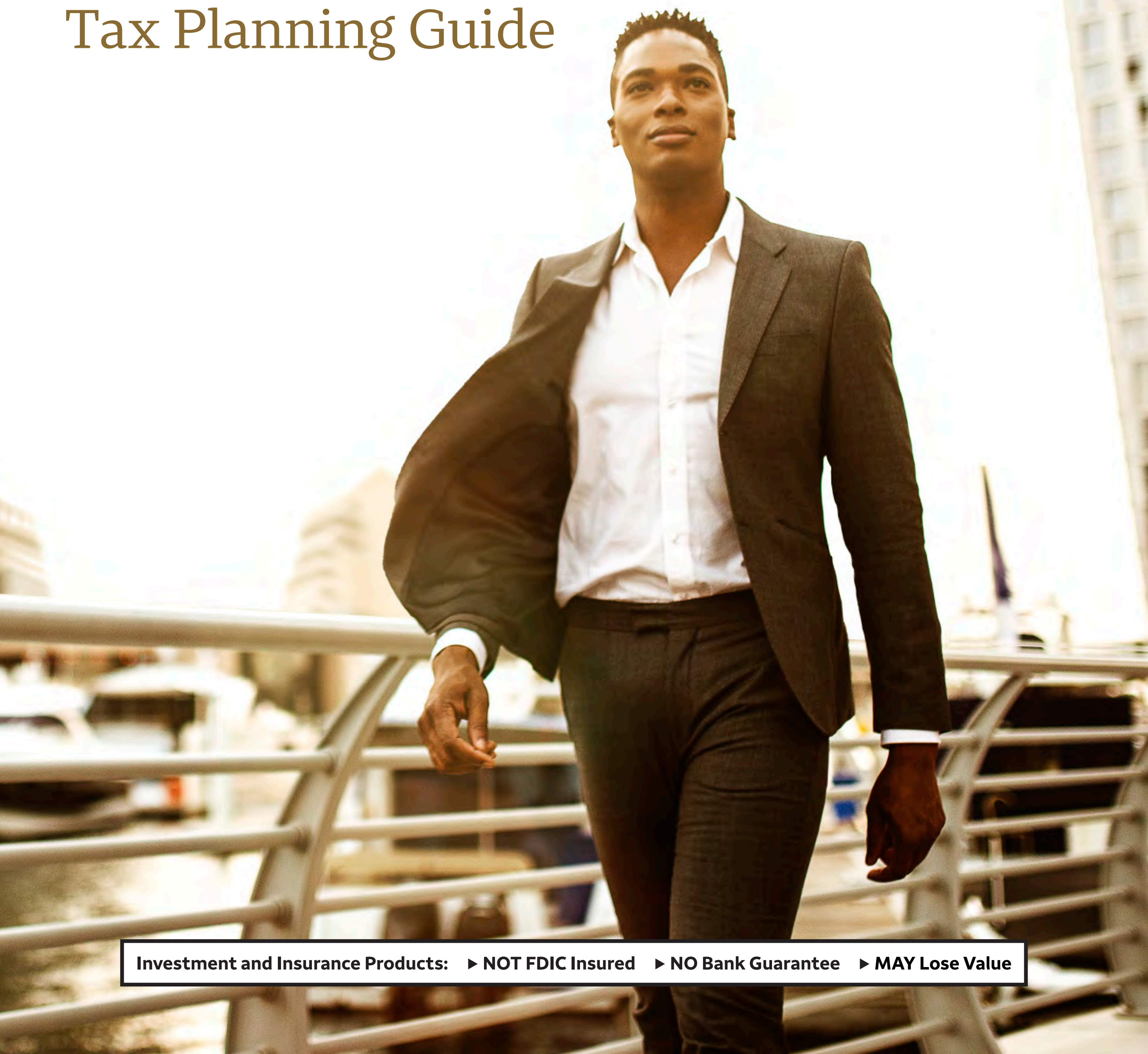
Wealth & Investment Management

UPDATED AS OF SEPTEMBER 2022

2022 Year-End Tax Planning Guide



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Tax planning in 2022

2022 deadlines are approaching for many tax strategies and for making contributions to tax-advantaged accounts such as IRAs and 401k retirement accounts. Meet with your financial, estate planning, and tax advisors to discuss the following:

- Your capital gains or losses in 2022
- Any changes in your 2022 tax situation
- Any plans you have to gift money
- Estate planning questions
- Strategies to maximize your income if you're retired

Having these discussions before year end may help you make tax-smart moves.

For simplicity and ease of comprehension, this guide focuses on federal tax law; it does not discuss state or municipal laws in the 50 states, District of Columbia, or U.S. territories. Nevertheless, the impact of state and municipal laws can be significant. We recommend discussing state and municipal laws with your legal and tax advisors to determine the impact before taking any action. Information in this guide is accurate as of publication date; any future legislative changes may impact its accuracy.

Important tax and planning deadlines for 2022

Now

- ☐ Ask your advisors for a realized and unrealized gain/loss report.
- ☐ Review your portfolio with your advisors to help ensure your asset allocation still aligns with your goals.
- ☐ For tax planning purposes, determine whether the 0%, 15%, or 20% capital gains rate will apply to you and whether to consider adjusting the timing of capital gains recognition.
- ☐ Meet with your tax advisor to prepare preliminary tax projections and evaluate whether to accelerate or defer income and expenses.
- ☐ Review tax-loss selling strategies with your financial advisor. Remember, the last day to “double up” a position to help avoid a wash sale is November 29, 2022.
- ☐ Determine if you need to make any adjustments to tax withholding or estimated payments.

Soon

- ☐ Create or add funds to your education savings program.
- ☐ Develop a plan to complete charitable and family member gifts by year-end.
- ☐ If you are on Medicare, review your Medicare Part D choices. Enroll or change plans from October 15 to December 7.
- ☐ Consider funding an FSA or HSA during your employer’s annual benefits enrollment period.
- ☐ If you have children going to college next year, file financial aid forms as early as October 1, 2022.
- ☐ Review your beneficiary designations and make any necessary adjustments due to life changes (e.g., marriage, divorce, birth of child/grandchild, death, etc.).
- ☐ Meet with your advisors to review your cash flow and anticipated growth in net worth to determine if your wealth transfer plan will continue to meet your needs.
- ☐ Review your insurance coverage to make sure it is adequate for your needs.

Before December 31

- ☐ Make maximum contributions to your employer retirement accounts. If contributing to your IRA, the deadline is April 18, 2023.
- ☐ Sell securities by December 30, the last trading day in 2022, to realize a captial gain or loss.
- ☐ Remember to take your Required Minimum Distributions (RMDs) from retirement accounts this year.
- ☐ Discuss with your tax advisor whether qualified charitable distributions (QCDs) are appropriate for you.
- ☐ Complete any Roth IRA conversions.
- ☐ Make gifts to individuals or charities. The annual gift tax exclusion amount for 2022 gifts to individuals is $16,000.
- ☐ If you own company-granted stock options, determine whether now is the time to exercise or disqualify them.
- ☐ Prepare for filing tax returns by organizing records or receipts for income and expenses.

2022 income tax rate schedules

These are the tax tables in effect for 2022 as of publication. Legislative changes could alter these amounts later in the year. Keep in contact with your advisors throughout the year to stay current with any changes.

Married taxpayer filing jointly/surviving spouse rates

Taxable income*		Tax		
Over	But not over	Pay	+ % on excess	Of the amount over
$0	$20,550	$0	10%	$0
$20,550	$83,550	$2,055.00	12%	$20,550
$83,550	$178,150	$9,615.00	22%	$83,550
$178,150	$340,100	$30,427.00	24%	$178,150
$340,100	$431,900	$69,295.00	32%	$340,100
$431,900	$647,850	$98,671.00	35%	$431,900
$647,850+		$174,253.50	37%	$647,850

Single taxpayer rates

Taxable income*		Tax		
Over	But not over	Pay	+ % on excess	Of the amount over
$0	$10,275	$0	10%	$0
$10,275	$41,775	$1,027.50	12%	$10,275
$41,775	$89,075	$4,807.50	22%	$41,775
$89,075	$170,050	$15,213.50	24%	$89,075
$170,050	$215,950	$34,647.50	32%	$170,050
$215,950	$539,900	$49,335.50	35%	$215,950
$539,900+		$162,718.00	37%	$539,900

Head of household rates

Taxable income*		Tax		
Over	But not over	Pay	+ % on excess	Of the amount over
$0	$14,650	$0	10%	$0
$14,650	$55,900	$1,465.00	12%	$14,650
$55,900	$89,050	$6,415.00	22%	$55,900
$89,050	$170,050	$13,708.00	24%	$89,050
$170,050	$215,950	$33,148.00	32%	$170,050
$215,950	$539,900	$47,836.00	35%	$215,950
$539,900+		$161,218.50	37%	$539,900

* Taxable income is income after all deductions (including either itemized or standard deduction).

Married taxpayer filing separately rates

Taxable income*		Tax		
Over	But not over	Pay	+ % on excess	Of the amount over
$0	$10,275	$0	10%	$0
$10,275	$41,775	$1,027.50	12%	$10,275
$41,775	$89,075	$4,807.50	22%	$41,775
$89,075	$170,050	$15,213.50	24%	$89,075
$170,050	$215,950	$34,647.50	32%	$170,050
$215,950	$323,925	$49,335.50	35%	$215,950
$323,925+		$87,126.75	37%	$323,925

* Taxable income is income after all deductions (including either itemized or standard deduction).

Standard deductions

Married/joint	$25,900
Single	$12,950
Head of household	$19,400
Married/separate	$12,950
Dependents	$1,150

For dependents with earned income, the deduction is the greater of $1,150 or earned income +$400 (up to the applicable standard deduction amount of $12,950).

Additional standard deductions

Married, age 65 or older or blind	$1,400*
Married, age 65 or older and blind	$2,800*
Single, age 65 or older or blind	$1,750
Single, age 65 or older and blind	$3,500

* Per person

Capital gains, losses, and dividends

Short-term capital gains (gains on the sale of capital assets held one year or less) are taxed at the ordinary income tax rate for individuals and trusts regardless of filing status. Long-term capital gains tax rates are not tied to the tax brackets.

The table below shows long-term capital gains tax rates. Qualified dividends are taxed at long-term capital gains rates, while nonqualified dividends are taxed at ordinary income tax rates.

	0%	15%	20%
Single	$0 – $41,675	$41,676 – $459,750	$459,751+
Married filing jointly/ surviving spouse	$0 – $83,350	$83,351 – $517,200	$517,201+
Head of Household	$0 – $55,800	$55,801 – $488,500	$488,501+
Married filing separately	$0 – $41,675	$41,676 – $258,600	$258,601+
Estates and trusts	$0 – $2,800	$2,801 – $13,700	$13,701+

Higher rates apply to collectibles and unrecaptured Section 1250 gains. Consult your tax advisor about how this applies to your situation.

Netting capital gains and losses

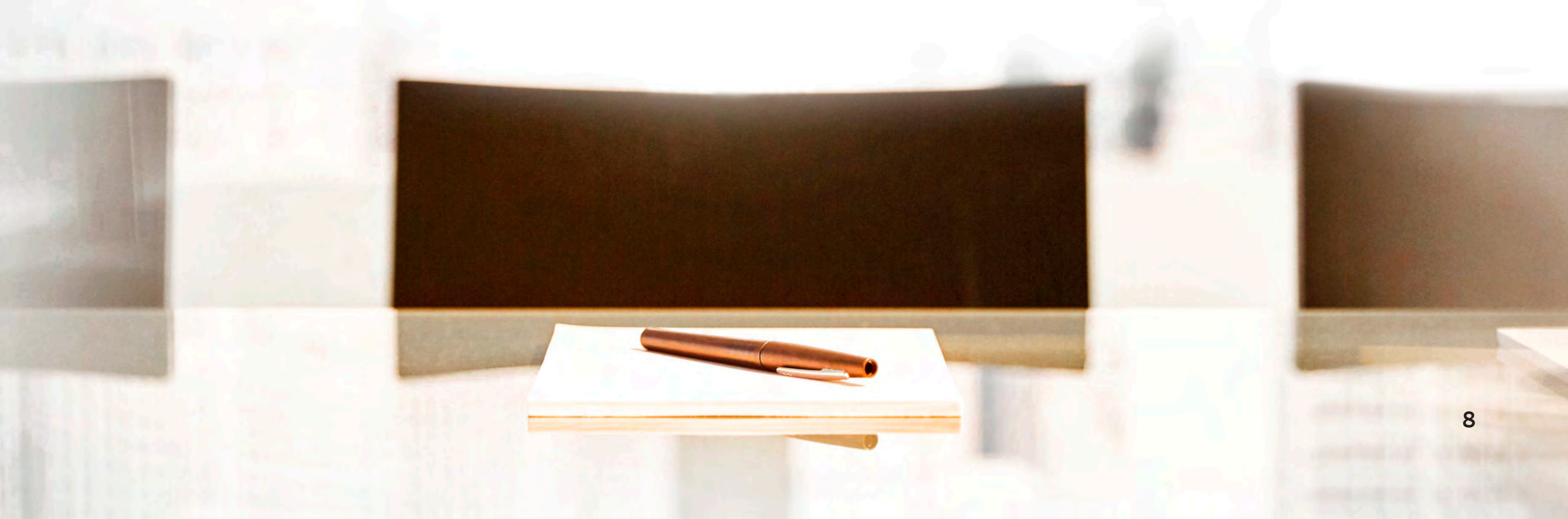
1. Net short-term gains and short-term losses.
2. Net long-term gains and long-term losses.
3. Net short-term against long-term.
4. Deduct up to $3,000 of excess losses against ordinary income per year.
5. Carry over any remaining losses to future tax years.

Determine when to realize capital gains and losses

Consult with your investment professional on whether realizing portions of your portfolio's gains (and losses) can help manage the tax impact of activity in your investment portfolio. In some cases, it may be advantageous to realize larger gains sooner depending on the near-term outlook for your portfolio.

If you sell a security within one year of its purchase date, you will be subject to short-term capital gains. Short-term gains are taxed based on ordinary income tax rates that can be as high as 40.8%, adding the 3.8% Medicare surtax to the top tax bracket of 37.0%. Note that these rates do not include state and local tax rates, which can be significant in some locations. As such, short-term gains are taxed at nearly twice the rate of long-term gains.

You cannot avoid some short-term gains, and others may be economically justifiable even with the higher rate. However, if you can afford to wait until you have held the asset for more than a full calendar year, you may realize tax savings.



Tax loss harvesting

Capital loss harvesting can be used to reduce taxes on other reportable capital gains. This requires selling securities at a value less than their cost basis to create a loss, which is generally used to offset other recognized capital gains. With the potential for volatility in the market, harvesting capital losses should not be limited to the end of the year. Instead, consider reviewing this strategy with your advisor throughout the year to take advantage of market swings.

Prior to using this strategy, you should consider the following:

- The amount of the loss that will be generated and how that compares with your net capital gains
- Whether capital loss harvesting makes sense with the other income, losses, and deductions that will be reported on your tax return
- If the investment sold will be replaced and how the new cost basis and holding period will work with your overall wealth management strategy
- Wash sale loss rules to ensure the loss reported will not be disallowed
- The effect of capital loss harvesting on dividend distributions and transaction fees

Remember, when executing transactions intended to affect your tax bill, the trade date — not the settlement date — determines the holding period for most transactions. This will in turn determine whether an asset is held long-term or not.

Rebalance your investment portfolio

With volatility oftentimes a risk in the market, it is important to review your investment portfolio to determine if rebalancing is necessary to maintain your desired asset allocation. You may have some or all of your accounts set up to automatically rebalance. However, if you do not have automatic rebalancing, it is important to review your entire portfolio, including both taxable accounts and assets held in tax-advantaged accounts (such as your IRAs and 401(k) accounts).

Your tax-advantaged accounts may have limitations. For example, many 401(k) plans may not provide fund selections to allow allocations to international fixed income, real assets, or complementary strategies. When rebalancing, pay attention to the wash sale rules discussed on the next page, as they can still be triggered if you sell a security at a loss and repurchase a substantially identical security within your IRA or tax-advantaged account.

Avoid purchasing new mutual funds with large expected capital gains distributions

Like other types of securities, you realize capital gains on your mutual fund holdings when you sell them. However, a unique feature of mutual funds is their potential annual distribution of capital gains (and losses) to shareholders. Companies that manage mutual funds announce the amount of capital gains to be distributed to shareholders near the end of the year.

The announcement includes a record date (the date of record for shareholders to receive a distribution) and an ex-date (the date the security trades without the distribution) and is typically expressed as a percentage of a shareholder's position. For example, a 10% distribution on a $100 investment would equal a $10 distribution.

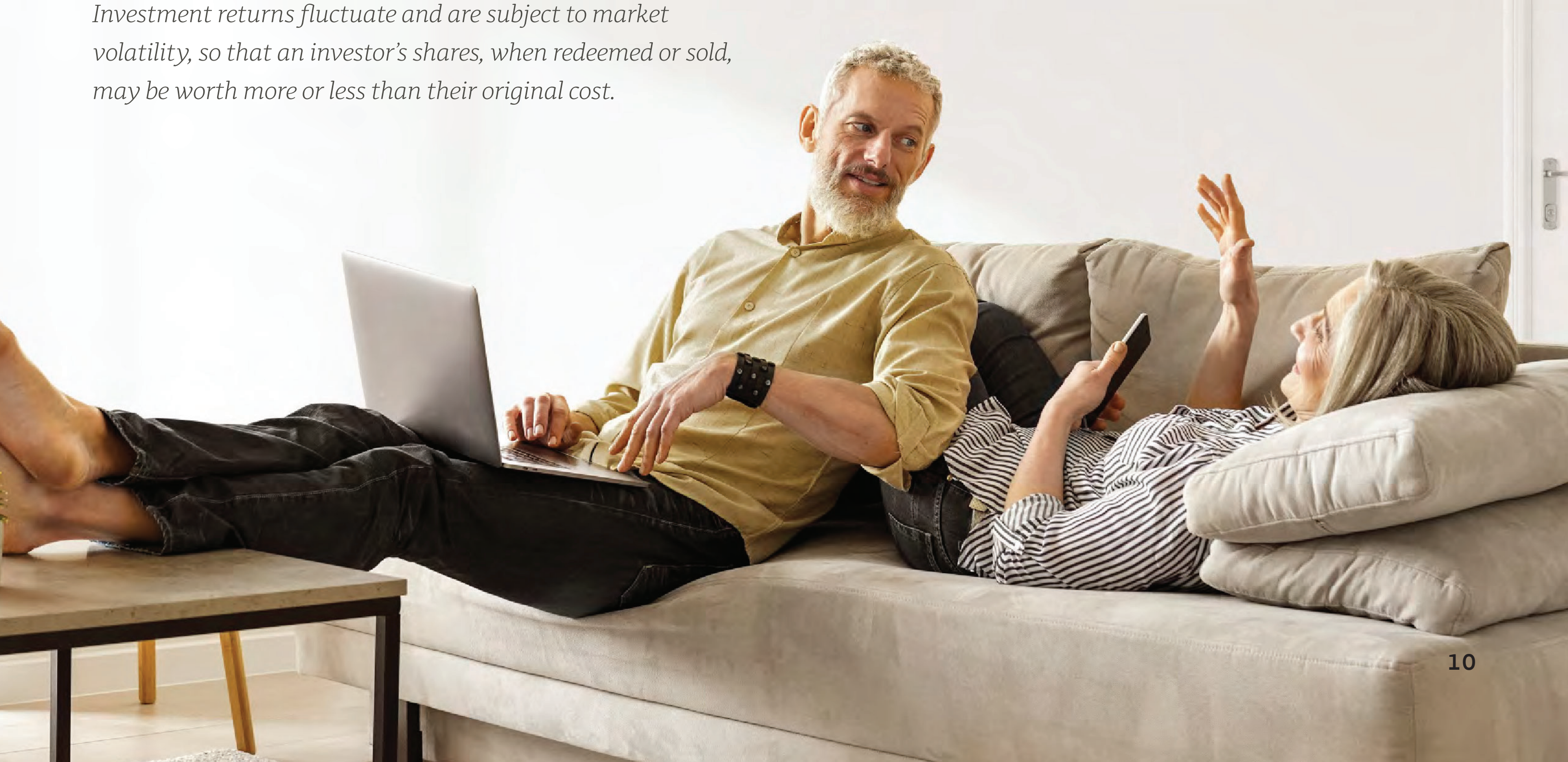
For investors looking to rebalance their portfolios, mutual fund distributions can be problematic. A rule of thumb is that you typically don't want to buy into capital gains distributions. For example, if you sell an asset in your portfolio that has performed well, you expect to realize capital gains. You could exacerbate your capital gains issue by reallocating your rebalanced proceeds to a new mutual fund near the date of its annual capital gains distribution.

There are risks associated with investing in mutual funds. Investment returns fluctuate and are subject to market volatility, so that an investor's shares, when redeemed or sold, may be worth more or less than their original cost.

Wash sale rules

A wash sale occurs when a security is sold at a loss and the same security, or a substantially identical security, is purchased within 30 days before or 30 days after the sale date. When a wash sale occurs, the loss recognized from the transaction is disallowed and is unable to be used to offset other gains. Instead, the amount of the disallowed loss will be added to the basis of the repurchased securities. The rule was developed to prevent investors from creating a deductible loss without any market risk.

A wash sale can be avoided by purchasing the identical security more than 30 days before the loss sale or more than 30 days after the loss sale. A security within the same sector but that is not substantially identical may be purchased at any time before or after the loss sale and will not trigger the wash sale rules.



Retirement accounts

401(k), 403(b), 457, Roth 401(k), or Roth 403(b)

Employee maximum deferral contributions	$20,500
Catch-up contribution (if age 50 or older)	$6,500

Combined limit for Roth 401(k) or Roth 403(b) and before-tax traditional 401(k) or before-tax 403(b) deferral contributions is $20,500 for those younger than age 50.

Traditional and Roth IRAs

Maximum contribution	$6,000
Catch-up contribution (if age 50 or older)	$1,000

- The total contribution to all of your Traditional and Roth IRAs cannot be more than the annual maximum for your age or 100% of earned income, whichever is less.
- Due to the SECURE Act, there is no maximum age restriction for making a Traditional IRA contribution as long as the individual, or spouse if filing jointly, has earned income.
- Roth contributions are not tax-deductible.
- You can contribute to an IRA whether you contribute to a workplace retirement plan or not as long as you have enough earned income to cover the contributions.

2022 IRA contributions must be made no later than the tax-filing deadline, regardless of tax extensions.

Traditional and Roth IRA — what's right for you?

Traditional IRAs offer tax-deferred growth potential; your contribution may be tax-deductible and taxation would not occur until and to the extent of distributions. Roth IRAs offer tax-free growth potential; contributions are made on an after-tax basis and investment earnings are distributed tax-free (if conditions are met).

There are a few factors in determining whether or not a Traditional IRA, Roth IRA, or both make sense for your particular situation:

- Your expectation of whether your tax rate will be higher or lower during your retirement years is one consideration. A lower tax rate in retirement may point to making contributions to a Traditional IRA. Conversely, if you believe rates may be higher in retirement, you may want to use a Roth IRA to enjoy tax-free distributions at that time.
- Another factor is that Traditional IRAs require distributions after age 72 while Roth IRAs have no mandatory distributions.
- Other considerations include having multiple types of accounts. Because required minimum distributions (RMDs) are necessary with Traditional IRAs, significant distributions along with other taxable income can result in you being in a higher tax bracket. Furthermore, having after-tax holdings can be important, as it is less appealing to take distributions when asset values are depressed because taxes will be due on those distributions.

Traditional IRA deductibility limits

If neither the individual nor the spouse are covered by a workplace retirement plan (WRP[1]), they can obtain a full deduction for contributions to a Traditional IRA ($6,000 if under age 50 and $7,000 if over ago 50), regardless of income. If the individual and spouse are covered by a WRP, deductions are phased out based upon MAGI:

Married/joint MAGI	Single MAGI	Deduction
Up to $109,000	Up to $68,000	Full[1, 2]
$109,001 – $129,000	$68,001 – $78,000	Phased out
Over $129,000	Over $78,000	None

If your spouse is covered by a WRP but you are not, deductions are phased out based upon MAGI:

Married/joint MAGI	Married/separate MAGI[2]	Deduction
Up to $204,000	N/A	Full
$204,001 – $214,000	Up to $10,000	Phased out
Over $214,000	Over $10,000	None

1. The “Retirement Plan” box in Box 13 of your W-2 tax form should be checked if you were covered by a WRP.

2. Your filing status is considered single for IRA contribution purposes if you did not live with your spouse during the tax year.

Roth IRA contribution phase-out limits

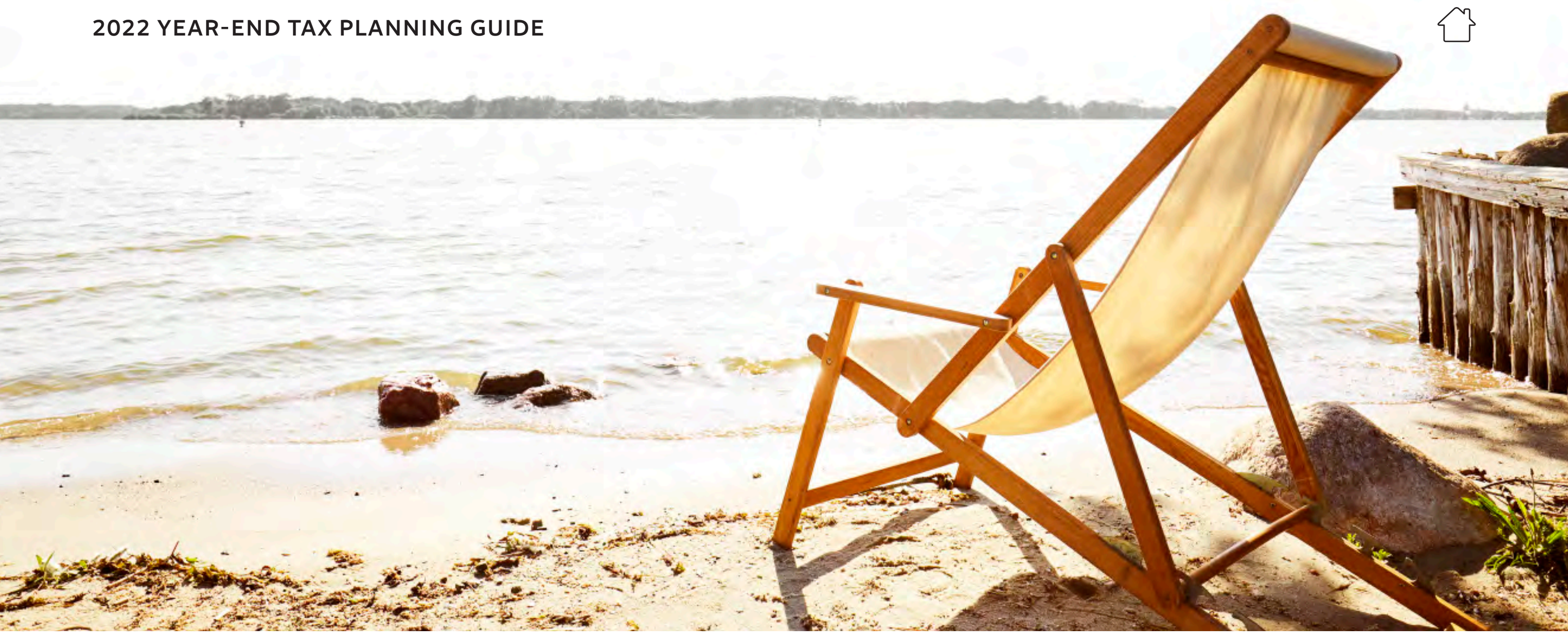
Contributions can be made if you, or your spouse if married filing jointly, have earned income, subject to the following MAGI limits:

Married/joint MAGI	Married/separate MAGI[3]	Single MAGI	Contribution
Up to $204,000	N/A	Up to $129,000	Full
$204,001 – $214,000	Up to $10,000	$129,001 – $144,000	Phased out
Over $214,000	Over $10,000	Over $144,000	None

3. Your filing status is considered single for IRA contribution purposes if you did not live with your spouse during the tax year.

Retirement plan limits

Maximum elective deferral to SIMPLE IRA and SIMPLE 401(k) plans	$14,000
Catch-up contribution for SIMPLE IRA and SIMPLE 401(k) plans (if age 50 or older)	$3,000
Maximum annual defined contribution plan limit	$61,000
Maximum compensation for calculating qualified plan contributions	$305,000
Maximum annual defined benefit limit	$245,000
Threshold for highly compensated employee	$135,000
Threshold for key employee in top-heavy plans	$200,000
Maximum SEP contribution is lesser of limit or 25% of eligible compensation	$61,000



Consider converting your eligible retirement account to a Roth IRA

- Benefits of converting your eligible retirement account — 401(k), Traditional IRA, or other non-Roth account — to a Roth IRA can include *tax-free distributions for you and your heirs and the elimination of RMDs during your lifetime and those of your spouse* (if treated as his/her own Roth IRA).
- Another benefit is that the amount that is converted to a Roth IRA can be taken tax-free and with no 10% additional tax for early (before age 59½) distributions after a five-year waiting period has been met. The potential for higher ordinary income tax rates in the near future increases the value of the benefits previously mentioned. It is important to understand your tax situation and ability to pay for the conversion because once you convert, you can no longer recharacterize or undo the conversion.

Conversion is not an all-or-nothing proposition, as you can convert a portion or all of your eligible retirement accounts. Note that a Roth IRA conversion will trigger ordinary income in the year of conversion and potentially the Medicare surtax, as the conversion counts toward the calculation of MAGI and may bump you into a higher tax bracket.

Qualified charitable distributions (QCDs)

QCDs are a unique tax strategy that allow individuals who are at least age 70½ and have Traditional and/or Inherited IRAs to distribute up to $100,000 per year directly from their IRA to a 501(c)(3) nonprofit with no federal income tax consequences. Gifts made to grant-making foundations, donor-advised funds, or charitable gift annuities are excluded from these rules. Making a QCD will reduce the value of your IRA, thereby potentially reducing your RMDs. This is an option for you even if you do not itemize your deductions. Currently, QCDs are limited to $100,000 per year. If you file a joint return, the $100,000 limit applies to each spouse.

As a result of the SECURE Act, deductible Traditional IRA contributions made beginning at age 70½ may reduce your QCD amount. Additionally, if you wish to take an RMD and make a QCD, consider making the QCD first if an RMD is required for the year ("first money out" rule).

Please consult with your tax advisor.

If you have significant income resources to sustain your lifestyle for the rest of your life without using your Traditional IRA, consider a Roth IRA conversion. RMDs begin by April 1 following the year you turn age 72 from a Traditional IRA, whereas a Roth IRA has no RMDs for the owner. In this way, *taxpayers can leave the full balance of the Roth IRA to their beneficiaries, undiminished both by income taxes (income tax is paid when completing the conversion) and RMDs during the taxpayer's lifetime.*

Keep in mind that with the passage of the SECURE Act, funds in an inherited Roth IRA will have to be distributed to beneficiaries either using the 10-year rule or the life expectancy option depending on their beneficiary category. Although a qualified distribution is not taxable, the impact of this change should be taken into consideration.

We recommend working with your tax advisor to determine all potential federal and state income tax and estate tax implications.

If you and your advisors have determined that a Roth conversion is the right fit for you due to current market conditions and potentially higher future income tax rates, this year may be a good time to facilitate the conversion. It is important you understand the taxes you will need to pay on your investments in order to convert an IRA to a Roth IRA and you have assets outside of the IRA to pay the taxes.

Inherited IRA distributions

QCDs can be made from an Inherited IRA as well. You must be 70½ or older to make a QCD, even if it is from an inherited IRA where the original owner was over 70½.

Tax-efficient charitable gifting

The most tax-efficient beneficiaries of qualified plan assets (which receive no income tax basis step-up at death) are charities because they are tax-exempt for income tax purposes.

- As an example, designating a charity as your $100,000 IRA beneficiary (not subject to income taxes) and bequeathing your $100,000 stock portfolio to a child transfers the full $200,000 with $0 income taxes to the IRS. On the other hand, designating a child as your $100,000 IRA beneficiary (subject to income taxes) and bequeathing a $100,000 stock portfolio to charity transfers less because your child will have to pay the income taxes on the $100,000 IRA as he or she takes distributions.

Estate and gift taxes

Applicable exclusion: $12.06 million

Taxes are imposed on transfers, by gift or at death, above an applicable exclusion amount, which is indexed to inflation (currently $12.06 million for an individual). With proper planning, it is possible for a married couple to use two exclusion amounts. For example, an executor can make a "portability" election to transfer any unused exclusion from a deceased spouse to a surviving spouse. Consult your tax and legal advisors to determine the appropriate strategy for applying the portability rules.

Estate tax rate: 40%

The estate tax rate is 40% for any amount exceeding $12.06 million (or exceeding $24.12 million for married U.S. residents or citizens).

Generation-skipping tax exemption: $12.06 million

Gift tax annual exclusion: $16,000

Each individual may transfer up to $16,000 per person per year to any number of beneficiaries (family or nonfamily) without paying gift tax or using up any available applicable exclusion during one's lifetime.

Explore wealth transfer opportunities

There are actions you can take to potentially reduce your future estate tax liability and to maximize your lifetime gifting. However, make these decisions in conjunction with other financial planning decisions to make sure assets pass effectively and efficiently and fulfill your wishes and the needs of your beneficiaries.

- One action that may pass assets effectively and efficiently is paying medical and educational expenses of your beneficiaries. Medical and education expenses paid on behalf of anyone directly to the institution are excluded from taxable gifts and are unlimited in amount.
- Another possible action is an outright gift in excess of $16,000. While such outright gifts are simple to execute and can reduce taxable estates, clients are sometimes reluctant to use them due to a lack of control and concerns about access once gifts are made.

Take advantage of the temporary exclusion increase

The $12.06 million lifetime exclusion amount is approximately double the prior figure of $5 million (adjusted for inflation). Because this higher exclusion expires on December 31, 2025 (or perhaps earlier depending on legislative changes), you should consider your options before this window of opportunity closes. If you do not use it before expiration, you will lose it. The exclusions are used by either making lifetime gifts or passing away before the exclusion decreases. For example, a married couple that fails to lock in the increased exclusion with lifetime gifts may effectively add roughly $4 million to their estate tax liability.

For individuals who have already engaged in gifting, the additional lifetime exclusion amount allows taxpayers to consider new gifting strategies or use previously created entities. For married individuals with estate planning documents, the technical language within wills or trusts may need to be revisited and reevaluated considering the existing exclusion amount. You should contact your estate planning attorney as early as possible to discuss your estate's value and existing estate planning documents.

Typically, families with significant taxable estates are strategic about how best to use the annual exclusion and their lifetime exclusion gifting by utilizing advanced strategies such as irrevocable trusts (for example, irrevocable life insurance trusts, spousal lifetime access trusts, intentionally defective grantor trusts, grantor retained annuity trusts, and charitable split interest trusts), transfers of interests in entities (such as family limited partnerships and limited liability companies), and other planning techniques.

Modern planning techniques are increasingly flexible, and some may provide mechanisms to protect your beneficiaries while also allowing you options for maintaining your own desired lifestyle. Given the market volatility and interest rates at time of publication, some of these strategies may be that much more impactful at this time. As with any strategy, there are risks to consider and potential costs involved. Discussions with your advisors can help in the education of how these strategies work and the role that depressed valuations of certain assets and low rates can play.

A modern wealth planning approach goes beyond minimizing transfer taxes and should incorporate income tax planning, asset protection, business succession planning, and family dynamics considerations such as education of heirs and beneficiaries to be financially fluent and knowledgeable about wealth stewardship expectations and/or opportunities. **Before implementing any wealth transfer option, you should consider the trade-offs between lifetime transfers and transfers at death:**

- **Lifetime transfers** usually result in the beneficiary assuming the tax basis in the gifted asset equal to that of the donor at the time of the gift. This could result in the unrealized appreciation being taxed to the beneficiary when he or she ultimately sells the property, although any gift or estate tax on future appreciation is usually avoided from the perspective of the donor. This typically does not apply to assets with a built-in loss.
- In contrast, **if the transfer occurs at death**, the beneficiary generally gets a new tax basis equal to the fair market value at death, eliminating any income tax on the unrealized appreciation. However, income tax savings on the asset may be offset by any estate tax imposed on the asset. Proper planning with your tax and other advisors should consider the trade-off between income and estate taxes and help you maximize your results over the long term. The right strategies to use will vary with the goals, assets, and circumstances of each family.

Family dynamics considerations

- How might you more clearly share your intentions for a gift when making annual exclusion gifts to your family?
- In what ways might your estate plan impact your children's relationships with each other?

Many taxpayers reside in states that have their own death, estate, or inheritance taxes. This topic should also be reviewed with your attorney to see if additional planning can minimize or eliminate state estate taxes or if any adjustments need to be made to existing planning as a result of the discrepancy between state and federal estate taxes.

Federal trust and estate income tax rates

Tax rates*

Taxable income		Tax		
Over	But not over	Pay	+ % on excess	Of the amount over
$0	$2,750	$0	10%	$0
$2,750	$9,850	$275.00	24%	$2,750
$9,850	$13,450	$1,979.00	35%	$9,850
$13,450+		$3,239.00	37%	$13,450

*See page 8 for corresponding capital gain and qualified dividend rates.

Social Security

Social Security and Medicare taxes

In 2022, individuals will be taxed 6.2% in Social Security taxes, up to $147,000 of earnings, at which point there are no additional taxes. Medicare taxes are applied to 1.45% of earnings and there is no maximum wage cap. An extra 0.9% may be applied on the earnings over $200,000 for single filers and for joint filers earning over $250,000. Contact your tax advisor for current Social Security and Medicare tax information.

Earnings test

The earnings test indicates the level of earnings permissible for Social Security recipients without incurring a deduction from benefits. These limits are indexed to increases in national earnings.

Worker younger than full retirement age	$19,560
Year worker reaches full retirement age (applies only to earnings for months prior to attaining full retirement age)	$51,960
Worker at full retirement age	No limit

Maximum monthly benefit: $3,345

This benefit is for an individual who reaches full retirement age in 2022 and earns at least the maximum wage base for 35 years.

Information provided by the Social Security Administration.

Taxation thresholds

A certain percentage of an individual's Social Security benefits may be subject to taxation when his or her provisional income[1] exceeds certain threshold amounts:

	Up to 50% taxed	Up to 85% taxed
Married filing jointly	$32,000 – $44,000	More than $44,000
Single	$25,000 – $34,000	More than $34,000
Married filing separately	85% taxable[2]	

1. Provisional income generally includes MAGI plus nontaxable interest and one-half of Social Security benefits.

2. There is an exception to this rule if you lived apart from your spouse for the entire year. Consult your tax advisor for more information.

Medicare surtax

The Medicare 3.8% surtax is imposed on certain types of unearned income of individuals, trusts, and estates with income above specific thresholds. For individuals, the surtax is imposed on the lesser of the following:

- Net investment income for the tax year
- The amount by which modified adjusted gross income (MAGI) exceeds the threshold amount in that year

The threshold amounts

Single filers	Married filing jointly	Married filing separately
$200,000	$250,000	$125,000

For trusts and estates, the surtax is imposed on the lesser of the following:

- The undistributed net investment income for the tax year
- The excess (if any) of the trust's or estate's adjusted gross income over the dollar amount at which the highest tax bracket begins ($13,450 in 2022)

Note: The surtax does not apply to nonresident aliens.

Net investment income defined

1. Gross income from taxable interest, dividends, annuities, royalties, and rents
2. Gross income from a passive activity or a trade or business in which you do not materially participate
3. Net gain to the extent taken into account in computing taxable income (such as capital gains) less the allowable deductions that are properly allocable to that gross income or net gain

Special exception

In the case of the sale of an interest in a partnership or an S corporation, the surtax is imposed only on the portion of a transferor's net gain that would have been net investment income if the entity had sold all of its property for fair market value immediately before the stock or partnership was sold.

Charitable contributions

Congress recognized that the doubling of the standard deduction under the Tax Cuts and Jobs Act of 2017 would effectively eliminate the ability of many taxpayers to obtain a benefit for their charitable contributions, potentially causing many taxpayers to give less. To counteract this, a change was made to increase the adjusted gross income (AGI) limitation for cash contributions to a public charity from 50% to 60%.

When deciding to make a direct gift of stock or cash, remember that your deduction may be limited by your income as shown in the following chart. The limitation is based on the type of organization and the type of gift.

AGI limitations on deductions for charitable gifts

Type of organization	Cash gifts	Long-term capital gain property[1]	Tangible personal property[2]
Public charity	60%	30% using fair market value of the asset contributed	30% using fair market value of the asset contributed
Private foundation	30%	20% using fair market value if the asset contributed is publicly traded stock	20% using tax/cost basis of the asset contributed[3]

1. Long-term property is property held more than one year. Short-term property, held one year or less, is subject to different limits.
2. This applies if it will be used by the charity in conducting its exempt functions (for example, art in a museum). Different limits apply for tangible personal property that will not be used by the charity in conducting its exempt functions.
3. If the fair market value of unrelated use property is lower than the tax/cost basis (depreciated asset), the allowed deduction will be limited to the fair market value.

Source: irs.gov, unless otherwise specified

Although the AGI limitation for cash contributions was increased, it is important to consider donating appreciated property. If you donate appreciated property that has been held for over one year, you are eligible to deduct the fair market value without paying income tax on the unrealized gain. However, you can only deduct up to 30% of your AGI when making these gifts of long-term capital gains property (to a public charity). Being able to avoid the payment of taxes on the unrealized gain combined with the charitable contribution deduction may produce a better tax result than donating cash. A common example would be donating stock held long term that has increased in value since its purchase.

Donating the stock will allow for a deduction of the full fair market value without paying tax on capital gains. Contrast this with the alternative of selling the stock, paying capital gains tax, and then donating the net amount.

Gift	Income Tax Savings†	Capital Gain Tax Savings	Medicare Tax on Investment Income Savings†
$10,000 Cash	$10,000 x 37%= $3,700	n/a	n/a
$10,000 Stock	$10,000 x 37%= $3,700	$8,000 x 20%= $1,600	$8,000 x 3.8%= $304

† The amount of income tax saved may be subject to rules that limit charitable deductions as a percentage of AGI. Medicare surtaxes apply to certain higher income taxpayers.

When considering charitable gifting and capturing potential tax deductions, review your tax situation and carefully determine which assets to give. Gifts made to qualified, tax-exempt organizations are generally deductible, but as noted in the table on the previous page, are subject to limitations based on the type of organization (public or private), the asset being gifted, and your AGI. Charitable contributions that are not deductible in the current year due to AGI limitations can be carried forward for up to five years.

- Gifts made via check or credit cards are considered deductible in the current year if the check is written and mailed or the charge to the credit card posts on or before December 31.
- Gifts of stock are considered complete on the date the brokerage firm transfers title, which can take several business days (or the date the taxpayer can substantiate permanent relinquishment of dominion and control over the stock), so be sure to plan these types of transfers well before December 31.
- Obtain and keep receipts and be aware of any value received for goods or services that may reduce the value of any tax deduction.

Naming a qualified charity as the beneficiary of your 401(k) or Traditional IRA upon your death can keep your estate and your heirs from having to pay income taxes on the distributions from those retirement assets. The full amount of your retirement assets will benefit the named charity because charities do not pay income taxes. The retirement assets will remain as part of your estate, but your estate will receive a charitable tax deduction. Alternatively, you can divide your retirement assets between your loved ones and charity, naming both as beneficiaries.

Depending on your circumstances, there are some additional planning options to consider:

- As noted earlier in this guide, qualified charitable distributions (QCDs) allow individuals who are at least age 70½ to distribute up to $100,000 per year directly from their IRA to a 501(c)(3) nonprofit with no federal income tax consequences.
- If you are approaching retirement and anticipate lower ordinary income during retirement, you may find it beneficial to explore making a large gift to a donor-advised fund while working instead of smaller gifts during retirement.
- A charitable remainder trust (CRT) is a strategy in which annual income is distributed to one or more noncharitable beneficiaries, either for a life term or a term of not more than 20 years. This is an option to use in light of the SECURE Act because non-spouse beneficiaries must withdraw assets within 10 years; using a CRT may result in income distributions occurring over a 20-year period. At the end of the term, the remaining assets are paid to your chosen charity.

Take advantage of charitable deductions

The higher standard deduction combined with limits on other deductions means fewer people will be able to deduct their charitable contributions. An option to get a deduction is to bunch your donations together into one year and take the standard deduction in an alternate year if eligible.

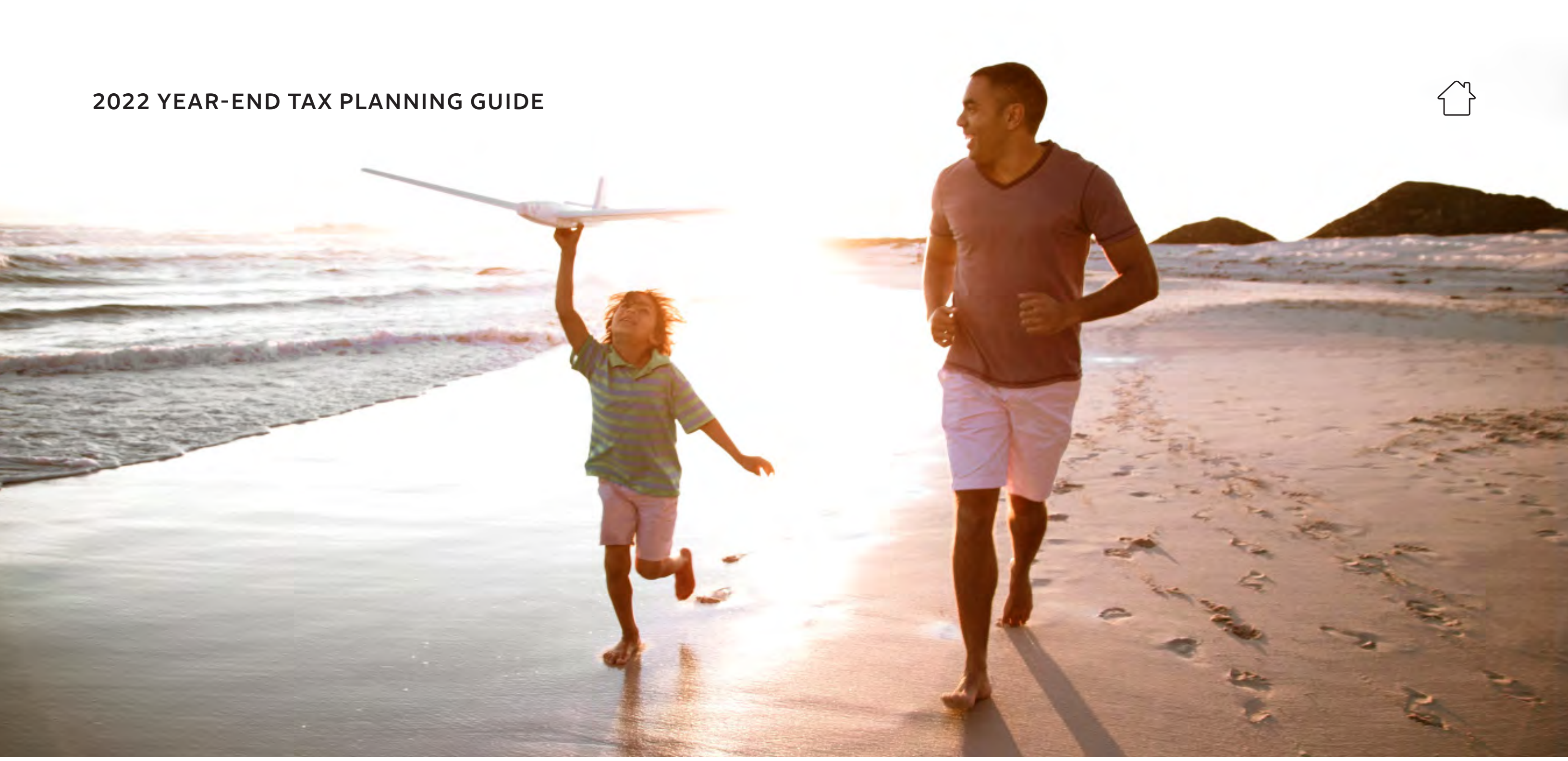
For example, instead of making contributions in December 2022, you can make your 2022 contributions in January 2023. Making your 2023 contributions later during the year might give you enough to itemize in one calendar year. You could then take the standard deduction in 2022 and again in 2024, when you don't make contributions. If you are looking to maximize your charitable contributions, your tax advisor can assist with determining whether AGI limitations will apply and the timing of the gifts to fully utilize your deduction.

Donor Advised Fund (DAF)

A Donor Advised Fund (DAF) is a charitable giving vehicle which can assist with "bunching" of charitable contributions into a given year. This can be useful when you are able to make a donation but have yet to determine the timing of the distributions out of the donor-advised fund or what charities will receive the gift.

Family dynamics considerations

- In what ways have you included your children, grandchildren, and family in charitable giving?
- How might your charitable contributions be more connected to your values and beliefs?



Kiddie tax

Children with investment and other unearned income, such as dividends and capital gains, exceeding $2,300 may be subject to the kiddie tax rules. These rules apply to children that are:

- Age 17 and under
- Age 18 with earned income not exceeding half of their support
- Over age 18 and under age 24 if also full-time students with earned income not exceeding half of their support

Parents can elect to report this unearned income on their own return using Form 8814 for amounts less than $11,000. While doing so may be simpler, it may not necessarily be more tax-efficient. For example, the kiddie tax applicable to a child's unearned income of $10,000 may be less than when claimed by a parent already subject to top tax rates.

Unearned income of children is taxed at the higher of the parents' marginal tax rate or the child's tax rate.

Unearned income	Tax treatment
Less than $1,150	No tax
$1,150 – $2,300	Taxed at child's rate
More than $2,300	Taxed at the higher of the parents' top marginal rate or the child's tax rate

Family dynamics consideration

Have you discussed the basics of money management with your children? What other conversations might be needed so that they're ready to steward their investments, cash flow, budgeting, and savings when they are older?

Education planning

529 plans

- Earnings accumulate tax-deferred; qualified withdrawals (such as tuition, fees, supplies, books, and required equipment) may be free of federal and state income taxes.
- There are no federal income, state-residency, or age restrictions.
- Potential state-tax incentives are available in some states.
- Plans may be funded up to the annual exclusion amount, $16,000 (single) or $32,000 (married) per year per donation recipient. Contributions in excess of annual exclusions should be filed on a gift tax return (Form 709) to report use of the donor's available lifetime exclusion or the election to superfund five years' worth of annual contributions. Most plans allow for contributions by people other than the original donors, such as aunts/uncles, grandparents, friends, etc.
- Aggregate contribution limits vary by state — roughly $200,000 to $500,000 per beneficiary.
- Elementary and secondary school tuition expenses of up to $10,000 per year are qualified education expenses for federal tax purposes. This flexibility may allow earlier access for private tuition prior to college. However, not all states conform to this definition of qualified expenses, so check with your tax advisor and confirm your state rules before taking a distribution for this purpose.
- Qualified education loan payments are distributions that may be used to pay the principal and/or interest on qualified education loans and are limited to a lifetime maximum amount of $10,000 per person. Not all states have conformed to this law, and therefore a distribution may be considered a nonqualified withdrawal in your state.
- If a plan is overfunded due to your child (or whoever the plan was set up for) not having enough (or any) qualifying education expenses, you can change the plan beneficiary so long as the new beneficiary is a family member of the previous beneficiary (a sibling, spouse, parent, first cousin, etc.) and it is not a custodial 529 plan.
  - If a plan is overfunded, the donor can still access those tax-deferred funds; however, income taxes and penalties on distributions not used for qualified education expenses will apply on the growth of the assets.
  - While changing a 529 plan beneficiary is generally not a taxable event, changing to a new beneficiary in a younger generation may have gift tax consequences if not done appropriately.

Funding opportunity for education

Donors can also elect to make five years' worth of annual exclusion amounts in a single year's contribution, up to $80,000 (single) and $160,000 (married). For example, a couple with twins could fund $160,000 for each child after birth and let those funds grow tax-free until needed. You should consult with your tax advisor about filing a gift tax return to make this election.

Accessing 529 plan considerations

While the benefits under 529 plans for early education may sound exciting, taxpayers may find it more advantageous to leave the 529 plan account untouched to grow tax-free during the primary education years and instead use it for college and post-graduate studies.

Please consider the investment objectives, risks, charges, and expenses carefully before investing in a 529 savings plan. The official statement, which contains this and other information, can be obtained by calling your advisor. Read it carefully before you invest.

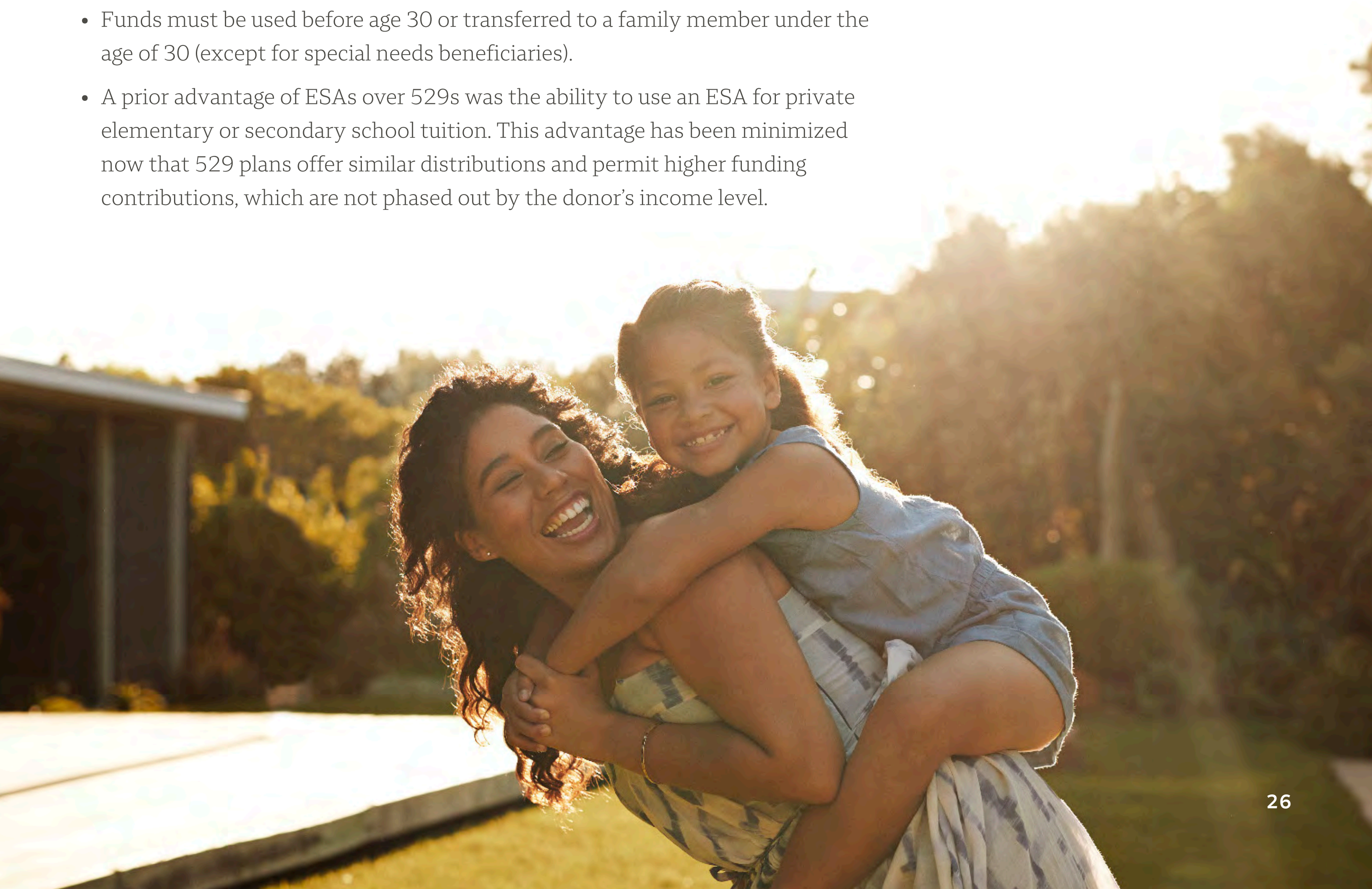
- Achieving a Better Life Experience (ABLE) accounts allow for tax-advantaged funds to help disabled individuals pay for qualified disability-related expenses.
  - Due to changes in the tax law, rollovers from 529 plans to ABLE accounts (529A plans) are permissible, subject to federal and state limitations. Be aware that rollover rules may vary by state.

Education Savings Accounts (ESAs)

- Maximum nondeductible contribution is $2,000 per child per year.
- Must be established for the benefit of a child younger than the age of 18.
- Maximum contribution amount is reduced if a contributor's MAGI is between $95,000 and $110,000 for individual filers or $190,000 and $220,000 for joint filers.
- No contributions can be made if the contributor's MAGI exceeds the stated limits or the beneficiary is age 18 or older (except for special needs beneficiaries).
- Interest, dividends, and capital gains grow tax-deferred and may be distributed free of federal income taxes as long as the money is used to pay qualified education expenses.
- Funds must be used before age 30 or transferred to a family member under the age of 30 (except for special needs beneficiaries).
- A prior advantage of ESAs over 529s was the ability to use an ESA for private elementary or secondary school tuition. This advantage has been minimized now that 529 plans offer similar distributions and permit higher funding contributions, which are not phased out by the donor's income level.

Family dynamics considerations

- What expectations do your children or grandchildren have for you paying for their education?
- Have you communicated to them why you decided to pay for all or part of their education?
- How can you communicate clearly regarding how much your children or grandchildren should expect?



American Opportunity Credit

Maximum credit: $2,500 per student per year, for first four years of qualified expenses paid

MAGI phase-outs	
Married filing jointly	$160,000 – $180,000
Single filer	$80,000 – $90,000

Up to 40% ($1,000) of the American Opportunity Credit is refundable. This means that even if your tax bill is zero, you can receive a refund of up to $1,000.

Lifetime Learning Credit

Maximum credit: 20% of the first $10,000 (per tax return) of qualified expenses paid in the current tax year

MAGI phase-outs	
Married filing jointly	$160,000 – 180,000
Single filer	$80,000 – 90,000

Exclusion of U.S. savings bond interest

MAGI phase-outs	
Married filing jointly	$128,650 – 158,650
Others	$85,800 – 100,800

Bonds must be titled in name(s) of taxpayer(s) only. Owner must be age 24 or older at time of issue. Must be Series EE issued after 1989 or any Series I bonds. Proceeds must be used for qualified post-secondary education expenses of the taxpayer, spouse, or dependent.

Student loan interest deduction

Maximum deduction: $2,500

MAGI phase-outs	
Married filing jointly	$145,000 – $175,000
Others	$70,000 – $85,000

Real estate investors

As a real estate investor, you may expense 100% of new and used qualified tangible business property acquired and placed in service during 2022. In addition, the expense limitations (that is, Section 179 election) relating to the cost of certain depreciable tangible personal property used in a rental business, as well as certain nonresidential real property improvements, is $1.080 million. The maximum amount that may be spent on such property before the Section 179 deduction begins to phase out is $2.7 million.

Real estate investors may utilize Section 1031 exchanges to defer any gain realized on the sale of real estate used in a trade or business by purchasing replacement like-kind real estate. Section 1031 cannot be used for personal property or real property held primarily for sale.

The deduction for real estate taxes for personal use real estate is now limited to $10,000. The amount of this limitation also includes state and local income taxes. The mortgage interest deduction is limited to interest paid on the first $750,000 of mortgage indebtedness secured by a primary or secondary residence. However, for mortgages originating before December 16, 2017, a deduction is available for interest paid on the first $1 million of mortgage indebtedness. Interest on home equity loans and home equity lines of credit that are not used to either buy, build, or substantially improve a primary or secondary residence is not deductible. The debt must also be secured by the home the loan pertains to.

Generally, income from real estate activities is considered a passive activity. As such, if a property operates at a loss, the loss is only deductible against other passive income or may be used if you dispose of your entire interest in the activity during the year. Only real estate professionals who provide greater than 750 hours of personal services in real property trades and spend more than half of their time in real estate trade or business can fully deduct losses from real property activities. As the rules often are based on specific facts and circumstances, you should consult your tax advisor to confirm the proper deductibility of these activities.

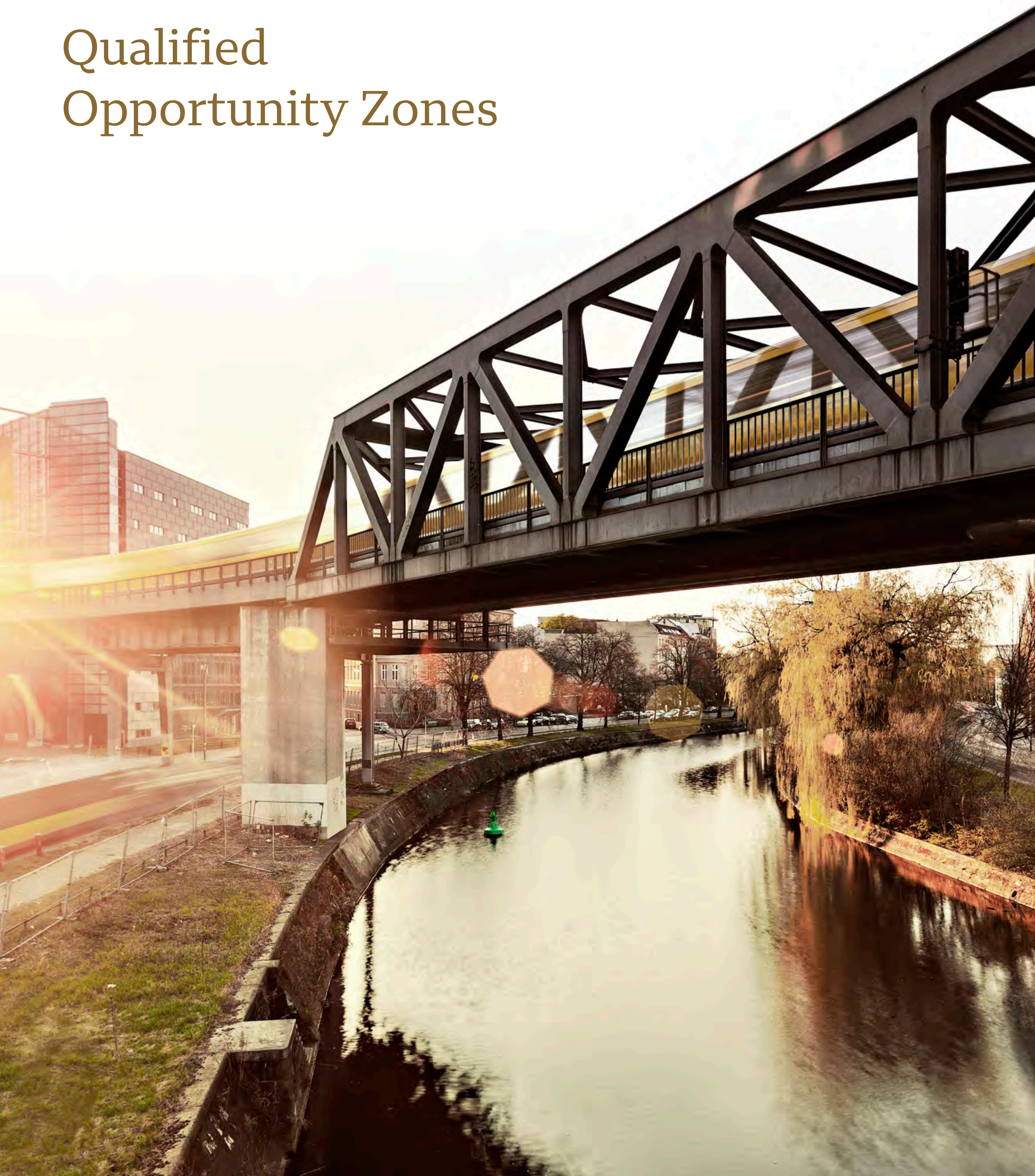
Maximize real estate deductions

Taxpayers should consider whether certain real estate properties should be used as personal assets. If the taxpayer uses the property in a real estate trade or business (for example, renting the property), the real estate tax and mortgage interest deduction limitations no longer apply.

These deductions, while limited for personal assets, are still fully deductible for real estate assets used in a trade or business. If property is being used for both personal and business, consult your tax advisor to see how the rules may apply to you.

Owners of real estate entities established as pass-through businesses, such as sole proprietorships, LLCs taxed as partnerships, partnerships, or S corporations, may be able to take advantage of the 20% qualified business income deduction against the owner's share of taxable rental income, subject to certain limitations. Regulations indicate that real estate operated in a trade or business could qualify for the deduction.

Qualified Opportunity Zones



The Tax Cuts and Jobs Act (TCJA) of 2017 introduced the Qualified Opportunity Zone (QOZ) program, providing a tax incentive for private, long-term investments in economically distressed communities. You may elect to defer tax on any capital gains invested in a Qualified Opportunity Fund (QOF), defined as an entity that is organized as a corporation or partnership and that subsequently makes investments in QOZ property. You must invest in the QOF within 180 days of the realization event. If you make the investment, you could potentially receive three valuable tax benefits:

1. The capital gains invested in the QOF are not recognized until the earlier of the QOF sale or December 31, 2026.
2. The ability to increase your basis is no longer available due to holding period requirements prior to the 2026 tax recognition.
3. If you retain your QOF for at least 10 years and then sell your interest, you may be able to exclude 100% of the capital gains on the sale of the QOF that are above your original investment. Thus, if you invest deferred capital gains in a QOF on December 1, 2022, and sell the QOF on or after December 2, 2032, you may not have to pay capital gains tax on the entire appreciation of the QOF.

These tax savings opportunities are only available if you retain your investment in the QOF for the noted time frames. A sale of the QOF before the noted dates will accelerate any deferred capital gains to that date and you may lose some of the benefits. Keep in mind that capital gains rates at the time of sale or in 2026 could be at a higher rate than in 2022.

In order to provide these substantial tax benefits, money must remain in the QOF for at least 10 years. As such, discuss with your advisor how these vehicles impact other areas of your overall financial strategy including, but not limited to, cash flow planning, potential liquidity issues, and your investment risk tolerance.

Alternative minimum tax (AMT)

The alternative minimum tax (AMT) calculates income tax under different rules for income and deductions. If the AMT calculation results in a higher tax, the taxpayer will be subject to AMT and pay the higher tax. Generally, a taxpayer with a high proportion of capital gains income in relation to total income may trigger the AMT, as might exercising incentive stock options.

AMT income	Tax
Up to $206,100*	26%
Over $206,100*	28%

* $103,050 if married filing separately

AMT exemption

	Exemption	Phased out on excess over
Married taxpayer filing jointly/surviving spouse	$118,100	$1,079,800
Single taxpayer	$75,900	$539,900
Married taxpayer filing separately	$59,050	$539,900
Estates and trusts	$26,500	$88,300

Long-term care deduction for policy premiums

For specific qualified long-term care policies, the premiums are considered to be a personal medical expense and deductible by the IRS. The amount of qualified long-term premiums that will be considered a medical expense are shown in the table below.* The medical expense deduction is limited to qualified medical expenses over 7.5% of adjusted gross income.

Age before the close of the taxable year	Limit on premiums eligible for deduction
40 or less	$450
Over 40 but not over 50	$850
Over 50 but not over 60	$1,690
Over 60 but not over 70	$4,510
Over 70	$5,640

* Limitations apply based on the type of taxpayer. You should consult your tax advisor regarding your situation.

Health savings account (HSA) limits

Health Savings Accounts (HSAs) are available to participants enrolled in a high-deductible health insurance plan. At the federal level, contributions to HSAs are not subject to income tax. Distributions are tax-free as long as they are used for qualified medical expenses.

In most states, contributions to HSAs are not subject to state taxes and income earned in HSAs is tax-deferred. Similar to federal law, qualified distributions are tax-free in most states. Please consult with your tax advisor for state-specific guidance on the tax deductibility of contributions and state taxes due on earnings.

If a distribution occurs from an HSA prior to age 65 for reasons other than qualified medical expenses, ordinary income taxes along with a 20% penalty are due on the distribution amount. Distributions from HSAs after age 65 are not subject to the 20% penalty but are subject to ordinary income taxes. Contributions to HSAs can no longer be made after enrolling in Medicare (eligibility for Medicare begins at age 65).

Maximum contribution	
Single	$3,650
Family	$7,300

$1,000 catch-up contribution allowed per individual age 55 or older.

Minimum health insurance plan deductible	
Single	$1,400
Family	$2,800

Maximum out-of-pocket expenses	
Single	$7,050
Family	$14,100

Municipal bond taxable-equivalent yields

Based on various federal income tax brackets (does not account for state taxes)

Example: A taxpayer in the 35% federal income tax bracket would have to purchase a taxable investment yielding more than 3.1% to outperform a 2.0% tax-free investment.

	Tax-free yield (%)						
	1.0	1.5	2.0	2.5	3.0	3.5	4.0
Tax bracket (%)	**Taxable equivalent yield (%)**						
10	1.1	1.7	2.2	2.8	3.3	3.9	4.4
12	1.1	1.7	2.3	2.8	3.4	4.0	4.5
22	1.3	1.9	2.6	3.2	3.8	4.5	5.1
24	1.3	2.0	2.6	3.3	3.9	4.6	5.3
32	1.5	2.2	2.9	3.7	4.4	5.1	5.9
35	1.5	2.3	3.1	3.8	4.6	5.4	6.2
37	1.6	2.4	3.2	4.0	4.8	5.6	6.3

Note: Interest income from municipal bonds is not subject to the Medicare surtax. The taxable-equivalent yield does not include the impact of the net investment income tax of 3.8%.

Corporate income tax rates

C corporations currently are subject to a flat 21% tax. There are no special federal capital gains rates for corporations, and capital losses for corporations are deductible only against capital gains. Also, AMT at the corporate level has been eliminated.

With the passing of the Inflation Reduction Act of 2022, a new 15% Alternative Minimum Tax is effective for taxable years beginning after December 31, 2022 for corporations with an average adjusted financial statement income of $1 billion over a three-year period.

Connect regularly with your advisors

While the strategies in this guide can be effective in helping manage your tax burden, they are not all-inclusive or a destination in and of themselves. A better starting point is a strategic plan tailored for your specific needs and goals. That's where LifeSync℠ can help.

LifeSync is an ongoing advice and planning experience that creates a personal path for every individual, helping you make more informed financial decisions that more closely align with your aspirations. Whether you're just starting out on your journey, comfortably on the way, or ensuring things are in place for the next generation, LifeSync helps your values and financial priorities stay in sync over time, answering the questions you need answered and providing the clarity you need to make the right decisions — at the right moments.

Connect with your advisor to get started. Finally, connect with your legal and tax advisors before taking any action that may have tax or legal consequences to determine how the information in this guide may apply to your specific situation at the time your tax return is filed.