PROGRESS
WEALTH MANAGEMENT

2022 TAX & WEALTH PLANNING GUIDE

A HANDBOOK FOR INDIVIDUALS & BUSINESSES

The material contained in this guide is for general information and planning purposes only—it is not intended to be used and cannot be used, by individuals to avoid federal, state, or local tax penalties. Taxation varies depending on an individual's circumstances, tax status and transaction type; the general information provided in this guide does not cover every situation — for complete information on personal tax situations, individuals should always consult with a qualified tax advisor. While we do not offer direct tax advice, we are familiar with many tax situations our clients face regularly.

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What’s New for 2022

The big news to announce in 2022 is that there isn’t a lot of news. In 2021, President Biden’s first year in office, a great deal of attention was placed on tax law as the administration and Democratic Party strived to make adjustments. These noteworthy tax changes, eventually inserted in the Build Back Better Act, included proposals such as increasing the top marginal income tax rate, higher capital gains tax rates, adjustments to estate tax legislation, and an increase to the corporate tax rate. Despite efforts to compromise on key provisions and pare back tax increases, the Build Back Better Act stalled in Congress. What held the potential to be a seismic event, at least as far as tax and retirement planning goes, ended up being a false alarm.

As we look ahead, some of our chief planning considerations are focused on inflation-adjusted tax brackets, phaseout ranges, and contribution limits. The IRS releases adjustments to a significant portion of tax and retirement legislation each year, and 2022’s updates are noteworthy. For some, planning adjustments will be recommended. Two such examples include an increase in the amount you can contribute to a 401(k) plan, as well as an increase to the annual gift tax exclusion.

We hope you find this guide and its insights helpful as you confirm tax details, explore planning-related ideas, or simply to start a conversation with one of our Financial Consultants. Please contact us if you would like to discuss any of these strategies and how the information contained in this guide can be relevant to you.

Keep in mind, the legislation covered in this guide is for the 2022 tax year. Don’t sweat though as Progress Wealth Management also has materials regarding 2021 tax rules to assist in your filing this spring.

You can find last year’s guides by heading to: https://progresswealthmanagement.com/investing-guides-progress-wealth-management/

Tax Rates, Rules, & Important Dates

Personal Income Taxes

The United States utilizes a progressive, marginal tax rate system. This means that you will be taxed at higher rates with higher income. The lowest and highest rates, or brackets, applied to income are 10% and 37%, with five additional rates in-between. There are different income thresholds for each bracket, and these are typically adjusted annually for inflation. Depending on your filing status, the income thresholds will change, but the tax rates used for each bracket are the same.

Single Taxpayers

If taxable income is:	The tax is:
Not over $10,275	10% of taxable income
Over $10,275 but not over $41,775	$1,027.50 plus 12% of the excess over $10,275
Over $41,775 but not over $89,075	$4,807.50 plus 22% of the excess over $41,775
Over $89,075 but not over $170,050	$15,213.50 plus 24% of the excess over $89,075
Over $170,050 but not over $215,950	$34,647.50 plus 32% of the excess over $170,050
Over $215,950 but not over $539,900	$49,335.50 plus 35% of the excess over $215,950
Over $539,900	$162,718 plus 37% of the excess over $539,900

Married Filing Jointly

If taxable income is:	The tax is:
Not over $20,550	10% of taxable income
Over $20,550 but not over $83,550	$2,055 plus 12% of the excess over $20,550
Over $83,550 but not over $178,150	$9,615 plus 22% of the excess over $83,550
Over $178,150 but not over $340,100	$30,427 plus 24% of the excess over $178,150
Over $340,100 but not over $431,900	$69,295 plus 32% of the excess over $340,100
Over $431,900 but not over $647,850	$98,671 plus 35% of the excess over $431,900
Over $647,850	$174,253.50 plus 37% of the excess over $647,850

Source: IRS.gov.

Personal Income Taxes

Married Filing Separately

If taxable income is:	The tax is:
Not over $10,275	10% of taxable income
Over $10,275 but not over $41,775	$1,027.50 plus 12% of the excess over $10,275
Over $41,775 but not over $89,075	$4,807.50 plus 22% of the excess over $41,775
Over $89,075 but not over $170,050	$15,213.50 plus 24% of the excess over $89,075
Over $170,050 but not over	$34,647.50 plus 32% of the excess over
$215,950 Over $215,950 but not	$170,050 $49,335.50 plus 35% of the excess
over $323,925 Over $323,926	over $215,950 $87,126.75 plus 37% of the
	excess over $323,925

Head of Household

If taxable income is:	The tax is:
Not over $14,650	10% of taxable income
Over $14,650 but not over $55,900	$1,465 plus 12% of the excess over $14,650
Over $55,900 but not over $89,050	$6,415 plus 22% of the excess over $55,900
Over $89,050 but not over $170,050	$13,708 plus 24% of the excess over $89,050
Over $170,050 but not over	$33,148 plus 32% of the excess over $170,050
$215,950	$47,836 plus 35% of the excess over $215,950
Over $215,950 but not over	$161,218.50 plus 37% of the excess over
$539,900	$539,900
Over $539,900	

Source: IRS.gov.

Tax Deadlines

March 15, 2022 - Partnership K-1's Filing Due
April 15, 2023 - Individual Filing
October 15, 2023 - Extended Return

Marginal vs. Effective Tax Rate

The Difference Between Marginal and Effective Tax Rates
People often confuse the difference between their marginal tax rate and effective tax rate. The marginal rate is the rate you pay on your next dollar of income. Put another way, it's your highest tax rate based on where your income lands in the tax brackets.

The effective rate is the calculation of your blended tax rate based on your income through each of the brackets. Your effective rate is always going to be lower than your marginal rate because your income is taxed at lower rates before making its way up to the higher rates, and eventually, your marginal rate.

How Tax Brackets Really Work

Assumption: You are a single filer, earned $80,000, and assume you pay 22%.
A common misconception is that you would simply owe 22% of your $80,000 in earnings, or $17,600. Instead, your earnings are actually taxed in smaller chunks, as shown below. In reality, your effective tax rate is 16.5%, which would only be $13,217.

$0$10,275$41,775$80,000

10%	+	12%	+	22%
Tax		Tax		Tax
$1,028		$3,780		$8,410

For illustrative purposes only.

Income Tax Deductions & Credits

Taxpayers have two main options for offsetting income. One is to utilize the standard deduction, an amount available to every taxpayer according to filing status as specified below. Two, you can choose to itemize deductions; this is the process of taking individual deductions, such as state and local income taxes, real estate taxes, mortgage interest, charitable donations, and unreimbursed allowable medical expenses. If your itemized deductions add up to more than the standard deduction, it's beneficial to itemize. If they are lower, using the simpler standard deduction is the way to go.

The child tax credit has been adjusted several times in recent years. For now, the qualifying deduction is slated to fall back from $3,000 to $2,000 in the 2022 tax year. For 2021, there was an option to receive half of the credit via six monthly payments from July through December. Eligible parents who received the monthly payments will receive up to half the total credit when filing their 2021 tax return.

Income Tax Deductions & Credits Standard Deduction	**Amount**
Single	$12,950
Married filing jointly	$25,900
Married filing separately	$12,950
Head of household	$19,400

Elderly (over age 65) or Blind Additional	**Amount**
Deduction Single	$1,750
Married	$1,400

Child Tax Credit	**Amount**
Qualifying child (children under age 17)	$2,000
Dependents not eligible for qualifying child	$500
Single	Phase out begins at $200,000
Married filing jointly	Phase out begins at $400,000

Source: IRS.gov.

Business/Business Owner Rates & Deductions

Corporate tax rates made headlines in 2021 as proposals sought to push corporate tax rate up to, or above, 26%. Those efforts have thus far failed, leaving today's lower, more favorable rate of 21% in place. As a result, a C-corp structure is advantageous for business owners to capture the lower tax rate, as opposed to the higher ordinary income tax rate that individuals pay on pass-through business income.

Navigating corporate tax issues is complex, but there are options. In some cases, small business owners can utilize qualified retirement plans in an effort to ease the tax burden and maximize savings. Successfully implement this powerful planning tool by working with a specialist who can fully evaluate the best solution for business owners and their businesses.

Corporations (C-corps and similarly treated LLCs)

For 2022, net business income is taxed at the following rates:
Corporate income tax rate21%
Accumulated earnings tax rate (plus interest)20%*

Dividends paid to shareholders are taxable at ordinary income or capital gains tax rates, depending on the type of dividend.
*On retained earnings in excess of $250,000 ($150,000 for personal service corporations), except if to meet reasonable business needs.
The AMT and US tax on foreign income were eliminated for corporations. Illiquid assets and cash held outside of the US are taxed once at rates of 8% and 15.5%, respectively.

Pass Through Entities (Sole props, partnerships, S-corps, and similarly treated LLCs)

Net business income is reported by the owner(s) and is taxed at his/her tax rates
Self-Employment taxOn wages, tips, and net earnings
Medicare tax (on total amount)*:2.9%
Social Security tax (on the first $147,000):12.4%
Deduction for qualified business income**:20.0%

*An additional medicare tax of 0.9% is applied to amounts over certain thresholds ($250,000 joint filers/$200,000 single filer).
**The deduction is limited to the lesser of 20% of qualified business income or 20% of the owner's taxable income. Subject to phase out depending on the type of services provided if income is over $340,100 for joint payers or $170,050 for single payers as of 2022.

Source: IRS.gov. SSA.gov.

Your Business May Qualify for These Common Tax Credits

Small Employer Health Insurance
Up to 50% of employer contributions for health insurance

Research
20% of the amount by which qualified research expenses exceed base amount

Small Employer Pension Plan Start-Up
50% of administration and retirement-related education expenses for the first three years, up to a maximum $500 credit

Disabled Access
50% of eligible access expenditures over $250 and not more than $10,250 (eligible small business only)

Employer Wage Differential
20%, up to $20,000, of wage differential payments paid for each employee called to active military service

Work Opportunity
For hiring members of targeted groups, generally 40% of up to $6,000 of first-year wages paid per employee

Employer-Provided Child Care
25% of expenses for the property used as an employer's child care facility, plus 10% of the amount paid under contract to provide child care resources and referral services to employees, up to a maximum credit of $150,000 a year

FICA Tip
Amount of employer's FICA payroll taxes paid on employee tips in excess of the amount treated as wages in satisfaction of minimum wage requirements

Capital Gains & Qualified Dividends

Capital gains are the profits from the sale of an asset (e.g., shares of stock, property, business interest, etc.) and are generally considered taxable income.

The rate at which capital gains are taxed depends on how long you held the asset before selling. To be considered 'long-term' and benefit from the lower tax rate schedule, an asset must be held for more than a year. Furthermore, to be classified as a 'qualified' dividend, the dividend must be paid by a US company, and a required holding period has been met. Usually, the required holding period is for 60 days.

If your capital gain or dividend income qualifies, then similar to income taxes, your income would be taxed according to a progressive set of rates. In 2022, those tax rates are 0%, 15%, or 20%.

Assets held for a year or less before being sold are considered 'short-term'. These short-term capital gains are taxed based on your current income tax rate.

Netting Capital Gains

During the course of a year, securities may be sold at a gain or a loss (selling for less than it was originally purchased). When calculating capital gains, any gains and losses are added together to reach a net gain or loss figure.

For instance, if you have $10,000 of realized capital gains during a year and $8,000 of realized capital losses, you will have a net capital gain of $2,000. To take advantage of this netting effect, there is a tax planning strategy called 'tax-loss selling' that aims to tactically and temporarily sell select securities at a loss in order to reduce taxable gains.

Wash Sales

When tax-loss selling, investors often would like to repurchase the security that was just sold. After all, you own that stock for a good investment reason. Wash sale rules dictate that, when tax-loss harvesting, sold securities cannot be repurchased back within 30 days before or after the loss was taken or it will be disallowed.

There are also additional wash sale rules relating to mutual funds and 'substantially identical securities.' It is essential that you work with an expert who is familiar with these wash sale considerations should you plan to implement a tax-loss selling strategy.

Long-Term Capital Gains Tax Rates

Single Taxpayers

If taxable income is:	The tax is:
Not over $41,675	0% of taxable income
Over $41,7676 but not over	15% of taxable income
$459,750 Over $459,751	20% of taxable income

Married Filing Jointly

If taxable income is:	The tax is:
Not over $83,350	0% of taxable income
Over $83,351 but not over	15% of taxable income
$517,200 Over $517,201	20% of taxable income

Married Filing Separately

If taxable income is:	The tax is:
Not over $41,675	0% of taxable income
Over $41,676 but not over	15% of taxable income
$258,600 Over $258,601	20% of taxable income

Head of Household

If taxable income is:	The tax is:
Not over $55,700	0% of taxable income
Over $55,801 but not over	15% of taxable income
$488,500 Over $488,501	20% of taxable income

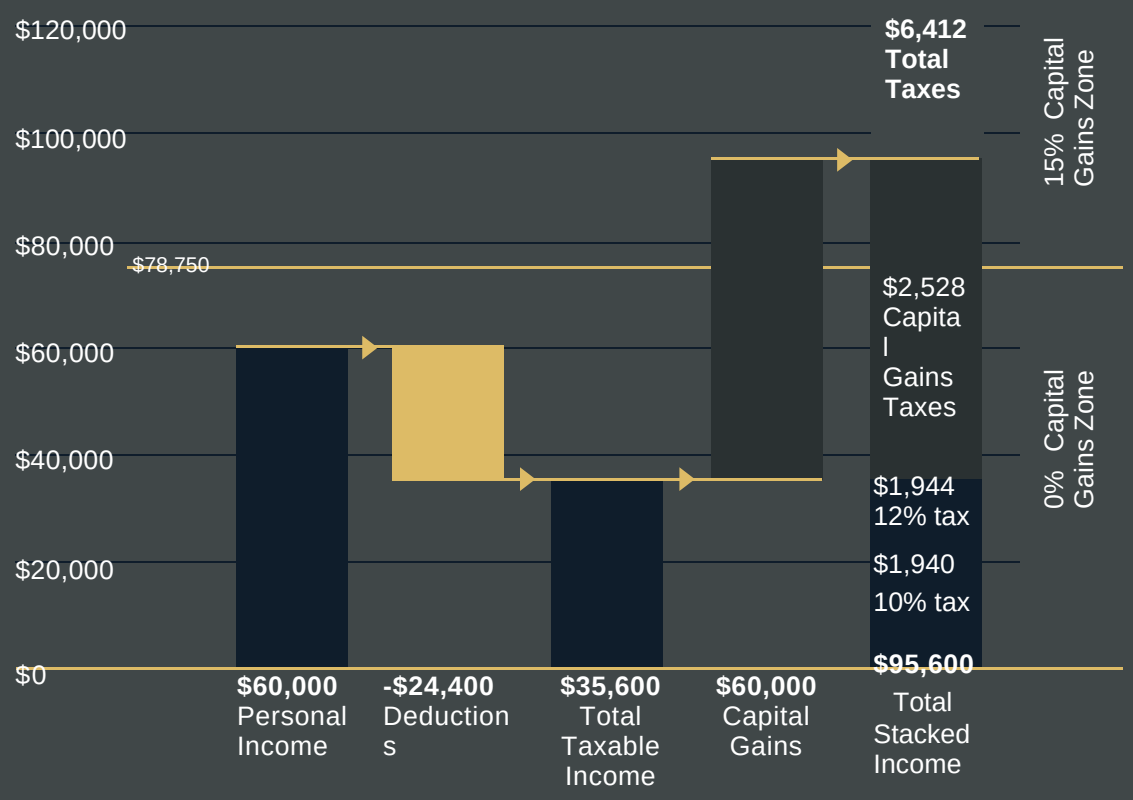
Note: these rates also apply to qualified dividend income.

Source: IRS.gov.

Calculating Tax Capital Gains

The calculation of capital gains taxes are often an area of confusion, even for sophisticated investors. Income from all sources including wages, interest, retirement plan distributions, dividends, and capital gains, are all added together to reach gross income, and they are then taxed at different rates. Clients often ask whether selling an asset at a large gain will push them into a higher income tax bracket. Understanding how these taxes connect and stack can best be explained with the below illustration.

Long-Term Capital Gains Get Stacked On Top of Ordinary Taxable Income



Source:Kitces.com. For illustrative purposes only.

Net Investment Income Tax

The net investment income tax (NIIT) is a 3.8% surtax on income above certain thresholds, first originating with the Affordable Care Act. Many people associate the NIIT with an additional capital gains tax, but it applies to most income generated from investments. Similar to capital gains, the NIIT is often an area of confusion for investors, and many people above the income thresholds think that they pay more of it than they actually do.

Filing Status	Modified Adjusted Gross Income (MAGI)
Single	**Threshold** $200,000
Married filing jointly	$250,000
Married filing separately	$125,000

If Your MAGI is Over the Threshold, Determine How Much NIIT You Would Owe:

Example 1

Your net investment income is less than your MAGI overage.

You have $30,000 in net investment income and your MAGI goes over the threshold by $50,000. You'll owe the 3.8% NIIT tax. But you'll only owe it on the $30,000 of investment income since it's less than your MAGI overage.

Your additional tax would be $1,140 (.038 x $30,000).

Example 2

Your MAGI overage is less than your net investment income.

You have $30,000 in net investment income, but your MAGI only goes over the threshold by $15,000. Again, you'll owe the 3.8% tax. But in this case, you'll owe it on the $15,000 overage, since it's less than your net investment income.

Your additional tax would be $570 (.038 x $15,000).

Source:Kitces.com. For illustrative purposes only.

Alternative Minimum Tax

The alternative minimum tax (AMT) is both confusing and a potential thorn in the side of higher earners. To summarize, the AMT is a different method for calculating a taxpayer's bill, and like the NIIT, it applies to people whose income exceeds a certain level. If your ordinary taxable income is below the AMT calculation, the AMT doesn't apply, but if it's higher, certain deductions and adjustment are removed to arrive at the AMT amount.

The intention of the tax is to minimize strategies that allow wealthier people to reduce or eliminate their tax payments. The AMT is adjusted for inflation—a somewhat recent improvement—and in 2018, the Tax Cuts and Jobs Act (TCJA) limited the impact of the AMT for a large majority of tax filers.

Alternative Minimum Tax (AMT)		
Status	**Exemption**	**Phaseout**
Single	$75,900	$539,900
Married filing jointly	$118,100	$1,079,800
Tax Rates		
If taxable income is:	**The tax rate is:**	
Not over $206,100	26%	
Over $206,100	28%	

Source: IRS.gov.

State Income Tax Rates

Tax brackets, rates, and structures run the gamut at the state level. Some states employ income tax schedules with even more brackets than at the national level, while others utilize a flat tax scheme or eschew income taxes altogether. Optimizing for state and local tax rates requires a personal understanding of your compensation, living situation, assets, goals, and objectives.

States with Flat Income Tax	
Rates State	**Rate**
Colorado	4.55%
Illinois	4.95%
Indiana	3.23%
Kentucky	5%
Massachusetts	5%
Michigan	4.25%
New Hampshire*	5%
North Carolina	4.99%
Pennsylvania	3.07%
Utah	4.95%

*On dividends and interest income only

Source: Federation of Tax Administrators

Your state of domicile can have a significant impact on your finances, helping reduce expenses in retirement and even stretch your portfolio out a couple extra years into late retirement. But as with any financial decision, there are trade-offs. We hesitate encouraging people to move their state of domicile simply because of taxes alone. Non-financial reasons, such as the location of family and loved ones, often plays a much more important role.

State Income Tax Rates

States with Progressive Income Tax Rates

State	Rate	Brackets
Alabama	2% - 5%	3
Arizona	2.59% - 4.5%	4
Arkansas	2.0% - 5.5%	3
California	1% - 12.3%	9
Connecticut	3% - 6.99%	7
Delaware	0% - 6.6%	7
District of Columbia	4% - 8.95%	6
Georgia	1% - 5.75%	6
Hawaii	1.4% - 11%	12
Idaho	1.125% - 6.5%	5
Iowa	0.33% - 8.53%	9
Kansas	3.1% - 5.7%	3
Louisiana	1.85% - 4.25%	3
Maine	5.8% - 7.15%	3
Maryland	2% - 5.75%	8
Minnesota	5.35% - 9.85%	4
Mississippi	0% - 5%	3
Missouri	1.5% - 5.3%	9
Montana	1% - 6.75%	7
Nebraska	2.46% - 6.84%	4
New Jersey	1.4% - 10.75%	7
New Mexico	1.7% - 5.9%	5
New York	4% - 10.9%	9
North Dakota	1.1% - 2.9%	5
Ohio	0% - 3.99%	6
Oklahoma	0.25% - 4.75%	6
Oregon	4.75% - 9.9%	4
Rhode Island	3.75% - 5.99%	3
South Carolina	0% - 7%	6
Vermont	3.35% - 8.75%	4
Virginia	2% - 5.75%	4
West Virginia	3% - 6.5%	5
Wisconsin	3.54% - 7.65%	4

Source: Federation of Tax Administrators

Additional Tax Dates & Deadlines

January 18th
- 4th installment of 2021 taxes due

April 18th
- 1st installment of 2022 taxes due
- Deadline for IRA or HSA contributions for tax year 2021

May 17th
- Tax filing deadline/extension request

June 15th
- 2nd installment of 2022 taxes due

September 15th
- 3rd installment of 2022 taxes due

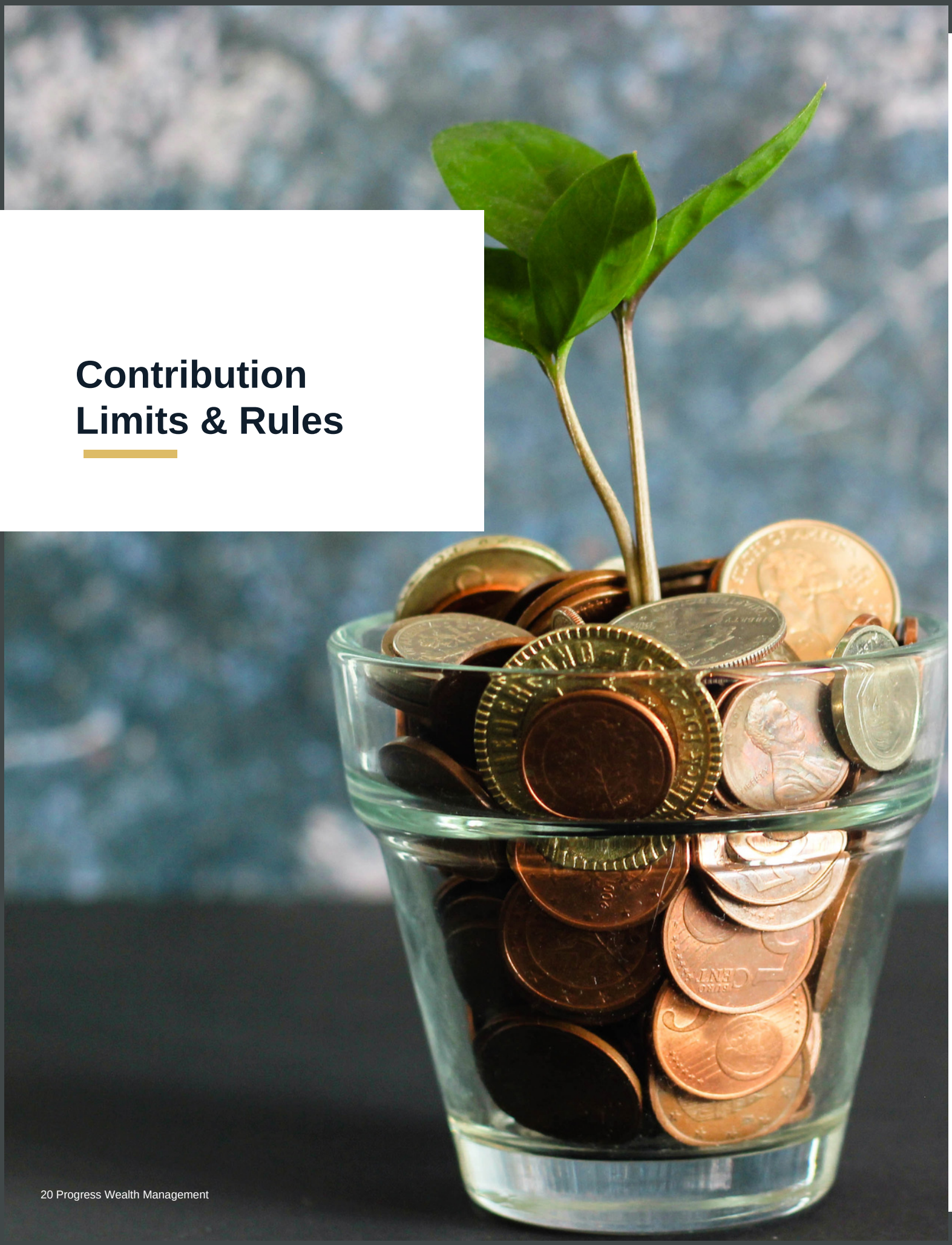
October 17th
- Tax filing deadline for extensions
- Deadline for 2021 SEP IRA contribution

December 31st
Final day to do the following:

- Pay expenses for itemized deductions
- Complete capital gains/losses transactions
- Establish Keough plan for 2022
- Establish and fund solo 401(k) for 2022
- Complete contributions to 401(k) plans
- Correct excess contributions to IRAs and qualified plans

Source: thebalance.com

Contribution Limits & Rules



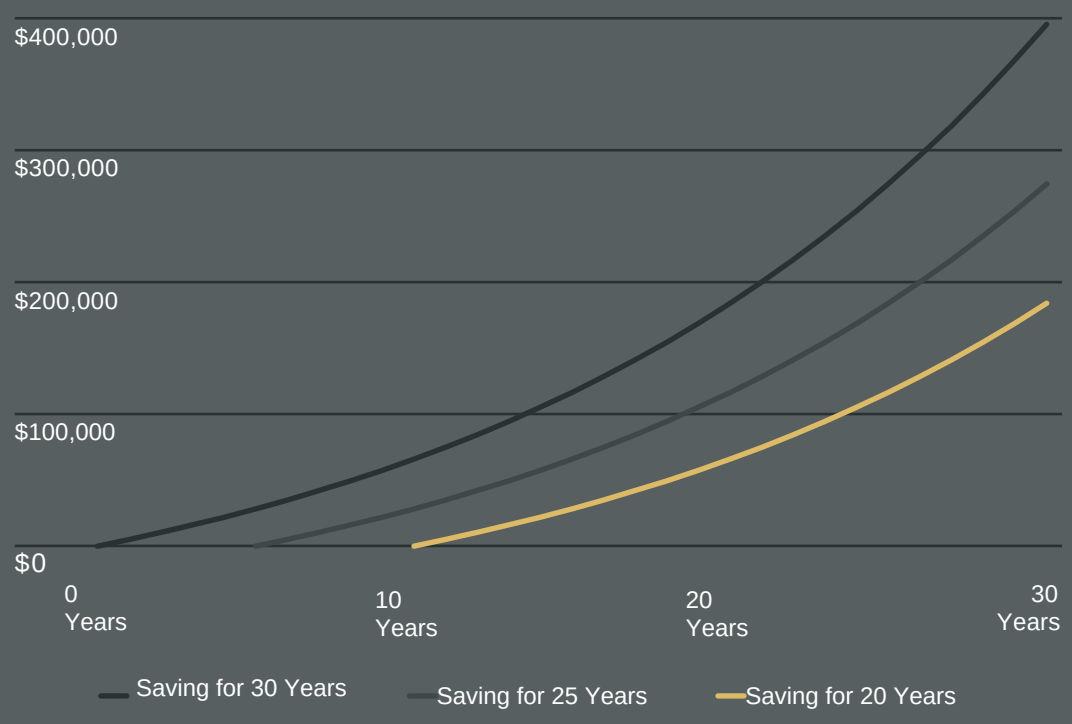
The Power of Saving

Saving and investing are an extremely powerful combination for building wealth. The ability for savers to convert good habits and a modest lifestyle into long-standing, legacy building wealth is all about the power of compounding.

Compounding describes how money builds on itself, creating even more money over time, in an exponential manner. The more time you allow for compounding to work its magic, the greater your rewards. The below visual highlights this magic in real dollars and cents, showing how a five- or ten-year head start on saving and investing can make an enormous difference down the line.

Using Time to Help Your Investments Grow

The Impact of Saving $5,000 Per Year at a 6% Annualized Growth Rate



For illustrative purposes only.

The Value of Tax Management

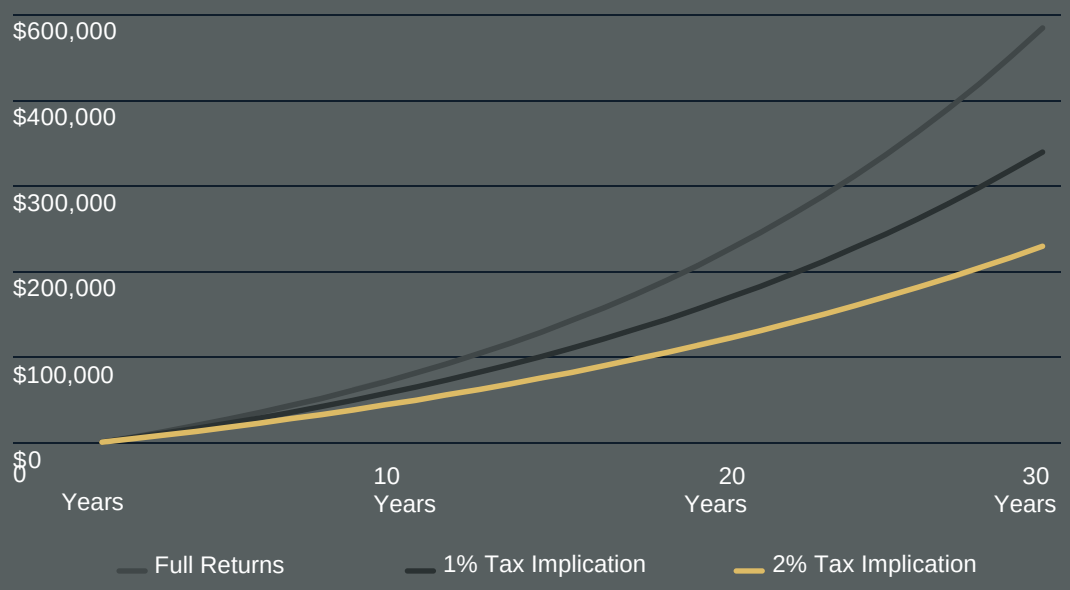
If saving and investing are the building blocks of wealth planning, then proper tax management is the roof over the building. A great investment engine can be bogged down by poor tax decisions, dramatically hampering your ability to meet long-term goals.

Wealth planning helps you capitalize on the tax management tools at your disposal to minimize your tax burden and maximize your chances of success. The below visual highlights how impactful those optimization efforts can really be. Financial consultants will provide the advice you need to understand and deploy the right tools, and the rest of this section will hit on some of those highlights.

Tax-Advantaged vs. Taxable Accounts

An investor who experiences a one or two percent loss as a result of taxation, also known as a tax drag, can end up realizing almost half the net worth that they otherwise would.

Taxes Can Have Meaningful Impact on Your Investment Portfolio



For illustrative purposes only.

Individual Retirement Accounts (IRAs)

Whether you're an individual on a company plan, looking to save a little extra, or a business owner tying to maximize both business and personal savings, there are a range of retirement account options to choose from. With the different types, the IRS places limits on how much we can save in tax-advantaged retirement accounts, and those amounts change depending on the account type. This section unpacks key highlights and characteristics of the most common types of retirement plans.

Traditional IRA

Contributing to a traditional investment retirement account (IRA) is one of the easiest and most common ways to save for retirement. Traditional IRAs allow contributions to be made on a pre-tax basis, either at the time of contribution (e.g., via your paycheck) or as a rebate come tax time.

Once funded, investments in traditional IRA accounts are also allowed to grow tax free, a double tax benefit. Once meeting the 59½ age threshold, contributions can be withdrawn without penalty, although the individual will be required to pay taxes on those withdrawals as ordinary income. The contribution limits may adjust each year, but the advantages of saving up to those limits is as meaningful as ever.

It's never too late to take advantage of this tax-preferred vehicle. Since the SECURE Act of 2020, qualified individuals can now contribute to traditional IRA accounts even if older than 70½. If this does apply to you, just keep in mind that making contributions after age 70½ may affect your ability to benefit from qualified charitable distributions from your IRAs. Consult your tax advisor for more information.

Roth IRA

Roth IRAs are gaining ground on traditional IRAs as an increasingly popular retirement planning vehicle, and it's easy to see why. Unlike traditional IRAs that take in dollars pre-tax, grow tax-free, but are then taxed on withdrawal, Roth IRAs flip the double tax benefit script. They are funded with after-tax dollars and are then allowed to grow tax-free and be accessed in the future tax-free.

For individuals with lower levels of ordinary income today, Roth IRAs are a very attractive option, especially if you expect your tax rate to rise in the future. This is because you are choosing to pay taxes at a lower rate today, rather than what you expect to be a higher rate in the future.

Lastly, should an individual need access to those after-tax contributions before retirement age, there are certain allowable one-off exemptions that can be useful options as well.

Contribution limits are the same for Roth IRAs as they are for traditional IRAs. One important point if you have multiple IRAs, either traditional or Roth, is that the maximum contribution across all of them is $6,000 ($7,000 if you are age 50 or older) per year. Those contributions can also be made at any age, even after age 70½.

Additional Retirement Accounts

Defined-Contribution vs. Defined-Benefit
The term defined-contribution (DC) describes a plan where an individual account is provided for each participant. A participant's retirement benefit is essentially the current value of the account. Like with IRAs, contributions and investment returns will directly affect its value, and the employee bears the investment risk. DC plans have become dominant in recent years.

Examples of DC plans are 401(k) plans, 403(b) plans, profit sharing plans, money purchase plans, target benefit plans, stock bonus plans, and employee stock ownership plans.

The term defined benefit (DB) plan refers to any plan that is not a DC plan and does not have individual accounts. It's value is defined by the benefit payable in a future year. All plan assets must be pooled, and participant accrued benefits are determined by a formula stated in the plan document, which generally takes compensation and service into consideration. The annual contribution is calculated by an actuary, is an obligation on the part of the employer, and the employer bears the investment risk.

Examples of DB plans are average pay plans, flat dollar plans, and cash balance plans.

Profit Sharing Plans
In a profit sharing plan, the employer will determine how much to contribute each year. While a specific contribution formula is generally not stated, an allocation formula is required. The formula defines how participants share in the contribution the employer chooses to make.

401(k) Plans
A 401(k) plan can be a stand-alone plan, or it can be a feature added to profit sharing or stock bonus plans. It can accept both employee and employer contributions. Allowable employee contributions include voluntary pre-tax and Roth salary deferrals, and in rare cases, "thrift plan" or mandatory after-tax contributions. Employer contributions include discretionary and/or formulaic matching contributions, discretionary profit sharing contributions, and mandatory safe harbor contributions.

403(b) Plans
A 403(b) plan is a retirement plan offered by public schools and certain 501(c)(3) tax-exempt organizations. 403(b) plans are very similar to 401(k) plans in operation and allowable contributions, but also provide tax-exempt organizations some unique advantages.

Average Pay Defined-Benefit Plans
Traditional DB plans usually provide benefits payable to participants as a percentage of pay multiplied by years of service. As the participant works additional years, the accrued benefit increases by 1/10th the projected benefit.

Cash Balance Plans
These plans define an allocation formula, rather than a projected benefit formula. A hypothetical 'cash balance' account is created for each participant, and each year, the account receives additions as a percentage of current pay plus interest. The vested accumulation of the participant's current hypothetical account is generally the participant's lump sum benefit upon separation from service.

IRA, Roth IRA, and Other Qualified Plan Contribution Limits

2022 Traditional IRA Contribution Limits

$6,000
Under Age 50

$7,000
Age 50+ Catch Up Contribution

2022 Roth IRA Contribution Limits

$6,000
Under Age 50

$7,000
Age 50+ Catch Up Contribution

Traditional IRA Income Deductibility Limits

Filing Status	Phase out
Single	$68,000 - $78,000
Married, filing jointly	$109,000 - $129,000
Married, filing separately	$0 - $10,000
Spousal IRA	$204,000 - $214,000

Roth IRA Income Limits for Contributions

Filing Status	Phase out
Single	$129,000 - $144,000
Married, filing jointly	$204,000 - $214,000
Married, filing separately	$0 - $10,000
Head of Household	$129,000 - $144,000

401(k), 403(b), 457

$20,500
Maximum Employee Elective Deferral

401(k), 403(b), 457

$6,500
Age 50+ Employee Catch Up Contribution

401(k), 403(b), 457

$61,000
Maximum Combined Employee/Employer Contribution

Defined-Benefit Plans Annual Benefit Payable

$245,000

Source: IRS.gov.

Additional IRA Types

SEP IRAs
A simplified employee pension (SEP) IRA plan provides business owners with a simplified method to contribute toward employees' retirement, as well as personal retirement savings. Each plan participant receives their own SEP IRA.

SIMPLE IRAs
A savings incentive match plan for employees (SIMPLE) IRA is ideal for small employers not currently sponsoring a retirement plan. This allows small business owners to easily enable retirement savings for your employees.

SEP IRA	
Contribution limit	Lesser of $61,000 or 25% of compensation
Catch-up contribution (age 50+)	$3,000
Maximum compensation	$305,000
Key employee (top-heavy plans)	Above $200,000
Highly compensated employee	$135,000

SIMPLE IRA	
Contribution limit	$14,000
Catch-up contribution (age 50+)	$3,000
Maximum compensation	$305,000
Key employee (top-heavy plans)	Above $200,000
Highly compensated employee	$135,000

Source: IRS.gov.

If you have an outstanding 401(k) or IRA held at a prior employer, you may want to consider transferring into a rollover IRA that is more accessible and fully within your control. There are steps to the process, but it is not too difficult of a task. Please reach out to one of our financial consultants and ask to see our materials on how to get started with IRA rollovers.

Backdoor Roth and Stretch IRA Strategies

Backdoor Roth IRA
One unique wrinkle of the Roth IRA versus the traditional IRA is that, in order to contribute to Roth IRA's each year, you must have an ordinary income level below certain thresholds. Otherwise, only the traditional IRA vehicle is available to you.

But the story does not end there. There is a loophole within IRA rules that allows people who may be over the income limit for Roth IRA contributions to fund a traditional IRA with after-tax dollars, and then shortly thereafter convert the money into a Roth IRA account. There is little to no tax implications with this type of Roth IRA conversion because the initial traditional IRA contribution was made with after-tax money (i.e., non-deductible). This so-called 'backdoor' Roth IRA strategy has been in the crosshairs of recent proposed legislation, but as of early 2022, the tactic lives on.

The backdoor Roth IRA strategy does not work if your traditional IRA account holds pre-tax funds due to something called the pro-rata rule. As far as the IRS is concerned, if you have multiple IRAs, some with pre-tax dollars and some with post-tax dollars, those IRAs are aggregated and treated as one big IRA. The taxable portion of a hypothetical Roth IRA conversion would then be based on the ratio of all pre-tax money in your IRAs. As a result, you cannot convert only the post-tax dollars within your traditional IRAs to a Roth IRA, a full conversion is required to avoid a tax from the pro-rata rule.

The 10-Year Rule
For beneficiaries of an inherited IRAs, the old provision, known as the "stretch IRA" rule, has changed. Previously, beneficiaries were required to take annual distributions from the inherited IRA based on their own life expectancy.

As of the SECURE Act, and applicable to IRAs whose owners passed away before 2020, those mandatory annual distributions must now be completed within 10 years. Specifically, the entire IRA balance must be withdrawn by the end of the 10th year.

This introduces a level of planning for individuals inheriting an IRA to determine a tax-efficient strategy for withdrawing assets during the 10-year window.

Additionally, be aware that there are exceptions for certain beneficiaries such as spouses, disabled or chronically ill individuals, minors, and individuals not more than 10 years younger than the IRA owner.

Required Minimum Distributions (RMDs)

You cannot keep retirement funds in your account indefinitely. Required minimum distributions (RMDs) are mandated amounts you must withdraw each year for traditional IRA, SIMPLE IRA, SEP IRA, or retirement plan accounts upon reaching age 72. Note that Roth IRAs do not require withdrawals until after the death of the owner.

These withdrawals will be included in your taxable income except for any part that was previously taxed or that can be received tax-free. If you do not take any distributions, or if the distributions are not large enough, there is a 50% excise tax on the amount not distributed as required.

Lastly, qualified charitable distributions (QCDs, discussed on page 43) count towards satisfying your RMD for the year and are also excluded from taxable income.

Required Minimum Distributions (RMDs) - Starting age changed from 70½ to 72 if born after July 1, 1949	
Age of account holder	**First RMD deadline**
Turned 72 in 2021	April 1, 2022*
Turned 72 in 2022	March 31, 2023*

*Subsequent RMDs must be taken by December 31 of each year.
Starting with 2022 RMDs, revised IRS life expectancy tables will be used and slightly reduce RMDs at each age.

Due to the ability for assets to grow tax free in retirement accounts, we often advise withdrawing taxable assets first in order to allow tax-preferred assets to continue growing as long as possible, or at least until RMDs kick in.

Determining Your RMDs Life Expectancy Factor

Calculate your life expectancy distribution period using the IRS Uniform Lifetime table below. If your spouse is at least 10 years younger than you and your sole beneficiary, use the IRS Joint Life and Last Survivor Expectancy Table.

Internal Revenue Service (IRS) Uniform Lifetime Table
Use your current age to determine your factor, also known as your life expectancy factor, and then turn to the next page.

Age	Factor	Age	Factor	Age	Factor	Age	Factor
72	27.4	**83**	17.7	**94**	9.5	**105**	4.6
73	26.5	**84**	16.8	**95**	8.9	**106**	4.3
74	25.5	**85**	16.0	**96**	8.4	**107**	4.1
75	24.6	**86**	15.2	**97**	7.8	**108**	3.9
76	23.7	**87**	14.4	**98**	7.3	**109**	3.7
77	22.9	**88**	13.7	**99**	6.8	**110**	3.5
78	22.0	**89**	12.9	**100**	6.4	**111**	3.4
79	21.1	**90**	12.2	**101**	6.0	**112**	3.3
80	20.2	**91**	11.5	**102**	5.6	**113**	3.1
81	19.4	**92**	10.8	**103**	5.2	**114**	3.0
82	18.5	**93**	10.1	**104**	4.9	**115**	2.9

Source: IRS.gov.

Calculating Your Required Minimum Distributions (RMDs)

Calculating Your Required Minimum Distributions (RMDs)

Step 1: List each tax-deferred retirement account and the balance on December 31st last year.
Step 2: Divide each balance by your life expectancy factor (see table on previous page)

Retirement Accounts	Balance on December 31st	Life Expectancy Factor	Required Minimum Distribution
Employer Plans			
Current/Last Employer			
	$		$
Previous Employers			
$ $			
$ $			
$ $			
TOTAL$$			
IRAs & KEOGHs (except ROTH IRAs)			
$ $			
$ $			
$ $			
$ $			
$ $			
TOTAL$$			

RMDs must be taken separately for each of your accounts. However, if you have multiple 403(b) accounts, you can add the RMD amounts together and take the total from just one of the accounts or divide it up between the accounts. You can do the same for multiple IRA accounts, including traditional, SEP, and SIMPLE IRAs. RMDs for all other accounts must be taken separately.

Health Savings Accounts (HSAs)

Health savings accounts (HSAs) are too often misinterpreted as a health expense vehicle only. HSAs are extremely powerful as the only retirement vehicle that has the potential to be triple-tax free if used correctly. That being pre-tax contributions, tax-free growth, and tax-free withdrawals if used for qualified expenses after retirement age. Yes, those qualified expenses are mostly restricted to health care costs, but for many retirees, medical expenses are one of the most significant financial challanges they face.

We are fierce advocates of HSA accounts and believe everyone eligible should be taking advantage of their remarkable capabilities.

Health Savings Account	
Minimum Deductible Amount	
Single	$1,400
Family	$2,800
Maximum Out-of-Pocket Amount Single	$7,050
Family	$14,100
HSA Contribution Limit	
Single	$3,650
Family	$7,300
Catch-up contribution (age 55 or older)	$1,000

HSA accounts typically offer an investment option once savers reach a certain threshold (e.g., $2,000) of savings. The investment options can be similar to the type of fund selections you would often see in a 401(k) plan.

Education Savings Accounts

The flexiblity and usefulness of these types of accounts has grown, as have their need. College costs have risen rapidly, and education saving has become essential to comprehensive financial planning.

Most younger families typically think in terms of needing to save enough money to fund 100% of a child's college education. And while this may be an admirable goal, a combination of several funding sources including education saving accounts, other investments, financial aid, scholarships, and loans tends to be the most common approach. We expect this to be increasingly true in the future.

The two most common types of account types are 529 plans and Coverdell accounts. 529 plans, also known as 'qualified tuition plans,' are state sponsored investment accounts that offer tax-advantages to encourage education savings. Formerly known as the education IRA, Coverdell education savings accounts (ESAs) are tax-deferred trust accounts designed to help with education expenses, but with relatively low contribution limits.

Education	
Coverdell Education Savings	
Accounts Contribution limit	$2,000
Single phaseout	$95,000 - $110,000
Married filing jointly phaseout	$190,000 - $220,000

Lifetime Learning Credit - 20% of qualified expenses	
Expense limit	$10,000
Single phaseout	$80,000 - $90,000
Married filing jointly phaseout	$160,000 - $180,000

529 Plans
Eligible for college, apprenticeship, and trade school expenses, and up to $10,000/year for private K-12 tuition. A lifetime limit of $10,000 each can be used to repay the beneficiary's and each of his/her sibling's student loans.

Utilizing 529 Plans

Greater Flexibility
Whereas previously, 529 accounts were primarily restricted to tuition type expenses, parents can now use these tax-preferred vehicles for a variety of schooling related expenses, including:

- Tuiton, books, fees, room and board, a computer or laptop, and more education supply expenses, as well as costs for students of special needs
- Trade schools, if on approved Federal Student Aid list
- Apprenticeship programs, if registered for US Department of Labor or State Apprenticeship Agency

- K-12 tuition expenses up to $10,000 per year, per child
- Student loan payments on behalf of the 529 beneficiary or the beneficiary's siblings up to $10,000 per individual

529s are an essential tool to make rising college costs more manageable. We're happy to discuss college planning strategies to assist parents or grandparents in better understanding what is achievable in today's rising cost environment.

Trusts, Estates, and Charitable Giving

Trust & Estate Taxes

Passing your assets to the next generation can be a complicated process requiring regular attention and thoughtful consideration. Failing to put a plan in place can lead to unintended results, such as leaving an unorganized mess for loved ones to untangle or accidentally disinheriting someone.

A proper estate plan will accomplish two things. First, estate planning will ensure that your assets are passed on according to your wishes. A proper plan with current documents can help reduce confusion and significantly increase the likelihood your wishes are carried out exactly as you intend.

Secondly, a solid estate plan can minimize what can be a particularly onerous tax burden. Often referred to as ‘death taxes,’ estate taxes can be substantial on assets above federal and state thresholds. Proper estate planning can help direct more to your heirs and less to the government.

This guide will concentrate on the tax benefits of proper estate planning, but we encourage readers to bear in mind the planning benefits as well. We can work with your attorney and/or tax advisor to account for both factors when creating and maintaining a comprehensive financial plan.

Key Definitions to Help Understand Estate Planning & Taxes

Trust
a legal document binding property for the benefit of others, based on terms initially laid out by the creator of the trust

Will
a legal document that determines what happens to a decedent’s estate at death

Estate
all the assets, including money and property, owned by a person at their time of death

Probate
a judicial process that ‘proves’ a decendent’s will in the court of law

Trust & Estate Taxes

For 2022, federal estate taxes apply to estates over $12.06 million per person ($24.12 million per couple) with a maximum rate of 40%. If your estate exceeds those levels, the tax rate is applied on a progressive basis, and only on the amount over the threshold. Trust & estate income tax brackets are fewer and more condensed as compared to ordinary income. These apply to irrevocable trusts, where the grantor may not have direct control over the assets, or family trusts that were created from a previous estate.

As a result, it is often beneficial to distribute trust income (interest and dividends) to beneficiaries (if allowable), assuming the beneficiary is in a lower income tax bracket than the trust, allowing income to be reported on the individual's tax return rather at the trust level. Capital gains in a trust, on the other hand, are often treated as principal and taxed to the trust itself, not to the individual beneficiary.

Estate & Gift Tax Rates

Individual estate tax exclusion (Federal) (Any unused amount can transfer to a surviving spouse)	$12,060,000
Maximum estate tax rate	40%
Gift tax exclusion	$12,060,000
Generation-skipping exclusion	$12,060,000
Annual gift tax exclusion (per recipient)	$16,000
Lump sum accelerated gift to a 529 plan (5-year rule)	$80,000
States with an estate tax and/or inheritance tax	CT, DC, HI, IL, IA, KY, ME, MD, MA, MN, NE, NJ, NY, OR, PA, RI, VT, and WA

Trust & Estate Income Tax

Rates If taxable income is:	The tax is:
Not over $2,750	10% of taxable income
Over $2,750 but not over $9,850	$275 plus 24% of the excess over $2,750
Over $9,850 but not over $13,450	$1,979 plus 35% of the excess over $9,850
Over $13,450	$3,239.00 plus 37% of the excess over $13,450

Trust & Estate Capital Gains Tax

Rates If taxable income is:	The tax is:
Not over $2,800	0% of taxable income
Over $2,800 but not over $13,700	15% of taxable income
Over $13,700	20% of taxable income

Source: IRS.gov.

Common Types of Trusts

There are two main types of trusts: revocable and irrevocable. Revocable trusts can be changed or terminated during a grantor's lifetime, while irrevocable trusts cannot be altered once established without the beneficiary(ies) consent.

The following section provides an introduction to several of the more commonly used basic estate planning vehicles available under current tax law.

Credit Shelter Trust/Bypass Trust/ Family Trust/A-B Trust

This is a trust with many names. It's a vehicle that can be used to allow an individual to take advantage of their applicable exclusion amount (and shelter assets from estate tax). In the case of a married couple, the assets are not transferred to the surviving spouse, but may benefit the survivor during their life.

Disclaimer Trust

This is a common trust that can used to take advantage of the applicable exclusion amount. Unlike with a more traditional credit shelter trust, a disclaimer trust gives the surviving spouse the option to create a trust. With the help of an attorney and other advisors, the surviving spouse can determine how much of an estate to inherit outright or fund a trust. If done correctly, assets that are disclaimed into a trust are not included in the surviving spouse's estate at death.

Qualified Terminal Interest Property (QTIP) Trust

This is a marital trust that qualifies for the unlimited marital deduction, but does not give the surviving spouse full control over the asset. This is ideal for when an individual wants a surviving spouse to benefit from assets but not control how they will be distributed to future generations, for instance, if couples have children from prior marriages.

Irrevocable Life Insurance Trust (ILIT)

A trust specifically designed to own life insurance policies. Since the trust owns the policies, the proceeds paid at an individual's death are able to avoid both income and estate taxes. It's particularly useful for when an individual plans to use insurance to help pay estate taxes. The ILIT can also be used in conjunction with charitable giving to replace the wealth given to the charity.

There are a variety of tax implications, as well as planning considerations, for each of these strategies. For maximum benefit and a comprehensive financial plan, our financial consultants will coordinate with your tax advisor and estate planning attorney to confirm whether these are the right options for you.

Trust & Estate State Taxes

2022 State Levies on Estates & Inheritances

Connecticut
Estate tax of 10.8% to 12% on estates above $7.1 million

District of Columbia
Estate tax of 11.2% to 16% on estates above $4 million

Hawaii
Estate tax of 10% to 20% on estates above $5.5 million

Illinois
Estate tax of 0.8% to 16% on estates above $4 million

Iowa
Inheritance tax of up to 15%

Kentucky
Inheritance tax of up to 16%

Maine
Estate tax of 8% to 12% on estates above $5.8 million

Maryland
Estate tax of 0.8% to 16% on estates above $5 million (portability allowed); inheritance tax of up to 10%

Massachusetts
Estate Tax of 0.8 % to 16% on estates above $1 million

Minnesota
Estate Tax of 13% to 16% on estates above $3 million

Nebraska
Inheritance tax of up to 18%

New Jersey
Inheritance tax of up to 16%

New York
Estate tax of 3.06% to 16% for estates above $5.9 million

Oregon
Estate tax of 10% to 16% on estates above $1 million

Pennsylvania
Inheritance tax of up to 15%

Rhode Island
Estate tax of 0.8% to 16% on estates above $1.6 million

Vermont
Estate tax of 16% on estates above $5 million

Washington
Estate tax of 10% to 20% on estates above $2.2 million

Source: AARP.org

Charitable Giving

Donating to charities is always a good idea, not only to support their missions, but for their extremely powerful tax planning benefits too! By making charitable gifts, you can receive income tax deductions, remove assets from a taxable estate, and provide charitable organizations with a valuable source of funding. Below, we provide a high-level summary of some of the charitably inclined planning strategies that can help you both do good and save on taxes.

Type of Gift/Tax Treatment

The tax benefit from charitable donations is impacted by three main factors: 1) the recipient; 2) how the gift is structured; and 3) the form of gift (e.g., cash, stock, or personal property).

For tax deduction purposes, charities can be divided into two categories: 50% charities (e.g., 501(c)(3) organizations and public charities, such as churches, schools, hospitals, and government entities); and 30% charities (i.e., usually private foundations).

Whether a gift is made ‘to’ the charity or ‘for the use of’ the charity will impact the deduction limit. Gifts ‘for the use of’ the charity are limited to 30% of adjusted growth income (AGI), while gifts ‘to’ the public charities are deductible up to 50%, or 60% for cash, of the donor’s AGI.

50% Charities

Cash gifts are deductible up to 60% of AGI. As of the CARES Act of 2021, there is now no limit on cash gifts. Long-term capital gain property is deductible up to 30% of AGI. Short-term capital gain property is limited to the value of the cost basis but deductible up to 50% of AGI. Ordinary income property is deductible up to 50% of AGI.

30% Charities

Long-term capital gain property is deductible up to 20% of AGI. Short-term capital gain property—again limited to the cost basis—and ordinary income property are deductible up to 30% of AGI.

Contributions in excess of the limits can generally be carried over for up to five years after the year of the gift. It’s important to note that upon death, an unlimited amount of property can pass to charitable organizations estate tax-free.

Source: IRS.gov.

Charitable Giving Planning Considerations

Donating Highly Appreciated Stock

So you want to make a donation. Should you donate the appreciated stock directly or should you sell stock, pay capital gains, and then donate the proceeds as cash? While it may seem more complicated than simply donating cash, donating directly allows you to capture a larger deduction and provides the charity a larger donation.

Here's an example. Suppose you are interested in donating $50,000 to a charity, considering using stock with a cost basis of $30,000, would qualify for a capital gains tax rate of 21%, and have an income tax rate of 30%:

Donating Highly Appreciated Stock Considerations	**Sell Stock and Donate Net Proceeds**	**Donate Stock Directly**
Market value of stocks	$50,000	$50,000
Long-term capital gains tax	$4,200	$0
Amount donated to charity	$45,800	$50,000
Income tax savings	$13,740	$15,000

The above example assumes you are donating appreciated stock. After all, markets tend to go up over time. If you are holdings securities at a loss and would like to donate to charity, it is better to sell the depreciated stock first. Realize the capital loss, use that capital loss to offset other capital gains before then donating the cash.

Previously, most itemized deductions, including charitable deductions, were reduced at higher income limits. Specifically, the deduction fell by 3% of AGI over $261,500 for single filers and $313,800 for joint filers in 2017, up to a maximum of 80% of total itemized deductions. The 2017 Tax Cuts and Jobs Act eliminated this reduction through at least the end of 2025, although this temporary relief is currently slated to sunset at that time.

Charitable Giving Planning Considerations

‘Lumping’ Donations

The Tax Cuts and Jobs Act significantly increased the standard deduction that people receive when filing taxes. Because charitable donations fall under approved itemized deductions, many tax filers who previously itemized now use the standard deduction, surrendering the tax benefit of their annual donations. While many continue to donate to their favorite charities with or without a tax benefit, the higher standard deduction curtails the tax incentive to give.

One strategy that may appeal to donors is to ‘lump’ several years’ worth of small annual donations into one tax year. For example, suppose a single filer has $10,000 in itemized deductions before charitable donations. These itemized deductions would have meaningfully exceeded the standard deduction amount in the prior tax law (i.e., $6,350), but not under the current law (i.e., $12,950). If that person typically donates $2,000 to various charities during the year, the total itemized deductions will be $12,000, still below the standard deduction level.

Although this person benefits from the current tax law with a $12,950 standard deduction, the tax benefit of the charitable donations is lost. On the other hand, grouping three years’ worth of $2,000 donations can push the total itemized deduction to $16,000 for a year, clearing the standard deduction hurdle and providing a tax benefit in the year the lumped donations are made. The taxpayer can continue to use the standard deduction in the two non-donating years. This approach can provide an ongoing tax benefit while also encouraging donations to important causes.

Charitable Giving Planning Considerations

Qualified Charitable Distribution
Taking advantage of the qualified charitable distribution (QCD) strategy may be more valuable than ever under current tax law. The strategy allows an IRA owner age 70½ and older to give up to $100,000 from their IRA directly to a charity of their choice. The benefits of a QCD can be significant because it satisfies charitable giving, counts towards required minimums distributions (RMD) for that year, and has tax advantages for the IRA owner and charity.

For example, the charity does not pay income tax on the distribution it receives, and although the IRA owner does not receive an income tax deduction for the contribution, the amount donated to charity is excluded from taxable income. This may put the IRA owner into a lower income tax bracket, and it may also allow the IRA owner to avoid certain tax consequences that come with a higher adjusted gross income, such as higher Medicare premiums, the 3.8% tax on net investment income (if they own taxable accounts), and perhaps minimize or avoid the alternative minimum tax.

To make a qualifying distribution, you must direct your IRA custodian or trustee to send the distribution directly to the charity (or you can request a check made payable to the charity). It's worth mentioning that donor-advised funds and private foundations are not qualifying charities for QCDs. The QCD can be very appealing for individuals who may not rely on their full RMD amount to meet annual spending and who are interested in making charitable donations.

Charitable Giving Additional Strategies

Charitable Remainder Annuity Trust (CRAT)
An irrevocable trust that allows a donor to make a gift of the rest of their ownership of (aka., a remainder interest in) a property to a qualified charity. The donor contributes assets to a trust that must then pay out a fixed annuity at least equal to 5% of the trust's initial market value to a non-charitable beneficiary (i.e., usually the donor and his/her spouse) for a certain period (i.e., over a term certain not exceeding twenty years or over the donor's lifetime). At the end of the period, the remaining trust assets are subsequently passed to a qualified charity.

Charitable Remainder Unitrust (CRUT)
An irrevocable trust that allows a donor to make a gift of a remainder interest in property to a qualified charity. The key difference between a CRAT and a CRUT is that the annual payout for a CRUT is based on a percentage of the trust's market value and can vary from year-to-year.

Charitable Lead Annuity Trust (CLAT)
A CLAT is the reverse of the charitable remainder annuity trust discussed above. A donor transfers assets to a trust that pays a fixed annuity to a charity over a designated time period (i.e., a specified number of years or over the donor's lifetime). At the end of the payout period, the remaining trust assets pass either to the donor or to a non-charitable beneficiary. At that time, only the discounted value of the remainder interest passing to non-charitable beneficiaries is subject to gift or estate taxes.

Charitable Lead Unitrust (CLUT)
Like a CLAT, a CLUT is an irrevocable trust that allows the donor to make a partial interest gift to a charity. However, the annual payout to the charity varies from year-to-year in a CLUT, since it is based on a fixed percentage of the trust's market value.

Donor-Advised Funds (DAF)
A charitable giving program sponsored by a public charity that gives a donor an ongoing role over funds even after the charitable contribution is complete. Charitable foundations and financial institutions also sponsor DAF's by agreeing to hold donated funds in separate accounts, with each donor advising the charity on how and when the funds in his or her separate account should be distributed among other charities.

Pooled Income Fund (PIF)
A pooled income fund is an irrevocable trust created and maintained by a public charity that is comprised of contributions from multiple donors. The donations are invested together within the fund, and each donor retains the income attributable to his or her contributed share of the fund principal. After the deaths of the donor and/or any other named beneficiaries, the charity receives the principal.

Charitable Giving Additional Strategies

Private Foundations
A private foundation is a non-profit organization typically created via a single primary donation from an individual or a business whose funds and programs are managed by its own trustees or directors. Rather than funding its ongoing operations through periodic donations, a private foundation generates income by investing its initial donation, often disbursing the majority of its investment income each year to desired charitable activities.

Community Foundation
A non-profit, publicly supported charitable organization with the long-term goal of building permanent funds for the broad-based public benefit of the residents in a given area. A community foundation is governed by a board of directors, often from diverse backgrounds, and is administered by professional staff. Foundation assets are held in separate funds for specific purposes, but the foundation board of directors, representing the community, oversees them all.

Considerations for Retirees

Calculating Social Security Benefits and Penalties

Social Security	
Social Security wage base	**$147,000**
Social Security cost-of-living adjustment	5.9%
Quarter of coverage (earnings for Social Security)	$1,510
Maximum benefit (worker retiring at FRA)	$3,345
Estimated average monthly benefit	$1,657

Social Security Early Retirement	
Penalties Individuals	**Penalty**
OASDI rate	6.2%
Medicare rate	1.45%
Rate over threshold	2.35%
Additional Medicare rate	0.9%
Self Employed	**Penalty**
OASDI rate	12.4%
Medicare rate	2.9%
Rate over threshold*	3.8%
Additional Medicare rate	0.9%

Source: SSA.gov.
* in excess of $200,000 self-empoyment income ($250,000 of combined self-employment income on a joint return, $125,000 for married taxpayers filing a separate.

Social Security News, Updates, & Legislation

Old Legislation, New Impacts
The Bipartisan Budget Act of 2015 mostly put an end to 'File and Suspend' and 'Deemed Filing' strategies. Those who reached age 66 on or before January 1, 2020 can still take advantage of the deemed filing loophole (i.e., filing for spousal benefits after reaching age 66 while allowing benefits on your own work record to continue to grow). Deemed filing rules do not apply to those applying for survivor or dependent benefits.

Potential Future Legislation
Social Security disbursements have exceeded revenues each year since 2010, per the Congressional Budget Office (CBO). Based on the current trajectory, the balance of the retirement portion of the Social Security trust fund, which is used to cover any shortfall, is projected to be exhausted in 2034. Eventual change is inevitable to ensure the continuation of Social Security benefits. Future changes to Social Security could include pushing back the retirement age, reducing benefits/ benefit caps, raising taxes, increasing eligibility requirements, means testing, and more.

How to Apply
You can apply online, by phone, or in person at your local Social Security office (appointments available). In order to prepare, gather the following information: date and place of birth, marriage and divorce record (names, dates of birth, Social Security numbers, dates/places of marriage), names and dates of birth for minor or disabled children, US military service record, recent employment history, and direct deposit banking information.

There is no-one-size-fits all approach or formula to determine the best strategy. Personal situations will have a significant influence on your decision. Discuss the options and trade-offs with your financial consultant.

While the Bipartisan Budget Act of 2015 closed glaring Social Security loopholes, there are still ways to thoughtfully strategize about how and when to take Social Security benefits. For example, we advise a split strategy to provide 'longevity insurance' in the event one of you lives beyond life expectancy. This means having one spouse take benefits earlier, while the second delays benefits, allowing the couple to receive some benefit at an early age, while locking in a higher benefit that can carry through their joint life expectancy.

Understanding Long-Term Care

Long-Term Care

Long-term care (LTC) planning is a significant concern for many people across a broad range of demographics. The personal nature of health care, the inability to predict how much care will be needed in the future or how the care will be delivered, and longer life expectancies can all make for a challenging and sometimes uncomfortable planning topic. Furthermore, costs for custodial care are not covered by Medicare or traditional health care insurance. Early planning and coordination with other financial planning issues is vital. To simplify some of the key considerations, this reference guide provides a summary and key statistics, median LTC costs across the country, and common funding options.

Although LTC can refer to a wide variety of services, the focus of this guide is on custodial care, as most LTC falls under this category. Custodial care provides assistance with the following activities of daily living (ADL): bathing, dressing, eating, toileting, continence, and transferring, or when an individual has memory problems. Typically, when individuals are unable to perform a certain number of the above-mentioned daily activities, typically two, or have memory problems, they are likely to be candidates for LTC.

Categories of Long-Term Care

Home Care

Home health aides offer services to people who need more extensive care. It's hands-on personal care, but not medical care.

Assisted Living

Residential arrangements providing personal care and health services. The level of care may not be as extensive as that of a nursing home. Assisted living is often an alternative to a nursing home or intermediate level of LTC.

Nursing Home

These facilities often provide a higher level of supervision and care than assisted living facilities. They offer residents personal care assistance, room and board, supervision, medication, therapies and rehabilitation, and on-site nursing care 24 hours a day.

Understanding Long-Term Care

Funding Options
Long-term care is a service that usually needed at some point in a lifetime. It can be very expensive, and those costs can vary significantly by location. As a result, insurance is commonly looked to for asset protection and to relieve the family burden of paying for care.

Many individuals feel that, if their net worth would allow them to pay for their coverage out-of-pocket, they need not consider a LTC insurance policy. Even if that is that case, there are significant reasons to consider such a policy, including peace of mind and potentially preserving the assets you would have used to pay for your care.

Long-Term Care Insurance
LTC insurance is private insurance specifically designed to cover some or all of the custodial care expenses typically incurred while at home, in assisted living facilities, or in nursing homes. LTC insurance comes in several policy types. Indemnity and expense incurred are the two most common.

With proper coverage, the financial risk of LTC is reduced, it can preserve investments for heirs, and the premiums might be tax deductible. On the other hand, premiums may increase, it can be difficult to predict the amount of coverage needed, and there may be out-of-pockets expenses anyway.

Hybrid Insurance
Hybrid insurance products combine LTC insurance with other forms of insurance, and they are becoming increasingly more common.

Hybrid products have a larger initial premium, reducing the potential for future premium increases and policy lapses that are possible with traditional LTC insurance. There is also a death benefit if LTC insurance isn't used, fewer underwriting requirements, and easier qualification requirements.

Self-Funding
Some people are able to save an adequate amount over their working years to fund retirement needs and potential future LTC expenses. Therefore, rather than purchasing LTC insurance or a hybrid policy, these people choose to use their investment portfolio/savings to fund LTC.

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