Winter 2022

EPIC CAPITAL

A Good Life Well Lived™ INSIGHTS

IRA Deadlines Are Approaching

Financially, many of us associate the spring with taxes – but we should also associate December with important IRA deadlines. This year, like 2021, will see a few changes and distinctions.

April 15, 2022, is the deadline for making 2021 annual contributions to a traditional IRA, Roth IRA, and certain other retirement accounts. This extension from the traditional April 15 deadline follows an extension of the traditional tax deadlines.1

Some people may not realize when they can make their IRA contribution. You can make a yearly IRA contribution between January 1 of the current year and April 15 of the next year. Accordingly, you can make your IRA contribution for 2022 any time from January 1, 2022 to April 15, 2023.1

A person can open or contribute to a Traditional IRA past age 70½ as long as they have taxable income.

If you are making a 2022 IRA contribution in early 2023, you must tell the investment company hosting the IRA account for which year you are contributing. If you fail to indicate the tax year that the contribution applies to, the custodian firm may make a default assumption that the contribution is for the current year (and note exactly that to the I.R.S.).

So, write “2021 IRA contribution” or “2022 IRA contribution,” as applicable, in the memo area of your check, plainly and simply. Be sure to write your account number on the check. If you make your contribution electronically, double-check that these details are communicated.

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Estate Taxes May Be Amended Soon

What to know about the budget reconciliation bill.

To help raise revenue to pay for President Biden's Build Back Better Plan, Congress is considering a number of tax law changes, including adjusting estate taxes.

One of the proposals would reduce the estate tax exemption to anywhere between $3.5 and $5 million, with an effective date of January 1, 2022. Another proposal would bring new rules to grantor trusts, including a change to how life insurance held in a trust would be taxed.1,2

At this point, many ideas are being evaluated, but nothing is final. Corporate tax rates, individual tax rates, and capital gains taxes are also on the negotiating table.

For now, the federal estate tax exemption remains at $11.7 for 2021, with a married couple having a combined exemption for 2021 of $23.4 million.3

But it wouldn't be a surprise if the estate tax law changed as part of the overall plan. In 2019, 2,570 taxable estate-tax returns were filed, and they owed a combined $13.2 billion. Lowering the estate tax exemption to $5 million would raise an estimated $52.3 billion over five years.1

As difficult as it may be, the best approach is to wait-and-see. It would be hasty to make any estate changes based on current discussions.

Cash Alternatives for Charitable Giving

Thinking about donating? Think of these choices.

The year is winding down, and you may be thinking of giving. In fact, you may want to explore the different ways in which you can donate to a charity or non-profit organization, apart from just making a cash gift. Consider some of the alternatives.

Keep in mind this article is for informational purposes only. It's not a replacement for real-life advice. Make sure to consult your tax and legal professionals before modifying your gift-giving strategy.

Donor-advised funds. DAFs are essentially charitable savings accounts. Some are created and run by 501(c)(3) non-profits. Others are offered by brokerages and banks.1,2

You can direct assets into a DAF for future charitable gifts. The bank, brokerage, or non-profit takes legal control of these assets, and may offer you investment choices for the assets and a selection of charities to which you may donate some or all of the assets in a given year. As a donor, you are eligible for a tax deduction in the year of the gift(s). If you like the general idea of "giving to charity" rather than to a specific charity, a DAF may appeal to you.1,2

DAFs are sold only by prospectus. Please consider the charges, risks, expenses, and investment objectives carefully before investing. A prospectus containing this and other information about the investment company can be obtained from your financial professional. Read it carefully before you invest or send money. DAFs are subject to fluctuation in value and market risk. Shares, when redeemed, may be worth more or less than their original cost.

Qualified charitable distributions (QCDs). Are you age 70 or older? Do you have a traditional Individual Retirement Arrangement (IRA)? While annual required minimum distributions (RMDs) from an IRA will bring you income, those RMDs could also mean extra income tax.

If you are looking for ways to potentially manage your tax bill, one choice is to donate your RMD to charity via a QCD. With the help of a financial professional, you arrange a direct payment of some or all of your RMD to charity (there is a $100,000 cap). All of the donated amount may be excluded from your gross income for the year of the donation. You can make a QCD starting in the year you turn 70½, though you do not have to take your first RMD until age 72.3

Generally, distributions from traditional IRAs must begin once you reach age 72. The money distributed to you is taxed as ordinary income. When such distributions are taken before age 59½, they may be subject to a 10% federal income tax penalty.

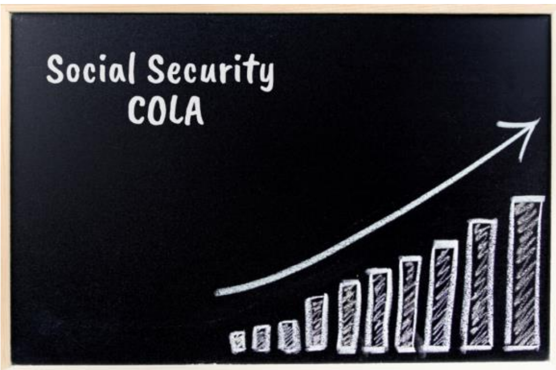
Donations of highly appreciated stocks. Do you itemize your deductions, rather than simply taking the standard deduction each year? Many non-profits and charities may accept gifts of securities.

There are potential advantages for both the donor and charity here, compared with a cash gift. For example, say you own stock and you are considering selling the share and giving the cash from the sale to your favorite charity. You can do that, but if you sell the shares, you might face a capital gain. If you donate the stock to the charity, the charity will take possession of the stock and as the donor, you may be able to deduct the gift.4

Gift bunching. Taxpayers have the opportunity to "bunch" (i.e., time) charitable gifts if they want to itemize deductions in a certain year instead of taking the standard federal tax deduction.5

You can still claim the charitable giving deduction rather than the standard deduction, but only if you itemize. If you do itemize, then your charitable deduction for cash gifts can potentially be as large as 60% of your adjusted gross income. Any amount exceeding that threshold can be carried forward for up to five years.5

As you consider all this, please remember that tax laws are subject to change without notice, and this article is not intended as tax or investment advice. Consult your financial professional before making any charitable gifting, tax, or investment decision. This information is designed to provide general information on the subjects covered. It is not, however, intended to provide specific legal or tax advice and cannot be used to avoid tax penalties or to promote, market, or recommend any tax plan or arrangement.



A COLA With Your Social Security?

Tax benefits and new contribution limits.

If there is a "silver lining" to all the inflation talk, it may be that Social Security benefits are expected to see a larger-than-normal increase in 2022.

Preliminary estimates call for a 4.7% cost-of-living increase (COLA) in Social Security benefits next year, which would be the highest since 2009. Benefits rose 1.3% in 2021.[1]

The Social Security Administration makes its official announcement in January 2022. The Bureau of Labor Statistics bases its annual adjustment on the Bureau of Labor Statistics data in the Consumer Price Index for Urban Wage Earners and Clerical Workers, known as the CPI-W.[2]

A lot can change between now and January 2022 but remember that data from the third quarter of 2021 will be the basis for the COLA for next year.

In my experience, Social Security is one of the most misunderstood
d sources of retirement income. For example, only 33% of people in 2021 expected Social Security to be a major income source during retirement. In reality, it was a major source for 62% of retirees.[3]

Retirement may hold many surprises. But your sources of retirement income shouldn't be one of them. It's critical to have a strategy that keeps your expectations in line with reality. We'd welcome the chance to hear what you think about Social Security.

If you would like to further discuss any of the topics written about in this newsletter, or inquire about any of our other services, please feel free to contact us

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