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END-OF-THE-YEAR MONEY MOVES

Here are some things you might consider before saying goodbye to 2021.

What has changed for you in 2021? For some, this year has been as complicated as learning a new dance. Did you start a new job or leave a job behind? That's one step. Did you retire? There's another step. If notable changes occurred in your personal or professional life, then you may want to review your finances before this year ends and 2022 begins. Proving that you have all the right moves in 2021 might put you in a better position to tango with 2022.

Even if your 2021 has been relatively uneventful, the end of the year is still a good time to get cracking and see where you can manage your overall personal finances.

Keep in mind this article is for informational purposes only and is not a replacement for real-life advice. Please consult your tax, legal, and accounting professionals before modifying your tax strategy.

Do you engage in tax-loss harvesting? That's the practice of taking capital losses (selling securities worth less than what you first paid for them) to manage capital gains. You might want to consider this move, but it should be made with the guidance of a financial professional you trust.[1]

In fact, you could even take it a step further. Consider that up to $3,000 of capital losses in excess of capital gains can be deducted from ordinary income, and any remaining capital losses above that amount can be carried forward to offset capital gains in upcoming years.[1]

Do you want to itemize deductions? You may just want to take the standard deduction for the 2021 tax year, which has risen to $12,550 for single filers and $25,100 for joint. If you do think it might be better for you to itemize, now would be a good time to get the receipts and assorted paperwork together.[2,3]

Are you thinking of gifting? How about donating to a qualified charity or non-profit organization before 2021 ends? Your gift may qualify as a tax deduction. For some gifts, you may be required to itemize deductions using Schedule A.[4]

While we're on the topic of year-end moves, why not take a moment to review a portion of your estate strategy. Specifically, take a look at your beneficiary designations. If you haven't reviewed them for some time, double-check to see that these assets are structured to go where you want them to go, should you pass away. Lastly, look at your will to see that it remains valid and up-to-date.

Check on the amount you have withheld. If you discover that you have withheld too little on your W-4 form so far, you may need to adjust your withholding before the year ends.

What can you do before ringing in the New Year? New Year's Eve may put you in a dancing move, eager to say goodbye to the old year and welcome 2022. Before you put on your dancing shoes, consider speaking with a financial or tax professional. Do it now, rather than in February or March. Little year-end moves might help you improve your short-term and long-term financial situation.

Citations

1. Investopedia.com, January 8, 2021
2. NerdWallet.com, April 12, 2021
3. Investopedia.com, August 23, 2021
4. Investopedia.com, December 28, 2020

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.

Citations

1. CNBC.com, September 29, 2021
2. FA-mag.com, September 22, 2021
3. IRS.gov, October 25, 2021

RETURNS (AS OF 11/30/21)

ASSET CLASS	INDEX	4 WEEK	YTD	1 YEAR	3 YEAR
US Large Cap	S&P 500 TR	-0.83%	21.59%	26.10%	18.28%
US Large Cap	Dow Jones TR	-3.73%	12.67%	16.35%	10.53%
US Small Cap	Russell 2000 TR	-4.28%	11.35%	20.83%	12.77%
International	MSCI EAFE NR USD	-4.79%	3.55%	8.27%	7.11%
Taxable Bonds	Barclays US Agg Bond TR	0.30%	-1.29%	-1.15%	5.52%

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.

Citations

1. Internal Revenue Service, September 7, 2021

2. U.S. News, August 21, 2020

3. Kiplinger, October 4, 2021

4. Investopedia, September 21, 2021

5. Drexel University, November 30, 2020

2022 CONTRIBUTION LIMITS

Is it time to contribute more?

Preparing for retirement just got a little more financial wiggle room. This week, the Internal Revenue Service (IRS) announced new contribution limits for 2022.

Staying put for 2022 are traditional Individual Retirement Accounts (IRAs), with the limit remaining at $6,000. The catch-up contribution for traditional IRAs remains $1,000 as well.[1]

For workplace retirement accounts (i.e. 401(k), 403(b), amongst others), the contribution limit rises $1,000 to $20,500. Catch-up contributions remain at $6,500.[1]

Eligibility for Roth IRA contributions has increased, as well. These have bumped up to $129,000 to $144,000 for single filers and heads of households, and $204,000 to $214,000 for those filing jointly as married couples.[1]

Another increase was for SIMPLE IRA Plans (SIMPLE is an acronym for Savings Incentive Match Plan for Employees), which increases from $13,500 to $14,000.[1]

If these increases apply to your retirement strategy, a financial professional may be able to help make some adjustments to your contributions.

Citations

1. CNBC.com, November 5, 2021

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