays taxed at lower rates.

You don't "lose money" by earning more. You just pay a higher rate on the top slice.

Example: $250,000 of income (Married Filing Jointly)
First $24,800 > taxed at 10%
Next portion > taxed at 12%
Next portion > taxed at 22%
Income above $211,401 > taxed at 24%

Important: Even though your top rate is 24%, your average tax rate is much lower.

WHY THIS MATTERS FOR SAVERS

This is where strategy shows up:

- Pre-tax 401(k) contributions reduce income at your highest marginal rate.
- Each dollar deferred saves taxes at the top bracket, not the bottom.
- Timing income and deductions matters more as your income rises.

✗ **Common Myth:**
"If I earn more, I'll take home less."

✓ **Reality:**
Earning more never reduces your take-home pay because of marginal brackets.

Bottom line:
Marginal tax rates apply only to your last dollars earned, not your entire income. Understanding this helps you save more—and plan smarter.

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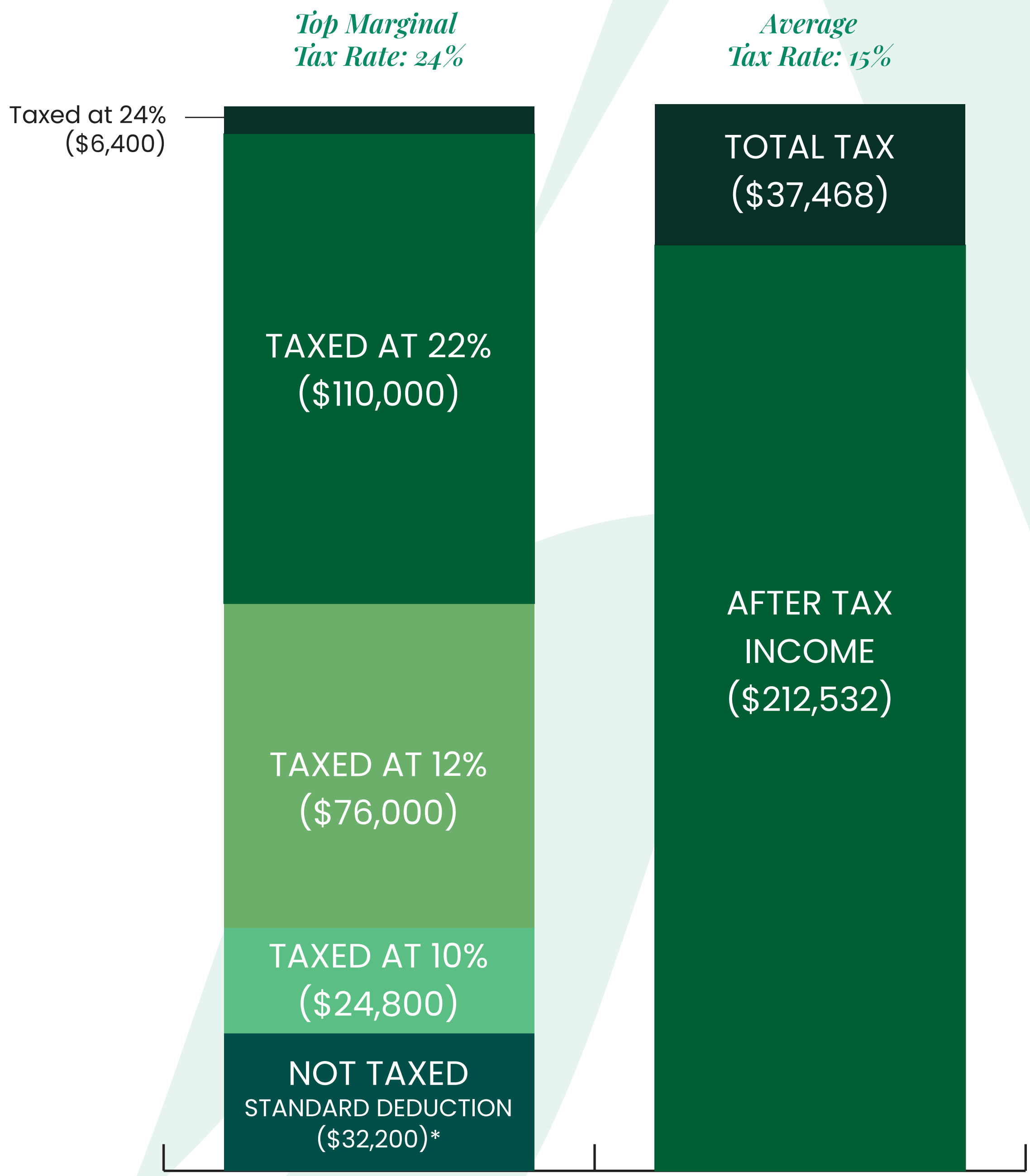
MARGINAL VS. AVERAGE TAX RATES

MARRIED COUPLE FILING JOINTLY WITH $250,000 GROSS INCOME



*** 2026 Standard Deduction for Married Filing Jointly**

For 2026, a married couple filing jointly with $250,000 of taxable income has a top marginal rate of 24%, but their overall average tax rate is closer to 15% because only the final portion of income is taxed at 24%, while the rest is taxed at lower brackets.

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