FIDUCIENT Advisors

Helping Clients Prosper

2022 Financial Planning Guide

Assessing Your Financial Wellness

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Fiducient Advisors: Firm at a Glance

Fiducient Advisors at a Glance

171 Associates

40% Investment Consultants
20% Research Professionals
40% Operations & Compliance

Assets Under Advisement

$250+ billion

Business Lines

Defined Contribution
Defined Benefit
Financial Institutions

Endowments & Foundations
Private Clients

Associate Ownership

30 Partners
>15% of firm Associates have ownership

All values are as of June 30, 2021. There may be overlap in responsibilities of some research professionals.

Recognized in the Industry

Pensions&Investments

Top 25 Worldwide Consultants in 2021

BARRON'S

RANKED

#1

Top 50 Institutional Consulting Teams in 2020

Pensions&Investments

Best places to work in money management 2020

Pensions&Investments

Top 10 largest manager of outsourced endowment assets with discretion in 2020

FA FINANCIAL ADVISOR MAGAZINE

Top 15 RIA Financial Advisor in 2021

The Skorina Letter

News, Interviews, Research for Institutional and Family Office Investors

Top 15 fastest growing OCIO firm in 2019

Pensions&Investments

Top 25 manager of institutional outsourced assets with full or partial discretion in 2021

Fiducient Advisors did not pay to participate in any of the above rankings. See the last page for additional disclosures.

Financial Wellness: A Holistic View

Seeing the Bigger Picture

A thoughtfully constructed financial plan takes a holistic view of wealth management and understands how each 'puzzle piece' interacts with the others.

Assessing Your Financial Wellness

The new year provides a great opportunity to review your existing plans and evaluate where updates are needed. As you go through this guide, we encourage you to use the below scorecard to assess your 'financial wellness.'

	Up-to-Date *(No Action Needed)*	**Review** *(Action may Be Needed)*	**Update** *(Action Needed)*	**Not Applicable**
Tax Planning				
Charitable Planning				
Investment Planning / Allocation				
Retirement Planning				
Social Security & Medicare				
Estate Planning				
Beneficiary Designations				
Insurance Planning *(Life, Property & Casualty)*				

Key Updates for 2022 & Financial Planning Considerations

Notable Updates for 2022

Continued Political Gridlock = Uncertainty for Taxpayers

- Ordinarily, taxpayers would enter the year with an understanding of what has changed from the prior year, though that isn't necessarily the case as of this writing (January 2022).
- Very narrow Democratic majorities in the House and Senate stalled progress for the Build Back Better Act (BBBA), which Democratic leadership hoped to pass before year-end 2021.
- In the coming months, taxpayers will watch to see whether the Build Back Better Act (BBBA) and the SECURE Act 2.0 will gain traction in Congress.

Please continue to check our website for the latest updates related to BBBA, SECURE Act 2.0, and other important legislation.

Build Back Better Act (BBBA)

The proposed legislation is currently ‘on hold’ though Democratic leadership still aims to pass BBBA in the coming months.

Tax Provision	Earlier Proposal (September 2021)	Current Status (House-passed, November 2021)
Top Individual Federal Income Tax Rate	Restore the top rate to the pre-TCJA level of 39.6 percent	Proposal Removed
Long-Term Capital Gains	Increase tax rate from 20 percent to 25 percent, effective as of September 13, 2021	Proposal Removed
Net Investment Income Tax (NIIT)	Expand the application to trade or business income for taxpayers with AGI exceeding $400,000	Proposal Remains
Surcharge for High Income Earners	3 percent surtax on AGI > $5 million	5 percent surtax on AGI > $10 million Additional 3 percent surtax on AGI > $25 million
Surcharge on Trusts & Estates	N/A	5 percent surtax on AGI > $200,000 Additional 3 percent surtax on AGI > $500,000
State & Local Tax Deduction (SALT)	Not addressed	Increase cap from $10,000 to $80,000 for tax years 2021-2030 The cap would reset to $10,000 for 2031, after which it would expire

Build Back Better Act (BBBA)

The proposed legislation is currently ‘on hold’ though Democratic leadership still aims to pass BBBA in the coming months.

Tax Provision	Earlier Proposal (September 2021)	Current Status (House-passed, November 2021)
Estate Exclusion & Lifetime Gift Tax Exemption	Accelerate the sunset of the elevated exemption (via the Tax Cuts and Jobs Act) to 2022 (from December 31, 2025) If pursued, the exemption would drop from nearly $12 million to $6 million per person	Proposal Removed
Grantor Trust Provisions	Various changes which would have impacted grantor trust rules for both income tax and transfer tax purposes, which would have largely eliminated various grantor trust-related planning strategies	Proposal Removed

Build Back Better Act (BBBA)

The proposed legislation is currently 'on hold' though Democratic leadership still aims to pass BBBA in the coming months.

Tax Provision	Earlier Proposal (September 2021)	Current Status (House-passed, November 2021)
IRA Contributions	For certain high-income taxpayers* with more than $10 million in combined retirement account balances, additional contributions would be prohibited	Proposal Remains
"Backdoor" Roth Contributions	Starting January 1, 2022, Roth conversions of after-tax contributions to IRAs or qualified retirement plans would be prohibited	Proposal Remains
Roth Conversions	Starting in 2032, Roth conversions would be prohibited for certain high-income taxpayers*	Proposal Remains
Mandatory Distributions for Large Retirement Balances	For tax years after 2028, for certain high-income taxpayers* with retirement balances greater than $10,000,000, a required minimum distribution of 50 percent of the amount above $10,000,000 and 100 percent of the amount greater than $20,000,000	Proposal Remains
Prohibition of Alternative Investments in Retirement Accounts	Prohibit retirement accounts from holding investments that would require the IRA owner to have a certain minimum level of assets or income (such as private equity, hedge funds, etc.)	Proposal Removed

** Taxable income thresholds: $400,000 for single taxpayers (or married filing separately); $450,000 for married filing jointly; and $425,000 for head of household.*

Retirement Legislation / SECURE Act 2.0

Given bipartisan support, expectations are high for additional retirement legislation to be passed in 2022.

Proposal	Notes
Increase Age for Required Minimum Distributions (RMDs)	Under House and Senate proposals, the RMD age would gradually increase to 75. A House proposal would increase the start age to 73 in 2022, 74 in 2029, and then 75 by 2032.
Increase Catch-up Retirement Contributions	For 2022, employees over age 50 can make a 401k catch-up contribution of $6,500. • A House proposal would increase the catch-up to $10,000 for ages 62-64 • A Senate proposal would increase the catch-up to $10,000 for those age 60 or older The catch-up contribution for SIMPLE IRA and SEP-IRA participants would be increased from $3,000 to $5,000 for those aged 62-64. In addition, the catch-up contribution limit for IRAs would be indexed to inflation.
Reduced RMD Penalties	Reduce the penalty from 50 percent to 25 percent for failure to take RMDs; furthermore, the penalty would be reduced to 10 percent if the taxpayer corrects the error promptly.
Auto-Enrollment for 401k Plans	Employers would be required to automatically enroll new employees at a 3 percent contribution rate, with an annual 1 percent increase up to 10 percent. Employees would have the ability to 'opt out' from this provision.
Increased Tax Credits for Retirement Plans for Small Business Start-Ups	The tax credit would be increased from 50 percent to 100 percent for businesses with up to 100 employees. The credit would phase down based on year of retirement plan adoption: • 100 percent for years 1-2 • 75 percent for year 3 • 50 percent for year 4 • 25 percent for year 5 • no credit after year 5

Other Updates for 2022

Roth IRA Changes Ahead?

As referenced earlier, significant changes may be ahead for Roth IRAs, based on the most recent available drafts of Build Back Better Act (BBBA) and SECURE Act 2.0.

- “Backdoor” Roth contributions could be disallowed as early 2022, as after-tax IRA and retirement plan contributions would be prohibited from being converted to a Roth account.
- Roth conversions could be disallowed for high income taxpayers, with a potential begin date of 2032.

IRS Updates Tables for Required Minimum Distributions (RMD)

For distributions from retirement accounts beginning on or after January 1, 2022, RMDs are based on the updated tables, which, as a result of longer life expectancies, now incorporate a larger divisor, which in turn results in a smaller RMD (on a percentage basis).

- **Uniform Lifetime Table** – default table used by most plan participants or IRA owners
- **Joint and Last Survivor Table** – used if a spouse is the sole beneficiary and is more than 10 years younger than the account holder
- **Single Life Table** – used for beneficiaries of plans, IRAs (traditional and Roth), and non-qualified annuities

Other Updates for 2022

Adjusted Gross Income (AGI) Limitation for Charitable Gifts

The CARES Act provided an increased deduction for cash donations made to a public charity (excluding donor-advised funds and most private foundations), with taxpayers able to deduct up to 100 percent of adjusted gross income (AGI) for such gifts made in 2020 or 2021.

This increased deduction expired at the end of 2021; barring any renewal of the provision, cash donations to public charities are limited to 60 percent of AGI.

Social Security Benefits Increase

For 2022, the Cost-of-Living-Adjustment (COLA) results in a 5.9 percent increase to Social Security retirement benefits.

The adjustment represents the largest single year boost since 1983 (+7.4 percent). Prior to 2022, COLAs had averaged a modest +1.65 percent increase over the past decade.

In 2021, the average monthly Social Security retirement benefit was $1,565, which would increase to approximately $1,657 following the 2022 COLA.

Tax Planning

2022 Federal Tax Provisions

Federal Income Tax Brackets

Marginal Tax Rate	Single Filers	Head of Household	Married Filing Jointly	Trusts and Estates
10%	0 – 10,275	0 – 14,650	0 – 20,550	0 – 2,750
12%	10,276 – 41,775	14,651 – 55,900	20,551 – 83,550	
22%	41,776 – 89,075	55,901 – 89,050	83,551 – 178,150	
24%	89,076 – 170,050	89,051 – 170,050	178,151 – 340,100	2,751 – 9,850
32%	170,051 – 215,950	170,051 – 215,950	340,101 – 431,900	
35%	215,951 – 539,900	215,951 – 539,900	431,901 – 647,850	9,851 – 13,450
37%	539,901 +	539,901 +	647,851 +	13,451 +

Source: Tax Foundation, as of October 2021

Alternative Minimum Tax (AMT)

	AMT Exemption	AMT Exemption Phaseout
Single and Head of Household	$75,900	$539,900
Married Filing Jointly	$118,100	$1,079,800

The AMT exemption is reduced by $0.25 for each dollar that a taxpayer's Alternative Minimum Taxable Income (AMTI) exceeds the phase-out threshold

Long-Term Capital Gains Tax Rates

		Taxable Income:
0%	<	$41,675 Single $55,800 Head of Household $83,350 Married Filing Jointly
15%	*between*	$41,676 – 459,750 Single $55,801 – 488,500 Head of Household $83,351 – 517,200 Married Filing Jointly
20%	>	$459,750 Single $488,500 Head of Household $517,200 Married Filing Jointly

Source: The Tax Foundation

2022 Federal Tax Provisions

Standard Deduction vs. Itemized Deductions

Taxpayers may take the greater of the standard deduction or total itemized deductions

Standard Deduction

- $12,950 Single
- $19,400 Head of Household
- $25,900 Married Filing Jointly

Itemized Deductions

- Medical expenses greater than 7.5 percent of adjusted gross income are deductible
- SALT Deduction capped at $10,000 for <u>*the sum of*</u>: 1) property taxes *and* 2) *greater of* state and local income taxes *or* sales taxes
- Home mortgage interest on mortgages up to $750,000. (*Note: Mortgages before December 15, 2017 up to $1 million grandfathered.)*
- Charitable contributions (subject to AGI limits based on contributed property & receiving charity)

"Must Know" Healthcare Taxes

Net Investment Income Tax (NIIT):

3.8%

On the *lesser of* net investment income *or* Modified AGI above threshold:
$200,000 for Single/Head of Household
$250,000 for Married Filing Jointly
$125,000 for Married Filing Separately

Note: These threshold amounts are not indexed for inflation.

Investment income includes, but is not limited to:

- Interest
- Dividends
- Capital Gains
- Rental/Royalty Income
- Non-Qualified Annuities
- Business involved with Financial Trading
- Passive Activities

Medicare Surtax:

0.9%

On *earned* income above:
$200,000 for Single
$250,000 for Married Filing Jointly
$125,000 for Married Filing Separately

Note: These threshold amounts are not indexed for inflation.

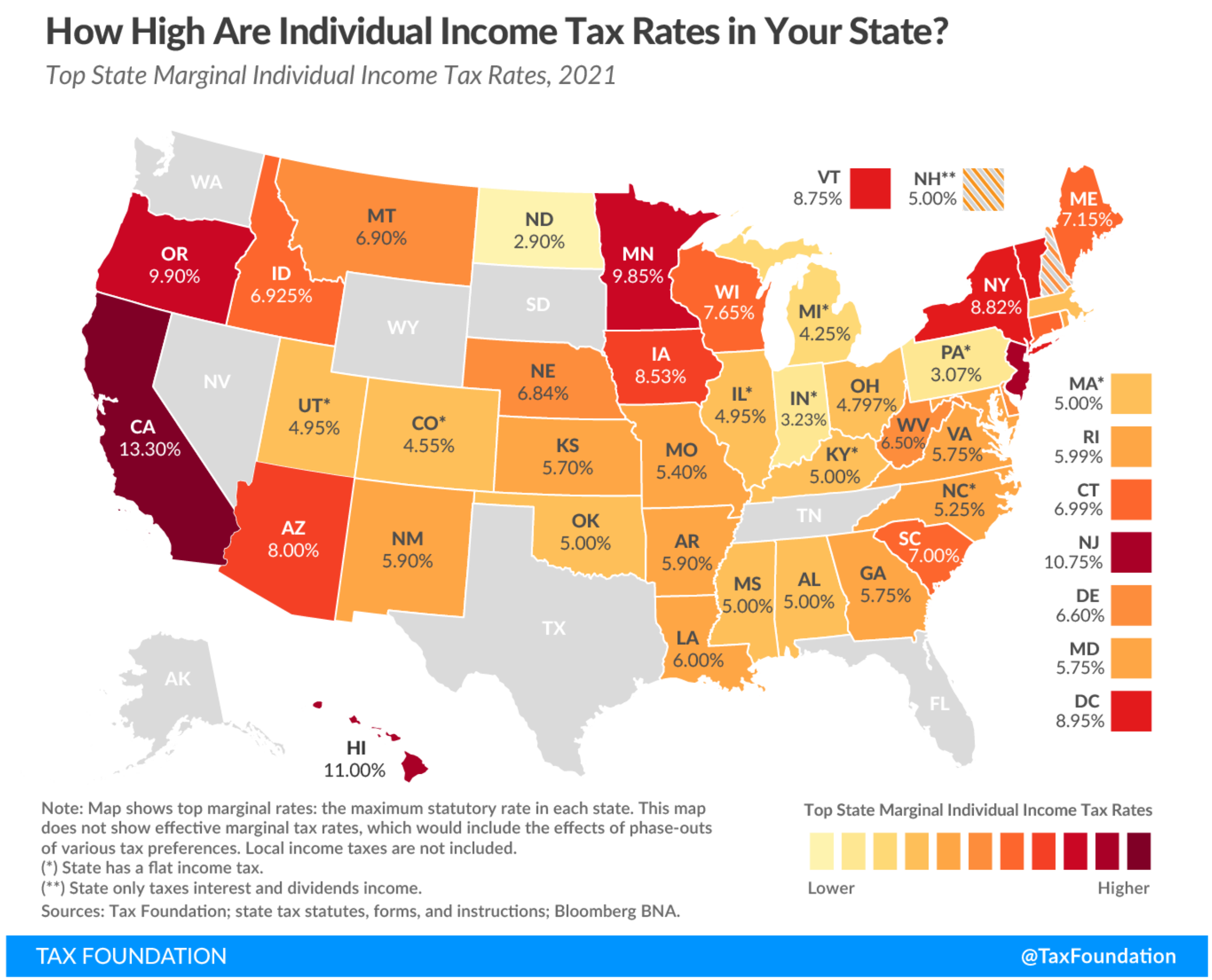
Source: The Tax Foundation

State Tax Provisions

41 States with individual income taxes

1 State that only taxes dividends and interest (New Hampshire)

8 States with no individual income tax (Alaska, Florida, Nevada, South Dakota, Tennessee, Texas, Washington, Wyoming)



Source: *The Tax Foundation*

Asset Location

Planning Tip

- The taxation of portfolio income varies by asset class. Taxable bond and REIT income is taxed unfavorably at ordinary income rates, while equity dividends are taxed favorably at lower qualified dividend rates.
- An investor who has a combination of taxable accounts, Traditional 401(k)/IRAs and Roth 401(k)/Roth IRAs can optimize a portfolio's allocation to minimize tax drag, thereby enhancing long-term after-tax returns.

More Tax-Efficient	**Municipal Bonds**	Income is federally tax-exempt and may be state tax-exempt
	Equities, Low-Turnover	Qualified dividends with limited capital gains
	Equities, High-Turnover	Qualified dividends but may produce higher capital gains
	Taxable Bonds, Low Yields *(TIPS, Global Bonds, Core US Bonds)*	Lower yields but taxed as ordinary income
	REITs	Non-qualified dividends with capital gains
Less Tax-Efficient	**Taxable Bonds, High Yields** *(High Yield & EM Bonds)*	Higher yields and taxed as ordinary income

Asset classes/investments such as broad real assets, hedge funds, etc. may be harder to quantify for tax efficiency.

Tax Planning Checklist

What we are doing to help clients

1. Tax-Aware Investing/Asset Placement
2. Tax-Efficient Securities and Active Management Considerations
3. Tax Loss Harvesting/Thoughtful Rebalancing
4. Tax-Aware Recognition of Capital Gains
5. Capital Gain Dividend Distribution Analysis

How your tax advisor can help

1. Recognition and Timing of Income
2. Timing and Target Amount for Charitable Gifts
3. Evaluating the Potential Benefits of a Roth Conversion
4. Review Estimated Tax Withholding
5. AMT Considerations
6. Manage State and Local Income Tax Deductions
7. Review Property Tax Deductions
8. Additional State Tax Considerations

Areas where we can offer perspective

1. **Evaluating and Minimizing Capital Gain Implications** amid a portfolio repositioning considering factors such as potential step-ups in cost basis, asset placement, etc.
2. **Evaluating Family Gifting Strategies** according to desired gifting goals and, once determined, coordinating the gifting transfers.
3. **Gifting Long-Term Appreciated Securities** rather than cash for charitable contributions, which avoids capital gains taxes on the appreciated securities.
4. **Charitably Gifting the Required Minimum Distribution of an IRA**, which avoids the IRA distribution being treated as taxable income.
5. **Weighing the Differences between a Lump Sum Option or Annuity** income stream for Defined Benefit Plan or Cash Balance Pensions.
6. **Evaluating Tax Bracket Breakpoints and Stock Volatility** when minimizing single stock concentrations.
7. **Reviewing Social Security** income options.

Charitable Planning

Accelerated Charitable Giving

Planning Tip

The charitable giving landscape changed substantially in 2018, as the Tax Cut and Jobs Act nearly doubled the standard deduction but capped the state and local tax (SALT) deduction at $10,000 and eliminated "miscellaneous two percent itemized deductions." Due to the new changes, taxpayers should evaluate if a portion of charitable giving would not produce a tax benefit.

Taxpayers might benefit from **accelerating ("bunching") charitable gifts** to maximize itemized deductions in a single tax year while taking the standard deduction in other years. This planning strategy can be particularly effective for charitably-inclined taxpayers without deductible medical expenses (> 7.5 percent of Adjusted Gross Income) and with no/minimal mortgage interest.

Scenario #1: Married Filing Jointly, Level Annual Charitable Giving

	2022–2025 (Each Year)	2022–2025 TOTAL
Mortgage Interest	$9,000	**$36,000**
State & Local Tax (SALT)	$10,000	**$40,000**
Charitable Gifts	$30,000	**$120,000**
Itemized Deduction Total	**$49,000**	**$196,000**
Greater of: **Itemized Deductions *or* $25,900 Standard Deduction**	**$49,000**	**$196,000**

Scenario #2: Married Filing Jointly, Accelerated Charitable Giving

	2022	2023–2025 (Each Year)	2022–2025 TOTAL
Mortgage Interest	$9,000	$9,000	**$36,000**
State & Local Tax (SALT)	$10,000	$10,000	**$40,000**
Charitable Gifts	**$120,000**	$0	**$120,000**
Itemized Deduction Total	**$139,000**	**$19,000**	**$196,000**
Greater of: **Itemized Deductions *or* $25,900 Standard Deduction**	**$139,000**	**$25,900**	**$216,700**

In the example above, the couple's itemized deductions before charitable gifts total $19,000 (mortgage interest + SALT). Since the married filing jointly (MFJ) standard deduction is $25,900, the first $6,900 of charitables will not produce a tax benefit.

In Scenario #2, the couple accelerates charitable giving into a single year (2022) to maximize itemized deductions and takes the standard deduction in subsequent years (2023-2025). **The composition of itemized deductions is the *same* under both scenarios, yet Scenario #2 produces a greater cumulative tax deduction of $20,700 over the four-year period.**

This planning consideration is subject to change, as the current $10,000 cap for the state and local tax ('SALT') deduction is under consideration in Congress. A proposal passed by the House last November would call for increasing the SALT cap to $80,000 for years 2021-2030. It remains uncertain whether the existing $10,000 limit will remain in place or if it might be increased in subsequent legislation.

Example is for illustrative purposes only.

Charitable Giving Vehicles

Donor-Advised Funds vs. Private Foundations

There are numerous considerations to evaluate whether a donor-advised fund or a private foundation (or a combination) might be an effective charitable giving vehicle. The table below provides an abbreviated comparison.

	Donor-Advised Fund	Private Foundation
Start-up Time	Immediate	May take several weeks or months
Start-up Costs	None	Legal and other fees
Initial Contribution/ Minimum	Varies by sponsor, but often as low as $5,000 - $10,000	No minimum, though due to start-up and ongoing administrative expenses, a larger starting balance (several million dollars) is generally advisable
Minimum Grant to Charity	Varies by sponsor, but often as low as $50-$100	No minimum
Ability to Give Anonymously	Yes, donor can choose whether to give publicly or anonymously	No, IRS Form 990 must report gifts
Ongoing Administrative Expenses	Varies by sponsor, but typically starts approximately 0.60 percent	Various tax & other expenses
Underlying Investment Expenses	Varies by sponsor, with some investment options as low as 0.03 percent	Varies based on investments chosen & advisor
Tax Deduction for Gifts	Up to 60 percent of AGI for cash gifts Up to 30 percent of AGI for long-term securities	Up to 30 percent of AGI for cash gifts Up to 20 percent of AGI for long-term securities
Annual Distribution Requirement	None	IRS requires minimum 5 percent annual distribution based on prior year’s net average assets
Tax Reporting	Handled by the sponsor; donors do not report charitable grant activity	Responsible for tax filings and must annually file IRS Form 990
Excise Taxes	None	1.39 percent of net investment income

Additional Charitable Giving Strategies

	Charitable Lead Trusts (CLT)	Charitable Remainder Trust (CRT)	Charitable Gift Annuity (CGA)
What is it?	An irrevocable trust established for charitable purposes. During the trust term, income passes to the designated charity/charities. At the end of the trust term, the remaining assets transfer back to the donor or to specified beneficiaries.	An irrevocable trust established for charitable purposes. During the trust term, income passes to the donor or designated beneficiary (per the IRS, the annual annuity must be at least 5 percent but no more than 50 percent of the trust's assets). At the end of the trust term, the remaining assets transfer to the designated charity/charities.	A lifelong contract between a nonprofit and a donor or couple. The donor makes an irrevocable gift to 501(c)(3) qualified public charity and, in return, the charity agrees to pay the annuitant(s) lifetime income. The maximum number of annuitants is two. Not all charities provide charitable gift annuities.
Benefits	Under a ***non-grantor CLT***, depending on the amount of trust growth, remainder assets may pass to beneficiaries free of estate or gift tax. Under a ***grantor CLT***, the grantor receives an immediate tax deduction for the present value of the future payments to be made to charity.	Donor receives a partial income tax deduction depending on trust type and term, projected income payments, and IRS interest rates. Can convert appreciated assets into current income, without triggering capital gains taxes.	Donor receives a charitable tax deduction for the value of the original gift, less the present value of future annuity payments. Potential for a portion of annuity payments to be treated as tax-free income
Taxation	Under a non-grantor CLT, the trust is considered the owner and pays tax on undistributed net income; the trust can claim an unlimited charitable deduction for charitable distributions. Under a grantor CLT, the grantor pays the tax on trust income.	The CRT's investment income is exempt from tax, which provides an opportunity to sell appreciated securities without generating capital gains tax. However, the named income beneficiary will pay income tax on the income stream received.	For gifts of cash, annuity payments will be treated as a split among ordinary income and tax-free income. For gifts of appreciated securities, annuity payments will be treated as a split among ordinary income, capital gains, and tax-free income.
Who might benefit from this strategy?	Charitably inclined individuals who want to provide current support to charity but also want any remaining assets to pass to beneficiaries.	Charitably inclined individuals who want an immediate charitable tax deduction and who also have a need/desire for current income.	Charitably inclined individuals who want an immediate charitable tax deduction and current income but may not have sufficient assets to fund a CRT.

Retirement Planning

Planning For Retirement

Focus greater emphasis on what you can influence and evaluate the factors that are partially or completely outside of your control.

Full ability to control	Lifestyle pre-retirement – level of spending and saving today	Lifestyle in retirement – your vision of *your* retirement	Asset Allocation and Location – how your nest egg is allocated among asset classes and tax sensibility
Some degree of control	Duration of employment and earnings	Longevity – genetics, lifestyle choices that may impact your health in retirement	Non-essential spending
Unable to control	Market returns	Tax policy and applicable laws	Healthcare Costs

Retirement Planning – Statistics & Common Mistakes

70-85% Approximate income replacement ratio for estimating future retirement expenses

15% Target annual investment savings* *(employee contribution + employer match)*

4-7% Americans' average annual savings rate[1]

< 10% 57 percent of American workers save less than 10 percent of income[2]

1 in 3 Number of workers who will have saved enough for a comfortable retirement by age 67[1]

$300k The estimated dollar amount needed for an average retired couple aged 65 to pay for medical expenses through retirement (after-tax)[3]

Common Retirement Planning Mistakes

- Retiring too early / Saving too little
- Underestimating lifestyle / retirement expenses
- Spending beyond one's means, particularly early in retirement
- Assuming too little or too much risk pre- and/or post-retirement
- High concentration risk with individual securities or company stock
- Attempting to time the market
- Filing for early (reduced) Social Security benefits despite expected longevity
- Underestimating future healthcare expenses

** General rule of thumb; target savings rate may be higher or lower depending on age, existing savings, anticipated retirement.*
[1]Aon "The Real Deal: 2018 Retirement Income Adequacy Study"
[2]IRI Retirement Readiness Research Series: "Retirement Readiness among Older Workers 2021"
[3]Fidelity "How to plan for rising healthcare costs"

Retirement Contribution Limits

Retirement Benefit Limits

	2021	2022
Contribution Limits for 401(k)/403(b) Plans	$19,500	$20,500
Age 50+ Catch-up	$6,500	$6,500
Contribution Limits for SIMPLE IRA Plans	$13,500	$14,000
Age 50+ Catch-up	$3,000	$3,000
Contribution Limits for IRAs	$6,000	$6,000
Age 50+ Catch-up	$1,000	$1,000
Contribution Limits for Defined Benefit Plans	$230,000	$245,000
Contribution Limits for SEP IRA and Solo 401(k)	$58,000	$61,000

Modified Adjusted Gross Income (MAGI) Limitations for IRA Contributions

	2021	2022
Traditional IRA		
Single, Head of Household	$66,000 - 76,000	$68,000 – 78,000
Married Filing Jointly	$105,000 - 125,000	$109,000 – 129,000
Roth IRA		
Single, Head of Household	$125,000 - 140,000	$129,000 – 144,000
Married Filing Jointly	$198,000 - 208,000	$204,000 – 214,000
Roth Conversions	None	None

Source: Internal Revenue Service

Saving For Retirement

Saving beyond your 401(k) is essential for most American's retirement needs. Utilizing a Traditional or Roth IRA in addition to 401(k) savings is a great way to give investors the opportunity for additional tax-free growth for retirement.

Types of Savings Accounts	Taxable	Pre-Tax	After-Tax
Account Examples	**Individual/Joint/Trust accounts**	**Pre-Tax 401(k), Traditional IRAs (funded with deductible contributions)**	**Roth 401(k), Roth IRAs**
Taxable Income	Interest, Dividends and Capital Gains	Account Withdrawals	Earnings/Withdrawals not taxable
Tax Deductions	Contributions Not Tax-Deductible	Contributions Tax-Deductible	Contributions Not Tax-Deductible
Contribution Limits	None	Yes, specific to type of account	Yes, specific to type of account

Ways to maximize retirement savings beyond your 401(k):

Once you maximize contributions to Retirement Plans (401(k), 403(b)) and deferring at least your company's match, investors can look to take advantage of the following:

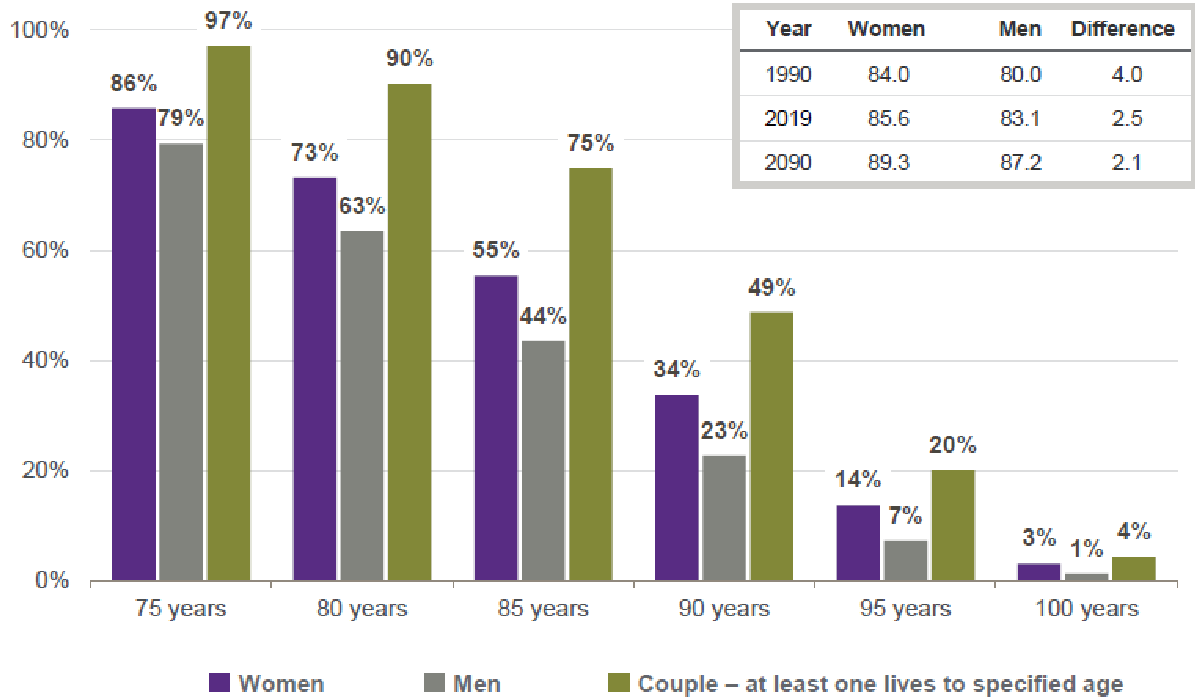
1. Maximize after-tax assets in your portfolio:
   - Maximize contributions to after-tax accounts
   - Consider Backdoor Roth IRA contributions (if allowable)
   - Consider Roth IRA conversion
2. Consider establishing a Spousal IRA
3. If self-employed, maximize retirement savings by contributing to a SEP-IRA, Keogh, Defined Benefit Plan or Solo 401(k)

Planning For a Long Retirement

Increasing average life expectancy means retirement could last 30+ years for some individuals

- 75 percent chance that at least one member of an aged-65 couple will live to age 85
- 49 percent chance that at least one member of an aged-65 couple will live to age 90

If you're 65 today, the probability of living to a specific age or beyond



Average life expectancy at age 65

Year	Women	Men	Difference
1990	84.0	80.0	4.0
2019	85.6	83.1	2.5
2090	89.3	87.2	2.1

More people choose to work later in life, citing the following reasons:

- ➢ 62% Stay active/involved
- ➢ 50% Enjoy working
- ➢ 24% Job opportunity
- ➢ 8% Try new career

Source: Employee Benefit Research Institute, Data as of December 2020.

Source (graph): Social Security Administration, Period Life Table, 2017 (published in 2020), JPMorgan Asset Management

On Track For Retirement?

Analysis below assumes you would like to maintain a lifestyle in retirement equivalent to current lifestyle

- Go to the intersection of your current age and your closest current household income (gross, before tax and savings)
- Compare your current savings to the savings checkpoints below

Example: For a 40-year-old with household gross income of $200,000, current savings should be approximately $720,000

	Household Annual Income (Gross)				
Age	**$100,000**	**$150,000**	**$200,000**	**$250,000**	**$300,000**
25	20,000	90,000	200,000	300,000	390,000
30	80,000	195,000	340,000	500,000	630,000
35	150,000	315,000	500,000	725,000	930,000
40	230,000	450,000	***720,000***	1,000,000	1,260,000
45	330,000	615,000	960,000	1,325,000	1,680,000
50	450,000	810,000	1,260,000	1,700,000	2,160,000
55	590,000	1,050,000	1,600,000	2,175,000	2,760,000
60	800,000	1,425,000	2,160,000	2,900,000	3,660,000
65	1,080,000	1,890,000	2,840,000	3,825,000	4,800,000

Model Assumptions

10%* Annual Savings Rate

5.75% Pre-Retirement Return

5.00% Post-Retirement Return

2.00% Inflation Rate

Retirement Age –
Age 65 Primary earner
Age 62 Spouse

30 Years in Retirement

10 percent is approximately **twice the U.S. average annual savings rate*

Source: JP Morgan Asset Management, 2020 Guide to Retirement

Retirement Planning Updates

The SECURE Act

The "Setting Every Community Up for Retirement Enhancement Act" went into effect on January 1, 2020 and was one of the more significant pieces of retirement legislation to be passed over the last decade. SECURE Act 2.0, if gains traction in Congress, would look to further expand provisions from the earlier legislation.

Select Provisions for Individuals under SECURE Act:

	Old Provision	New Provision	Applicability
IRA Contributions	*No contributions to IRAs after age 70½*	No longer an age limit; contributor must have earned income	Tax year 2020 and beyond
Starting Age for Required Minimum Distributions (RMDs)	*Age 70½*	Age 72	Age 72 provision for individuals who had not yet reached 70½ as of 2019
RMDs for Inherited Retirement Accounts	*Beneficiaries can take RMDs based on their life expectancy*	With limited exceptions, beneficiaries are required to fully withdraw assets within 10 years after account owner's death	Beneficiaries of account owners who died after 2019
Penalty-Free Withdrawal for Birth/Adoption	*10 percent early withdrawal penalty for individuals under age 59½ (with some exceptions)*	Individuals can withdraw up to $5,000 penalty-free within 12 months after a birth or qualified adoption of a child	Tax year 2020 and beyond

Please continue to check our website for the latest updates related to BBBA, Secure Act 2.0, and other important legislation.

Source: Journal of Accountancy

Retirement Planning Updates

The “Stretch IRA” replaced by 10-year rule

The SECURE Act largely eliminated the “stretch IRA”. Most non-spouse beneficiaries can no longer ‘stretch’ the IRA out over their lifetime and are instead required to fully withdraw inherited retirement account assets within 10 years of the account owner’s death.

Who is still eligible for the longer payout period?

- Heirs of IRAs whose original owners died *before* 2020
- Surviving spouses
- Chronically ill or disabled heirs
- Heirs within 10 years of age of the original owner
- Minor children of the account owner, up to the age of majority or age 26 if the child is still in school; at that point, the 10-year payout begins

Beneficiaries do not need to make withdrawals *each year* over the 10-year period. Instead, consider deferring withdrawals into tax year(s) when taxable income will be lower.

Trust as IRA beneficiary?

It is important to review any trust that is a beneficiary of an IRA and understand how the 10-year rule may affect its provisions.

Source: The Wall Street Journal, SECURE Act, Ed Slott

Traditional Versus Roth

Review objectives and marginal income tax bracket to evaluate whether to contribute to a Traditional retirement account, a Roth retirement account, or a combination of both.

	Traditional IRA	Traditional 401k/403b	Roth IRA	Roth 401k/403b
Tax Benefits	Tax-deferred growth		Tax-free growth and tax-free qualified withdrawals	
Tax Deduction	Contributions may be tax-deductible depending on AGI	Yes, for current year contributions	No, funded with after-tax contributions	
Taxation of Withdrawals	Taxed as ordinary income		Qualified withdrawals are tax-free	
Early Withdrawal Penalties	With limited exceptions, withdrawals prior to age 59½ result in a 10 percent penalty (in addition to the distribution being treated as ordinary income)		Contributions can be withdrawn penalty-free while earnings are taxable and may be subject to a 10 percent penalty	The earnings portion of a non-qualified distribution will be taxable and may be subject to a 10 percent penalty
Income Limits for Contributions	No, but deductibility is subject to income limits	None	Yes	None
Age Limits for Contributions	As of 2020, none	None	As of 2020, none	None
Eligibility to Contribute	Must have earned income	Actively employed	Must have earned income	Actively employed
Deadline to Contribute	April 15 of the following tax year	December 31	April 15 of the following tax year	December 31

Tax Diversification: Individuals may consider utilizing a combination of both Traditional and Roth retirement accounts as a ‘tax hedge’ given uncertainty over future income tax rates.

Source: Internal Revenue Service, Charles Schwab

Additional Roth Considerations

Backdoor Roth Contributions

If a taxpayer's income is higher than the noted thresholds for contributing to a Roth IRA, a taxpayer may fund a Traditional IRA with a "non-deductible" contribution. This contribution may, in turn, be converted to a Roth IRA tax-free, provided the taxpayer does *not* have any other holdings in a Traditional IRA. If a taxpayer has an outstanding Traditional, SEP or SIMPLE IRA balance, a portion of the conversion will be treated as taxable income.

Example:

- John is a single taxpayer, age 55, with a modified adjusted gross income of $450,000 which prevents him from directly contributing to a Roth IRA.
- John currently has a 401(k) but no Traditional IRA.
- John makes a $7,000 non-deductible contribution to a Traditional IRA and leaves the entire contribution in cash.
- John waits 30+ days and then converts the non-deductible contribution to a Roth IRA.
- Since John had no Traditional IRA holdings and only converted a non-deductible contribution (which had no earnings over the 30-day period), the conversion is not taxable.

Roth Conversions

Unlike income limits for Roth IRA contributions, there are no such income limitations for completing a Roth conversion. Taxpayers should recognize that converting a Traditional IRA to a Roth IRA typically produces taxable income. Individuals should evaluate their income tax picture to compare how their current tax bracket might compare to a future tax bracket:

- Individuals might consider a partial conversion where income is recognized up to a certain tax bracket.
- For ultra-high net worth individuals that will otherwise have a taxable estate, a Roth conversion may be beneficial as it reduces the size of the taxable estate by the amount of taxes paid on conversion while eventually leaving a favorable asset to heirs (i.e., inheriting a Roth IRA is preferable to inheriting a Traditional IRA).

The Build Back Better Act (BBBA), which is currently under consideration in Congress, may target these planning strategies. Tax year 2021 or 2022 may be the last year to implement these techniques.

Source: Social Security Administration (2017 OASDI Trustees Report). Example is hypothetical and for illustrative purposes only.

Roth Conversions: Pros & Cons

	Maintain Pre-Tax IRA Balance / No Roth Conversion		Convert Pre-Tax IRA to Roth IRA	
Income Tax on Roth Conversion	Not applicable	+	The amount of the conversion creates taxable income, but such income could potentially be offset by charitable gifts	?
Additional Contributions	If above AGI limits, deductible contributions to pre-tax balance disallowed; however, non-deductible contributions are allowed	−	If the entire pre-tax IRA balance is converted, creates opportunity for Backdoor Roth IRA contributions without additional tax impacts	+
Required Minimum Distributions	In retirement, RMDs must be taken from account, reducing the overall balance, adding tax liability	−	After Roth conversion, RMDs from the Roth IRA will not be required for the original account owner	+
Income Tax	Distributions are subject to income tax at ordinary income rates	−	Roth IRA distributions are not subject to income tax	+
Estate Tax	Account balance at death subject to estate tax	−	Account balance at death subject to estate tax	−
Post-Death Beneficiary Income Tax	RMDs to beneficiaries subject to income tax	−	RMDs to beneficiaries not subject to income tax	+

Check if your 401(k)/403(b) plan allows for “in-plan Roth conversions”. Known as a “mega backdoor Roth”, the strategy involves making after-tax contributions and subsequently converting those to a Roth account. This is one of the strategies targeted by the Build Back Better Act (BBBA). Stay tuned for updates as the legislation moves through Congress.

Best and Worst States to Retire

Retirement assets can go a lot further in some states versus others. The table below outlines several tax factors to consider, though there may also be additional factors to consider (health care, proximity to family, weather, etc.).

	More Cost-Effective States	Less Cost-Effective States
State Marginal Income Tax Rate	States with no individual income tax (Alaska, Florida, Nevada, South Dakota, Tennessee, Texas, Washington, Wyoming) New Hampshire taxes only dividends & interest	1. California – 13.3% 2. Hawaii – 11% 3. New Jersey – 10.75% 4. Oregon – 9.9% 5. Minnesota – 9.85%
State Sales Tax Rate	1. Wyoming – 5.35% 2. Wisconsin – 5.43% 3. Maine – 5.5% 4. Virginia – 5.65% 5. Kentucky, Maryland, Michigan, Washington D.C. – 6%	1. Tennessee – 9.55% 2. Arkansas – 9.53% 3. Louisiana – 9.52% 4. Washington – 9.23% 5. Alabama – 9.22%
Property Tax Rate	1. Louisiana – 0.18% 2. Hawaii – 0.26% 3. Alabama – 0.33% 4. Delaware – 0.43% 5. Washington D.C. – 0.46%	1. New Jersey – 1.89% 2. New Hampshire – 1.86% 3. Texas – 1.81% 4. Nebraska, Wisconsin – 1.76% 5. Illinois – 1.73%
States with Estate Tax and/or Inheritance Tax		**Estate Tax (12):** Connecticut, Hawaii, Illinois, Maine, Maryland*, Massachusetts, Minnesota, New York, Oregon, Rhode Island, Vermont, Washington, Washington D.C. **Inheritance Tax (6):** Iowa, Kentucky, Maryland*, Nebraska, New Jersey, Pennsylvania ** Maryland is the only state to impose both an estate & inheritance tax*

Source: Tax Foundation, Kiplinger

"Transitioning to Retirement" Checklist

Preparing for a comfortable retirement requires diligence and discipline

Review What Has Changed
- Tax Laws
- Retirement Goals
- Health/Longevity

Assess whether Savings are "On Track"
- Compare current savings versus checkpoints
- Review portfolio allocation and asset location
- Look for opportunities to increase/optimize savings across account types
- Determine if retirement goals need to be adjusted

Plan Ahead
- Periodically review your estate plan
- If nearing retirement, review Social Security benefits and determine an appropriate claiming age/strategy
- Medicare planning

Estate Planning Document Review
- Periodically review beneficiary designations to ensure beneficiaries are listed as intended
- Especially important upon life events such as marriage, divorce, birth/adoption, etc.
- Review the need of a Trust or Will

82% of the general population don't have a plan in place

4 in 10 workers
6 in 10 retirees
have tried to calculate how much monthly income is needed in retirement

Sources: Fidelity Investments "Retirement Mindset Study", 2020 Retirement Confidence Survey (RCS)

Social Security and Medicare

Social Security Basics

When

You may start receiving your Social Security retirement benefits as early as age 62 or as late as age 70.

You can apply for benefits no more than four months in advance of your benefit start date.

How

You can apply for retirement benefits or spousal benefits directly online at https://www.ssa.gov/benefits/forms/

Amount

Check your Social Security statement for a current estimate of your benefits at https://www.ssa.gov/myaccount/retire-calc.html

Consider

Your monthly benefits will be permanently reduced if you start any time before your "full retirement age." Conversely, your monthly benefits will be increased if you start after your "full retirement age."

Source: SSA.gov

Social Security: Common Misconceptions

✗ Social Security is going broke

- ✓ Without any changes, the Social Security trust fund is estimated to be depleted by 2034; however, Social Security is a pay-as-you-go system and, as such, will continue to collect revenue from payroll taxes
- ✓ Even if Congress were to enact no changes (which is rather unlikely), based on incoming payroll tax collections, Social Security would still be able to pay an estimated 78 percent of benefits

✗ Full Retirement Age (FRA) is 65 for everyone

- ✓ Full Retirement Age (FRA) depends on birth year and varies from age 65 to 67

✗ Social Security will replace most of a retiree’s income needs

- ✓ The program was never intended to be the sole source of income for retirees
- ✓ The general rule of thumb is Social Security will replace around 40 percent of pre-retirement income for an individual with average lifetime earnings, though the replacement ratio is far lower for individuals with high lifetime earnings

✗ Earned income is not allowed while also collecting Social Security benefits

- ✓ Individuals can continue to work after receiving Social Security benefits. If an individual collects benefits before full retirement age (FRA) and has income which exceeds the earnings limit, then a portion of benefits will be reduced; however, any benefits which were reduced due to the earnings limit will later be credited back. [There is no earnings limit upon reaching FRA.]

Key Social Security Changes for 2022

Cost-of-Living Adjustment (COLA) Increase

- 2022 COLA is +5.9 percent
- Up from 1.3 percent in 2021
- 2022 COLA is the largest increase since 1983

Social Security Wage Base

- For 2022, the 6.2 percent Social Security tax is applied on the first $147,000 of wages
- Up from $142,800 in 2021

Social Security Earnings Limit

- Prior to Full Retirement Age (FRA), recipients can earn up to $19,560 before benefits are reduced.
- In the year of FRA, recipients can earn up to $51,960 before benefits are reduced.
- After FRA, recipients are not subject to any earnings limit.

Social Security Credit Increase

- For 2022, it takes $1,510 of earnings to equal one credit
- An individual must earn at least $6,040 for the year to receive the maximum four credits

Source: AARP, Forbes

Choosing When to Begin Benefits

Four Key Factors for Evaluating when to Collect Retirement Benefits

- Life expectancy (single or joint)
- Spousal benefits
- Income needs
- Changes in employment

Consider taking benefits earlier if…	Consider taking benefits later if…
You are no longer working and find it difficult to cover annual expenses.	You are still working and make enough to impact the taxability of your benefits.
You are in poor health and do not expect the surviving member of the household to make it to average life expectancy.	You are in good health and expect to exceed average life expectancy.
You are the lower-earning spouse and your higher-earning spouse can wait to file for a higher benefit.	You are the higher-earning spouse and want to be sure your surviving spouse receives the highest possible benefit.

Social Security Considerations

Full Retirement Age (FRA) vs. Early Retirement vs. Late Retirement

Full Retirement

Year of Birth *	Full Retirement Age (FRA)
1937 or earlier	65
1938	65 and 2 months
1939	65 and 4 months
1940	65 and 6 months
1941	65 and 8 months
1942	65 and 10 months
1943-1954	66
1955	66 and 2 months
1956	66 and 4 months
1957	66 and 6 months
1958	66 and 8 months
1959	66 and 10 months
1960 and later	67

Early Retirement

- Retiree can elect to receive benefits as early as age 62 (**For a retiree taking benefits five years early, the reduction = 30 percent**)
- For the first 36 months, the FRA benefit is reduced by 5/9th of one percent for each month before full retirement age (FRA).
- Beyond 36 months, the FRA benefit is further reduced by 5/12th of one percent for each early month.

Delayed Retirement Credit

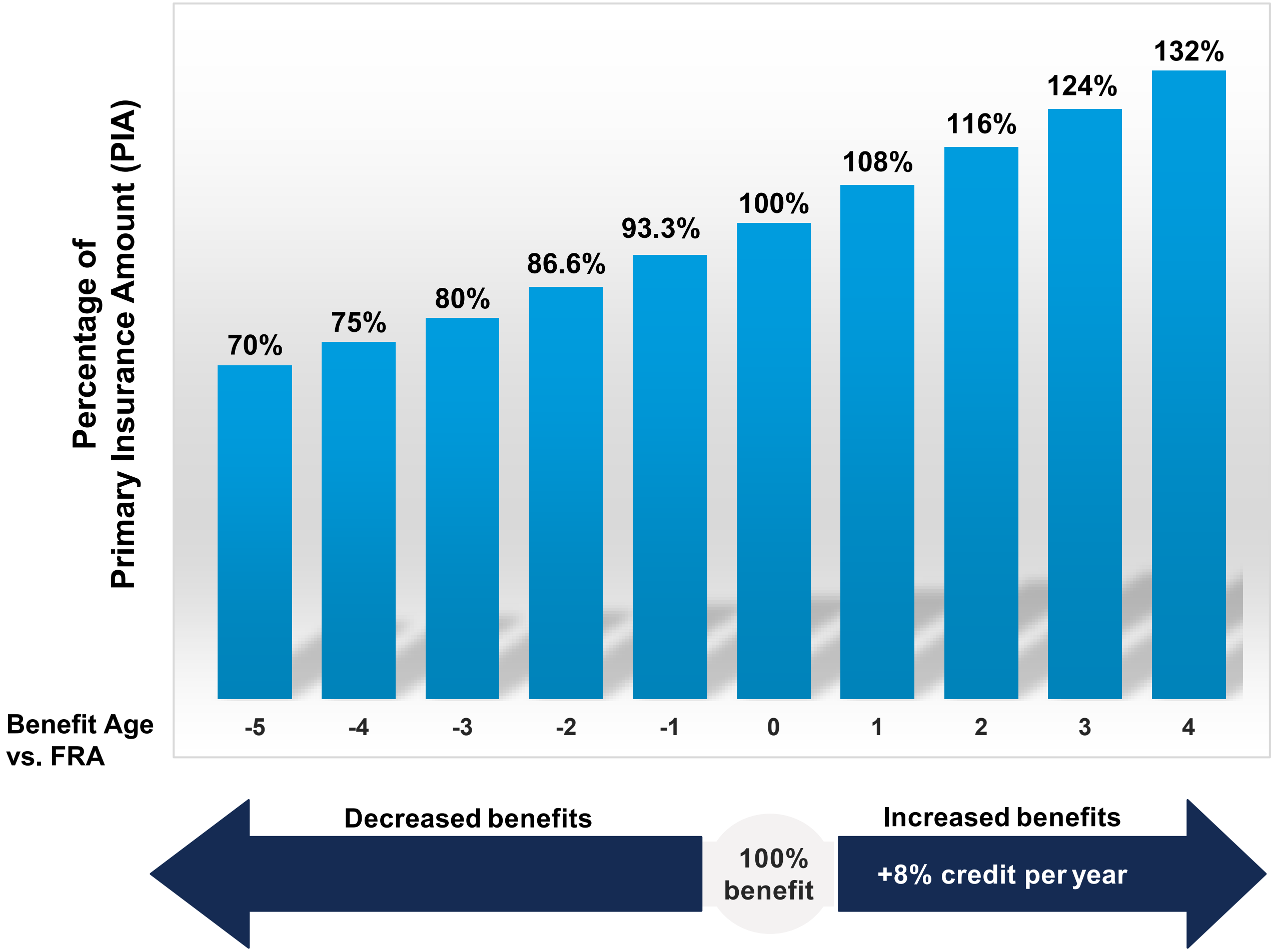
(i.e., Benefits after FRA, up to age 70)

Year of Birth	Credit per Year
Before 1937	Varies
1937-38	6.50%
1939-40	7.00%
1941-42	7.50%
1943 and later	8.00%

Source: SSA.gov – "Early or Late Retirement?"
** Persons born on January 1 of any year should refer to the previous year*

Early Versus Delayed Benefits

Full Retirement Age (FRA) vs. Early Retirement vs. Late Retirement



Notes:

1) PIA = Primary Insurance Amount, which reflects the benefit available at Full Retirement Age (FRA).

2) Benefits are permanently reduced for benefits commencing before Full Retirement Age.
   - *For the first 36 months prior to FRA, the benefit is reduced by 5/9th of one percent for each month before full retirement age (FRA).*
   - *Beyond 36 months, the benefit is further reduced by 5/12th of one percent for each early month.*

3) Delayed retirement credits apply for benefits deferred past Full Retirement Age, up to age 70.
   - *For individuals born in 1960 or later, FRA is age 67 with a maximum possible deferral period of three years (maximum +24 percent improvement).*

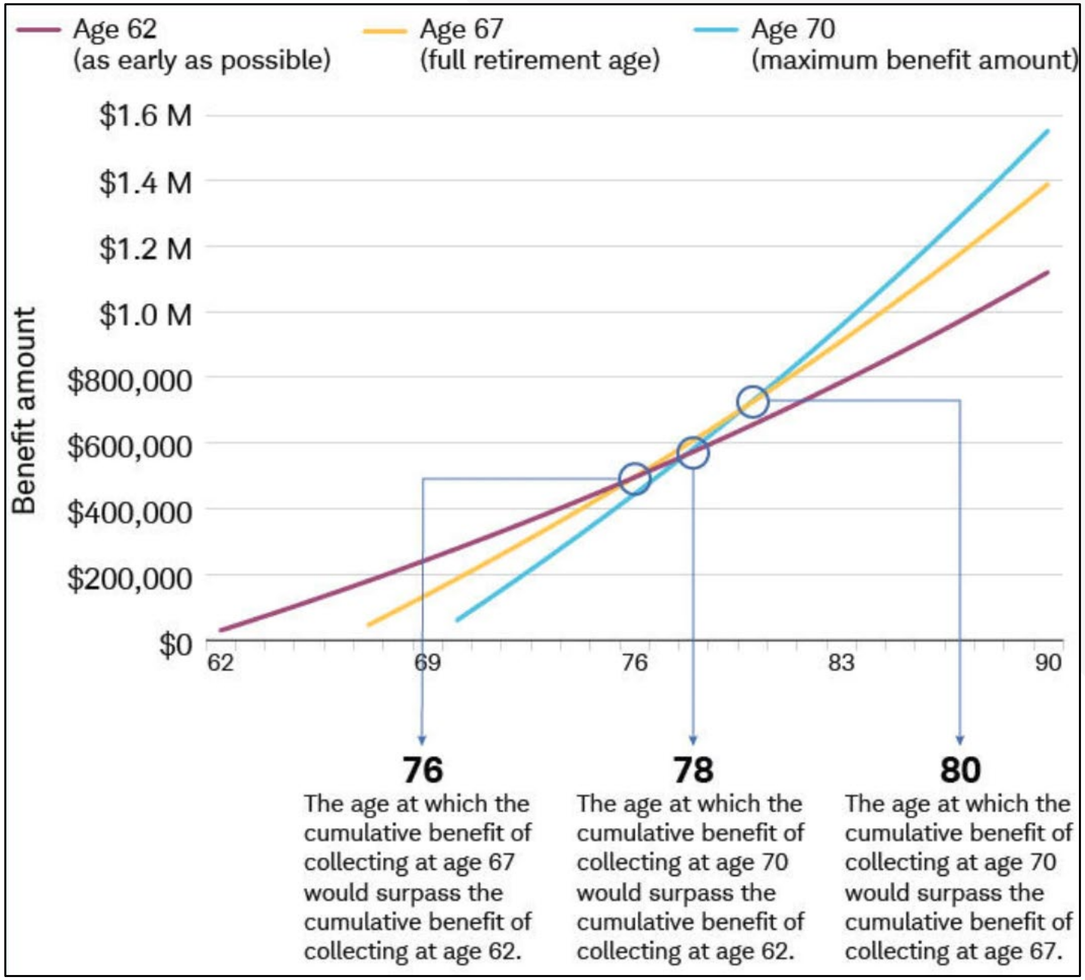
For illustrative purposes only.

Evaluating a "Breakeven Age"

Early Retirement vs. Full Retirement Age (FRA) vs. Late Retirement

Hypothetical Scenario:

Social Security Monthly Benefits
Age 62: $ 2,364 / mo
Age 67: $ 3,751 / mo
Age 70: $ 4,953 / mo



Sources: Charles Schwab: "Social Security FAQs" (January 2022), SSA.gov. Hypothetical cumulative benefits assume the retiree was age 62 in 2022, age 67 in 2027, and age 70 in 2030 and began collecting a monthly benefit in January of each year. Monthly benefit for starting at age 62 would be $2,364 compared to $3,751 at age 67 and $4,953 at age 70. Benefits increase by 2.12% annually to account for inflation. This example is hypothetical and provided for illustrative purposes only. Monthly benefit at any age varies widely by individual based on their earning history.

Earnings Limit and Benefit Taxability

Income Earned ***Before*** Full Retirement Age (FRA)	Income Earned ***During*** the Year of Full Retirement Age (FRA)	Income Earned ***After*** Full Retirement Age (FRA)
• For retirees collecting Social Security benefits before FRA, Social Security will take back $1 of benefits for every $2 over the earnings limit. • For 2022, the earnings limit before FRA is $19,560.	• During the year you reach FRA and up to the month you reach FRA, Social Security will deduct $1 of benefits for every $3 over the earnings limit. • During this year, Social Security only counts earnings that you receive before the month you reach FRA. • For 2022, the earnings limit in the year of FRA is $51, 960.	• There is no earnings limit after an individual reaches full retirement age.

Note: Benefit reductions due to the earnings limit are only temporary, as the monthly benefit will be recalculated upon full retirement age to give credit for previously withheld payments.

Taxable Portion of Social Security Benefits	Taxable Income	
	Single, Head of Household	Married Filing Jointly
0%	Less than $25,000	Less than $32,000
Up to 50%	$25,000 - 34,000	$32,000 - 44,000
Up to 85%	Over $34,000	Over $44,000

Source: Social Security Administration (SSA), SSA.gov

Social Security: Spousal & Family Benefits

Upon starting Social Security retirement benefits, some members of your family may also be entitled to receive benefits from your Social Security earnings record or you may qualify to receive benefits from their earning record.

Spousal Benefits

Start between spouse's age 62 and FRA:
- Permanently reduces monthly benefit
- May be affected by the earnings test if still working

Start after spouse's FRA, receives the greater of:
- 50 percent of your monthly benefits based at your FRA (no delayed credit)
- Spouse's FRA personal monthly benefit with delayed credit

Children Benefits

Eligible children, including biological, adopted, stepchildren, and/or dependent grandchildren may also be eligible for benefits, provided they meet the following qualifications:

- Unmarried and
- Under age 18 or
- Age 18-19 and full-time student (no higher than grade 12) or
- Greater than age 18 and disabled from a disability that started before age 22

Ex-Spouse Benefits

You may be entitled to benefits from your ex-spouse's record if you meet the following qualifications:

- Marriage lasted more than 10 consecutive years
- You have not remarried
- You and your ex-spouse are at least age 62

***Maximum Family Benefit**: If one of your children also qualifies for benefits, generally the total amount you and your family may receive is about 150 to 180 percent of your full retirement benefit.*

*An Ex-Spouse benefit does **not** affect the benefit you or your family may receive.*

Source: SSA.gov

Medicare Basics

- **Part A (Hospital Insurance)**
  - Free for people age 65 and older who paid payroll tax for 40+ quarters (about 10 years)
  - Helps cover in-patient hospital care, skilled nursing facility care, hospice care and home health care

- **Part B (Medical Insurance)**
  - Anyone eligible for Part A is eligible to enroll in Part B and pay a monthly premium
  - Helps cover physician services, outpatient care, home health care, mental health, ambulance services, preventive services and durable medical equipment

- **Part C (Medicare Advantage)**
  - The private health insurance alternative to ‘Original Medicare’ (Parts A & B), which might also include Part D coverage
  - If enrolling in Medicare Advantage, must still enroll in Parts A & B and pay the Part B premium; also will sign up and pay for the chosen Medicare Advantage plan

- **Part D (Prescription Drug Coverage)**
  - Run by private insurance companies that follow rules set by Medicare
  - Helps cover the cost of prescription drugs
  - Once total drug costs (between what you and the plan have spent) reach $4,430 (2022 limit), enrollee will pay no more than 25 percent of the drug price (this is often referred to as the ‘donut hole’ of Part D coverage)

Source: AARP

Medicare: Common Misconceptions

✗ Medicare provides completely free health care

- ✓ For most people, Medicare Part A does not require a premium, but you are still responsible for copays, coinsurance and deductibles
- ✓ Part B also has premiums, copays, coinsurance and deductibles similar to other health insurance plans

✗ Medicare covers everything

- ✓ Dental, vision and hearing are not covered
- ✓ Prescription drug coverage is only covered through Part D and Medicare Advantage plans

✗ Medicare may not cover you

- ✓ You cannot be rejected for coverage or be charged higher premiums due to serious illness

✗ Eligible enrollees will be notified when it's time to sign up for Medicare

- ✓ Unless you are already receiving Social Security benefits, you must apply for Medicare
- ✓ If you sign up when first eligible, you can avoid delays in coverage

Medicare: Important Dates to Remember

Medicare benefits generally do not require annual enrollment. Key dates for enrollment and changes are highlighted below.

Date	Notes
Initial Enrollment Period	Seven-month period: initial enrollment period begins three months prior to the month turning age 65 and ends three months after the month turning age 65 Individuals who do not sign up during the IEP may be subject to a late enrollment penalty
General Enrollment Period	January 1 – March 31 Those missing the Initial Enrollment Period can sign up during this period; coverage will subsequently start July 1
Medicare Advantage Open Enrollment	January 1 – March 31 (only for individuals who already have a MA plan) If enrolled in a Medicare Advantage plan, enrollee can: • Switch to a different Medicare Advantage plan • Drop Medicare Advantage plan and return to Original Medicare • Sign up for Medicare Part D (if returning to Original Medicare)
Annual Open Enrollment Period	October 15 – December 7 Individuals can join, switch, or drop a plan for coverage beginning January 1
Special Enrollment Period	Individuals with certain qualifying life events (losing health coverage, moving, getting married, having a baby, or adopting a child) may be eligible to sign up during a Special Enrollment Period
January 1	New coverage begins; monthly premium adjustments go into effect

Source: Medicare.gov

Choosing Medicare Coverage

	Original Medicare (Parts A & B)	Medicare Advantage (Part C)
Care Options	• Visit any doctor that accepts Medicare; in most cases, no referral is needed for a specialist	• Must use doctors only in plan network (most commonly HMO or PPO network); a referral may be needed to visit a specialist
Costs	• Monthly premiums determined by income. • No annual out-of-pocket maximum • Usually pay 20 percent of Medicare-approved amount after meeting deductible	• Still have to pay Part B premium (and, if applicable, Part A premium) in addition to the plan's premium • Varying out-of-pocket costs, but will not pay additional costs in a year after reaching plan limit
Coverage	• Part A and Part B included • Part D may be added separately • Supplemental (Medigap) coverage allowed	• Plans must cover all services Original Medicare covers and may offer additional benefits • Prescription drug coverage (Part D) is included in most plans • Cannot buy or use separate supplemental coverage • May include additional services not covered by Original Medicare such as dental, vision, and hearing care
Additional Notes	• May be preferrable for those wanting greater provider choices • According to the Kaiser Family Foundation, 93 percent of primary physicians participate in Medicare (however, 30 percent of primary care doctors are not accepting new Medicare patients)	• May be cheaper than Original Medicare with additional Medigap coverage • May be beneficial for those with low medical usage

"Think of it as choosing between ordering the prix fixe meal (Medicare Advantage) at a restaurant, where the courses are already selected for you, or going to the buffet (original Medicare), where you must decide for yourself what you want." – AARP

Source: AARP

Medicare Premiums

Modified Adjusted Gross Income (MAGI) Thresholds for Additional Medicare Part B Premiums

- With higher reported Modified Adjusted Gross Income (MAGI), additional premiums are added to taxpayers receiving Medicare
- Adjusted Gross Income (AGI) is found on the first page of a tax return. The most applicable deductions added back to calculate MAGI are: one-half of self-employment tax, passive income/loss, IRA contributions and taxable Social Security payments
- 2020 tax return filed in 2021 determines 2022 Medicare premiums

Single Filers	Married Filing Jointly	Part B Monthly Premium (2022)	Part D Monthly Premium (2022)
$0 - 91,000	$0 - 182,000	$ 170.10	Plan premium
$91,001 - 114,000	$182,001 - 228,000	$ 238.10	$ 12.40 + premium
$114,001 - 142,000	$228,001 - 284,000	$ 340.20	$ 32.10 + premium
$142,001 - 170,000	$284,001 - 340,000	$ 442.30	$ 51.70 + premium
$170,001 - 500,000	$340,001 - 750,000	$ 544.30	$ 71.30 + premium
$500,001 +	$750,001 +	$ 578.30	$ 77.90 + premium

Options to Lower MAGI

- Spend from taxable accounts, minimize amount withdrawn from a tax-deferred account
- Make a Qualified Charitable Distribution from an IRA
- Harvest losses in taxable accounts to offset realized capital gains

Source: Centers for Medicare & Medicaid Services

Estate Planning

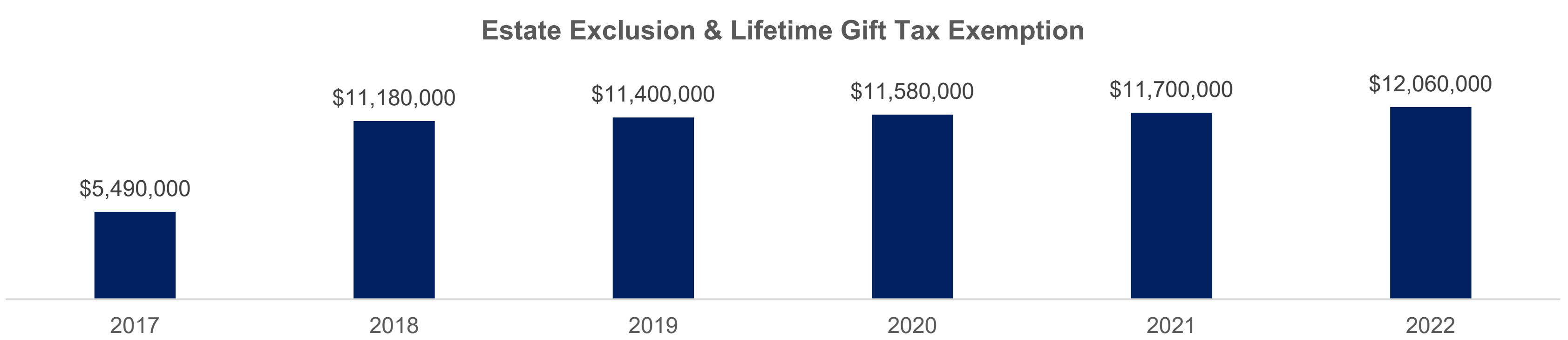
Estate Planning Updates

Federal Estate Planning Limits

	2021	2022
Estate Exclusion	$ 11,700,000	$ 12,060,000
Maximum Estate Tax Rate	40%	40%
Lifetime Gifting Exemption	$ 11,700,000	$ 12,060,000
Maximum Gift Tax Rate	40%	40%
Annual Exclusion Gift	$ 15,000	$ 16,000
Annual Gifting Limit to U.S. Citizen Spouse	Unlimited	Unlimited
Annual Gifting Limit to Non-U.S. Citizen Spouse	$ 159,000	$ 164,000

No Clawback

- The Tax Cuts and Jobs Act (TCJA) significantly increased the estate exclusion amount (presently $12.06 million for 2022), though there had been concern that individuals taking advantage of the higher exclusion amount might one day owe additional tax for prior gifts, should the estate exclusion decrease (either before or after 2025).
- In November 2019, the Treasury Department and IRS issued final regulations that individuals utilizing the increased gift and estate tax exclusion amounts (scheduled for 2018 to 2025) would *not* be adversely impacted should the exclusion revert to pre-2018 levels.
- ***Key Takeaway:*** Individuals who have – or are likely to have – a taxable estate *and* who have sufficient assets for retirement may want to consider gifting additional assets to loved ones while the exclusion amount stands at an increased level.



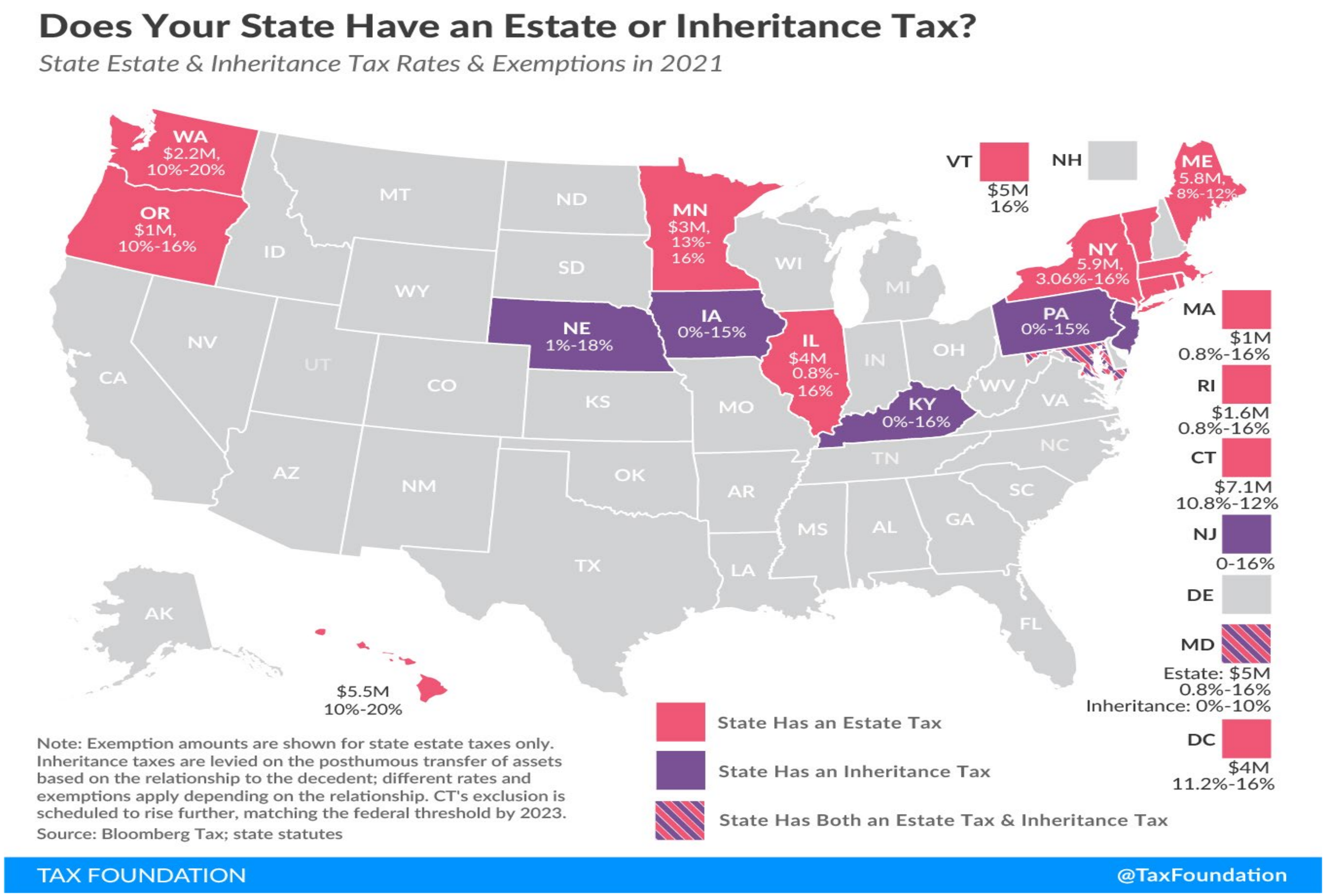
Source: Forbes, The Tax Foundation

Estate Planning Updates

Don't Forget Estate Tax at the State Level!

Many states have estate exclusions far below the federal level which may result in state estate taxes.

Older estate plans should be reviewed to ensure trust provisions incorporate current federal and state estate tax limits.



Source: The Tax Foundation

Guide to Estate Planning

Level One (Must Haves)

Planning for and documenting the transfer of assets with minimized tax and transfer cost. Review upon life events (marriage, divorce, birth, adoption, etc.)

- A Will appoints guardians for your children and spells out specifically how you want your property split
- A Living Trust avoids probate, allows for privacy, and designates how assets are to be divided upon your death
- A Healthcare Power of Attorney allows you to designate a Healthcare agent to make healthcare decisions in the event you are unable to make decisions for yourself
- A Financial / Property Power of Attorney allows you to designate an agent to make financial decisions in the event you are unable to make decisions for yourself
- Joint accounts transfer to a designated person upon death, it is important to review co-ownership provisions and the titling of accounts
- Some assets (such as IRAs, Life Insurance, and Annuities) pass to your designated Beneficiaries. It is very important to periodically review beneficiary designations and coordinate with the overall estate plan

Level Two (Considerations)

Further enhance the direction of assets, minimize Estate Taxes or increase Asset Protection

- The Spousal Lifetime Access Trust (SLAT) has become a popular estate planning strategy to take advantage of current lifetime gift tax exemptions ($12.06MM each)
- Grantor Retained Annuity Trusts (GRAT) seek to pass assets to beneficiaries free of estate and gift tax that have appreciated over the IRS Section 7520 interest rate
- Explore Charitable Trust, Donor-Advised Fund and Foundation Options
- Since Life Insurance is not necessarily estate tax-free, consider establishing an Irrevocable Life Insurance Trust
- Qualified Personal Residence Trust (QPRT)
- Intra-Family Loans can provide family members lower borrowing rates than traditional financing options
- Special Needs Trusts ensure the proper passing of assets to ensure beneficiaries with special needs are not disqualified from entitled benefits

Level Three (Advanced)

For Complex Estate Tax Issues or Liability Concerns

- Domestic and Offshore Asset Protection Trusts offer those in high liability fields of work and those with high estate tax brackets options to reduce liability
- Self-Cancelling Notes allow the exchange of property for periodic payments based upon mortality
- Family Limited Partnerships and Family LLC's provide legal, financial, and tax structure to family businesses

Concept Check: Portability

Portability allows you to use your spouse's unused estate tax exclusion. While portability was made permanent for federal estate tax purposes, you should check if your resident state also allows for portability of a deceased spouse's unused estate exclusion. In the event your resident state does not allow for portability, it may make sense for both spouses to have assets in their respective name (or trust's name) up to the resident state's estate exclusion amount. Note that portability may require the filing of estate tax returns at first death even if there is not a taxable estate.

How Assets Pass Upon Death

Probate vs. Non-Probate Assets

Probate is a public-court process that helps settle legal and financial matters upon death according to a will, if written.

Court costs, length of time, the lack of privacy and family disagreements are all potential issues that may arise within the probate process. With proper estate planning, you can limit the amount of assets that pass through probate.

How assets pass upon death

Assets That Bypass Probate			Probate Assets
Jointly Held Assets	**Assets w/ Beneficiaries**	**Assets held in Trust**	Individually-owned assets with no beneficiary (ex. cars, home, bank account and personal belongings). Assets titled Tenancy in Common
Joint Accounts JTWROS Tenancy by the Entirety	Retirement Accounts IRA and Annuities Transfer on Death Life Insurance	Trust Agreements	**Last Will & Testament**
To Joint Owner	**To Named Beneficiary**	**To Trust Beneficiary**	**To Will Beneficiary**

Digital Assets: *Nearly all 50 states have passed a version of the Uniform Law Commission's Fiduciary Access to Digital Assets Act, Revised that legally allows for an executor, trustee, etc. to access a deceased's digital accounts. Consider discussing your digital estate with your attorney and the potential need to share online access information with your executor.*

Source: Uniform Law Commission, 2019

How Assets Pass Upon Divorce

Marital vs. Separate Property

Estate planning is not divorce planning. Without a pre- or post-nuptial agreement, marital assets may be subject to equitable division in a divorce proceeding.

Effective for divorces finalized after January 1, 2019, alimony payments will no longer be tax-deductible by the paying spouse and will not be added to the taxable income of the receiving spouse.

How assets pass upon divorce

Marital Property	Separate Property
Property Earned or Acquired During Marriage	**Property Acquired Before Marriage**
Any property, real or personal, the couple earns or acquires during the course of the marriage, <u>regardless of title or who paid for it</u>. Typical examples include: • Retirement and Investment Accounts • Pensions • Homes and Vacation Homes	Any property, real or personal, acquired prior to the marriage, also including specific instances of property acquired during the course of the marriage by one spouse. Typical examples include: • Inheritances • Gifts • Any property owned prior to marriage
Subject to Equitable Division	**Not Subject to Equitable Division (with exceptions)**

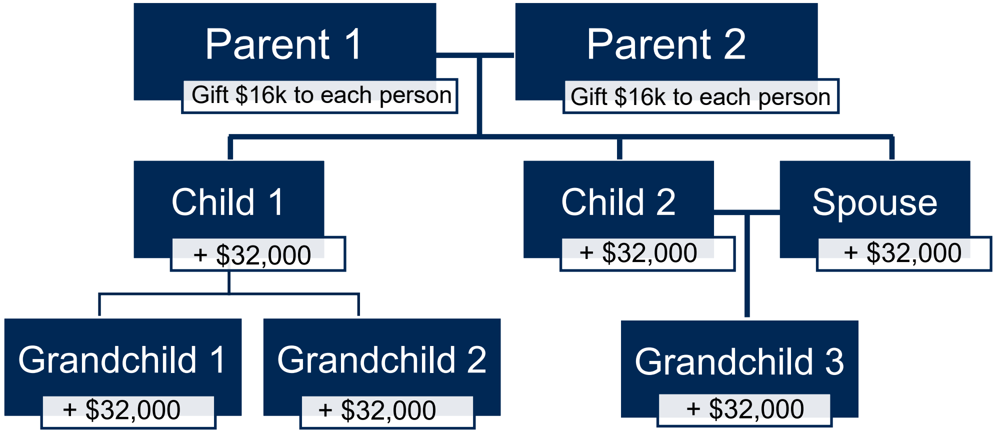
<u>Tainting of Assets</u>: *Separate assets may be tainted during the course of a marriage and may be treated as marital assets in a divorce proceeding. For example, if a spouse deposits a personal inheritance into a joint account or uses income from an inheritance to support the couple's lifestyle, this separate asset may be treated as a marital asset.*

Tax Advantages of Gifting

Individuals who are likely to one day have a taxable estate should consider annual exclusion gifts as a means to reduce the size of the estate.

The current annual gift exclusion enables a donor to transfer up to $16,000 per donee; gifts above $16,000 are allowed but may require using a portion of one's lifetime gift tax exemption and may require filing a gift tax return. Consider consulting an estate planning attorney on the proper titling of gifts and evaluate ideal savings/investing vehicles for the donee(s).

Additionally, tuition payments made directly to an educational institution and payments made directly to a healthcare provider for a person's medical care do not constitute gifts (and thus do not count toward the $16,000 annual exclusion gift limit). Given the considerable expense often associated with private school or college, direct tuition payments can serve as a meaningful planning opportunity to reduce the size of a taxable estate.



Example:

Each donor can individually gift to each donee $16,000 per year, which equates up to $32,000 gifted to each recipient annually (from a couple).

In this example, the parents (the first generation) are able to transfer $192,000 tax-free each year to their heirs to reduce the size of their total estate, which may produce significant estate tax savings if annual exclusion gifts are made over a period of years.

Example is hypothetical and for illustrative purposes only.

Grantor Retained Annuity Trust (GRAT)

Individuals with assets in excess of the estate exclusion (currently $12.06 million per person) might consider this strategy as an opportunity to potentially transfer additional assets to beneficiaries on a gift and estate tax-free basis. The current low interest rate environment makes this a particularly attractive planning opportunity.

	Notes & Logistics
Trust Funding	• Grantor executes a legal document specifying the trust provisions and the term of the trust • Grantor funds the trust ('GRAT') with cash and/or securities
During the Trust Term	• The GRAT pays out an annuity to the grantor over the trust's specified term • Portfolio income generated during the term of the trust flows back to the grantor
End of the Trust	• If the GRAT outperforms the 'hurdle rate' (IRS Section 7520 rate), the GRAT will have remaining assets that will pass estate tax-free to the named beneficiaries
Additional Notes	• The value of the gift at funding (if any) = fair market value of contributed assets *less* the actuarial present value of the annuity, as determined by the IRS Section 7520 rate (often referred to as the 'hurdle rate') • Grantor may create a 'zeroed-out GRAT' whereby the fair market value of assets contributed to the trust matches the actuarial present value of the annuity • If the grantor dies during the term of the GRAT, the GRAT assets revert back to the grantor's estate and would potentially be subject to estate tax • 7520 rate = 1.6 percent as of January 2022; for perspective, 7520 rate stood at 3.6 percent as of December 2018

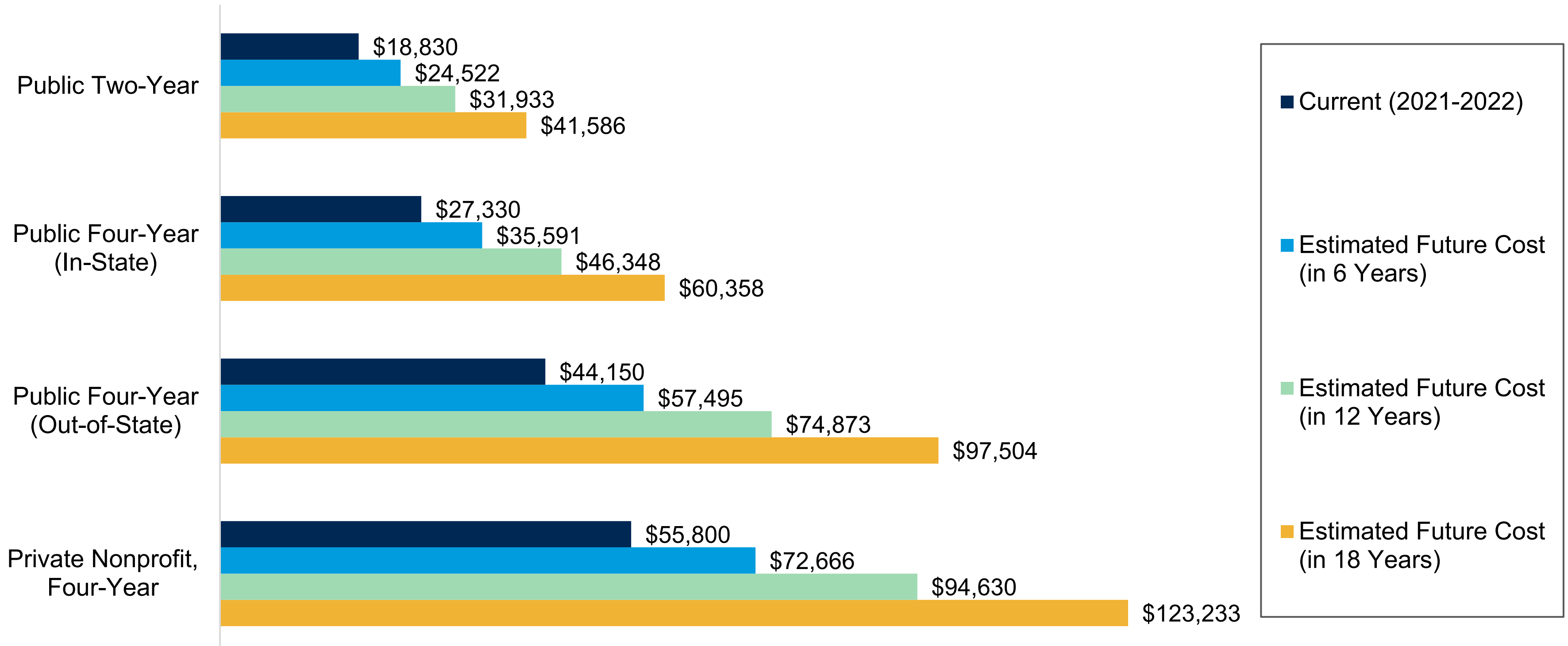
The Build Back Better Act (BBBA), which is currently under consideration in Congress, may target this or other grantor trust planning strategies; please check for further updates.

Education Planning

Education Planning

With college costs steadily rising, a four-year education has become an increasingly expensive proposition. Over the last 10 years, published tuition and fees and room and board (TFRB) expenses have increased 11 percent above inflation for public four-year institutions and 14 percent above inflation for private nonprofit four-year institutions.

Average Estimated Full-Time Undergraduate Expenses (2021-2022)



Current expenses via College Board's "Trends in College Pricing and Student Aid 2021." Calculations for estimated future college expenses assume a 4.5 percent annualized increase.

Saving for College

<u>Assumptions:</u>
- Annual cost of college is $40,000 per year
- Annual cost of college increases by 4.50 percent per year
- College savings (529 Plan, etc.) annualize at 6.00 percent per year
- Parent(s)/Guardian(s) wish to fully fund college education

Approximate Monthly Savings Required to Fund Future College Expenses

Years until College	$0 Beginning Balance	$10,000 Beginning Balance	$25,000 Beginning Balance	$50,000 Beginning Balance	$75,000 Beginning Balance	$100,000 Beginning Balance
18	$912	$836	$723	$533	$344	$154
17	$957	$879	$762	$566	$370	$174
16	$1,008	$927	$805	$602	$399	$196
15	$1,065	$980	$854	$643	$432	$221
14	$1,130	$1,042	$909	$689	$469	$248
13	$1,204	$1,112	$973	$742	$511	$280
12	$1,291	$1,194	$1,047	$803	$559	$315
11	$1,394	$1,290	$1,134	$875	$616	$357
10	$1,516	$1,405	$1,239	$961	$684	$406
9	$1,666	$1,546	$1,366	$1,066	$765	$465
8	$1,852	$1,721	$1,524	$1,195	$867	$538
7	$2,092	$1,946	$1,727	$1,362	$997	$631
6	$2,411	$2,246	$1,997	$1,583	$1,168	$754
5	$2,858	$2,664	$2,374	$1,891	$1,408	$925

Hypothetical illustration only. Actual results may vary based on a variety of factors (annual performance of savings, annual college cost increases, etc.). Analysis assumes no taxes. These returns are hypothetical and do not represent returns earned by clients of Fiducient Advisors.

College Savings Options

529 Plan

- Tax-free investing and distribution for qualified college education expenses***, as well as distributions up to $10,000 per child per year for K-12 expenses and cost of apprenticeship programs, and up to $10,000 for qualified student loan repayments (lifetime limit).***
- With limited exceptions, non-qualified withdrawals are taxed as ordinary income *plus* a 10 percent penalty on the earnings.
- Can change beneficiaries.
- Investment allocation can be changed up to twice per year for previously invested funds.
- No income limits for contributors. Special provisions allow for up to five years of annual gift exclusions to be made within a single year ($80,000 as individual, $160,000 as a couple).
- 49 states and the District of Columbia offer a 529 plan; 34 states offer resident tax benefits
  - Seven tax parity states offer taxpayers a deduction for contributions to *any* state's 529 plan:
    - Arizona, Arkansas, Kansas, Minnesota, Missouri, Montana and Pennsylvania
  - Seven states currently have a state income tax, but do *not* offer a deduction for contributions:
    - California, Delaware, Hawaii, Kentucky, Maine, New Jersey and North Carolina

Custodial Account (Uniform Gifts to Minors Act/Uniform Transfer to Minors Act)

- Funds must be used for child's benefit, not necessarily for college
- **High impact** on financial aid eligibility
- Child assumes full control at age of majority (generally age 18 or 21)
- For tax year 2022, the first $1,150 of your child's unearned income is untaxed. The next $1,150 is taxed at their marginal rate. Unearned income that exceeds $2,300 is taxed at the parent's income tax rate.

Morningstar 529 Plan Ratings (2021)

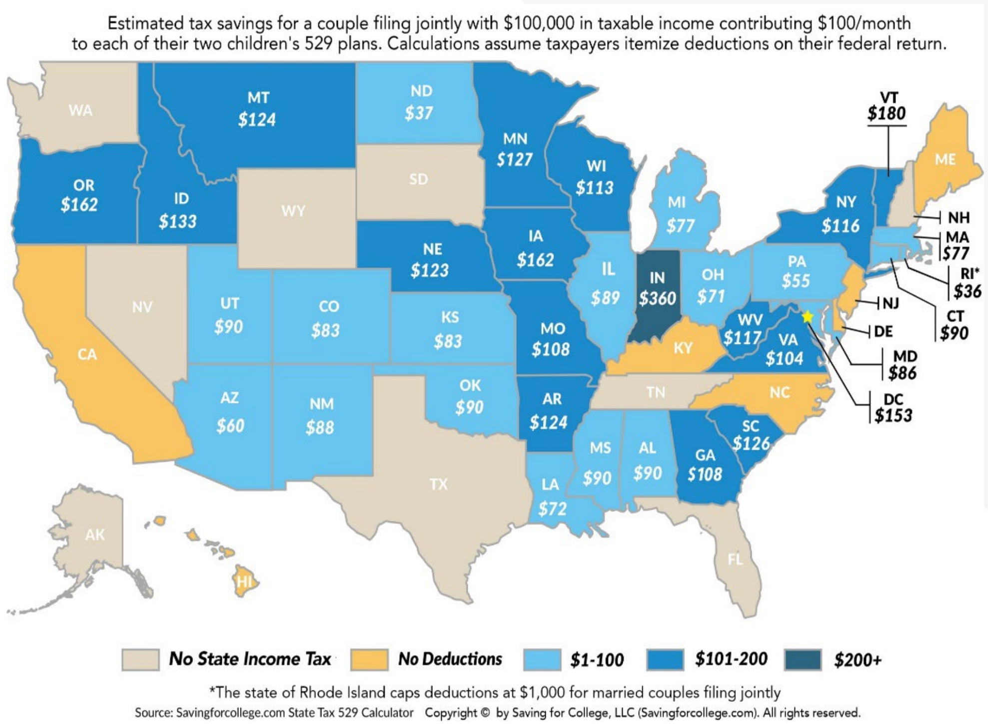
Gold-Rated Plans (3)	State
Bright Start Direct-Sold College Savings Plan	IL
Michigan Education Savings Program	MI
my529 Plan	UT

Silver-Rated Plans (11)	State
T. Rowe Price College Savings Plan	AK
ScholarShare College Savings Plan	CA
Path2College 529 Plan	GA
MD Kasemeyer College Investment Plan	MD
Minnesota College Savings Plan	MN
MOST Missouri's 529 College Savings Plan	MO
The Vanguard 529 College Savings Plan	NV
New York's 529 Program (Direct)	NY
College Advantage 529 Savings Plan	OH
Oregon College Savings Plan	OR
Pennsylvania 529 Investment Plan	PA

Morningstar: "The Top 529 Education Savings Plans of 2021"

Individuals can contribute to any 529 plan (not limited to the resident state plan). If your resident state does not offer a meaningful tax deduction or tax credit for 529 plan contributions, consider a plan that has low fees and a broad range of investment options.

Websites such as Savingforcollege.com can be a helpful resource for comparing 529 plans.



Risk Management

Guide to Risk Management

A thoughtful risk management (insurance) plan requires periodic evaluations to reassess objectives and sufficiency of coverages.

	Why?	What Now?
Life Insurance	Death benefit for debt payoff, income replacement for heirs, payment of estate/inheritance tax	Review Beneficiaries, Review necessity for death benefit vs. cash value growth vs. neither
Disability Insurance	Income replacement in event of illness or injury	Review coverage as necessary
Property & Casualty Insurance	Protection against major claims and lawsuits	Review amount as property value and net worth changes
Health Insurance	Protection from high, unexpected health costs	Review coverage options annually, especially with Medicare
Long-Term Care Insurance	Protection for prolonged illness, accident and disability	Review coverage as necessary

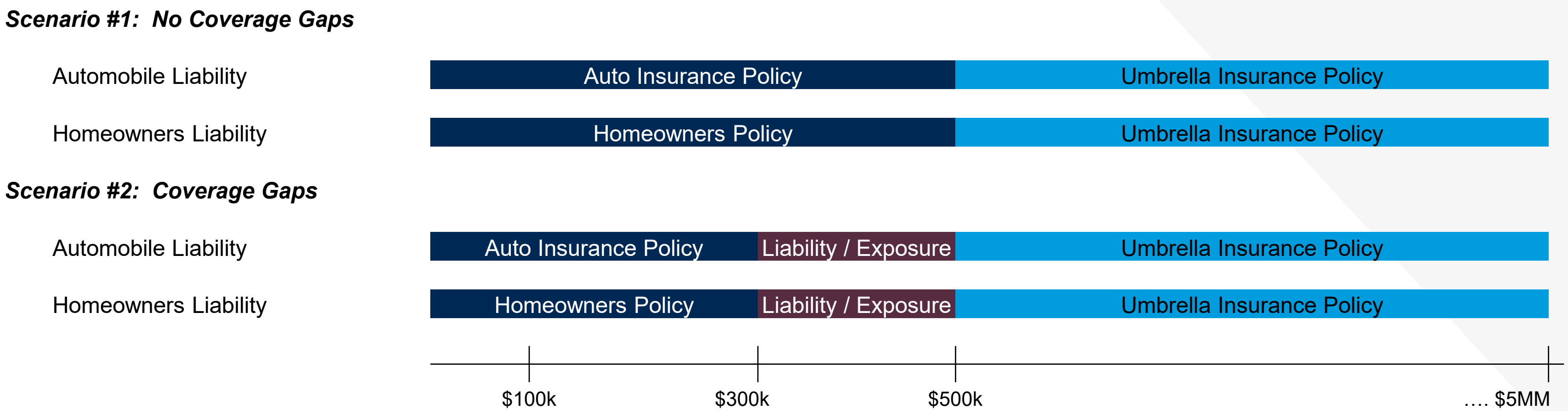
Property & Casualty Insurance

Common mistakes

1. Failing to understand policy coverage terms
2. Purchasing coverage that does not cover the full replacement or fair value of an asset
3. Not revisiting/updating coverage as net worth changes over time

Umbrella Liability Coverage

Provides additional liability coverage against judgments in lawsuits in excess of primary home and auto insurance liability coverages



Art, Jewelry and Collectibles Insurance

- Insure art, jewelry and collectibles with adequate insurance coverage with your property and casualty provider.
- In the case of modern artwork, more timely appraisals may be needed to keep pace with potentially rapidly changing values.

John Smith, Modern Painter
Painting X
Purchased 01/01/2018
Fair Value $30,000

John Smith, Modern Painter
Painting Y; Painting Z
02/28/18 Sale $200,000;
05/01/18 Sale $400,000

John Smith, Modern Painter
Painting X
06/30/18 New Fair Value
$250,000

Health Insurance

Insurance costs have increased by 740 percent since 1984 – picking the right insurance plan matters

Types of Plans	Description
Health Maintenance Organization (HMO)	Typically less expensive annual premiums, lower-to-no deductible, out-of-network doctors are not covered, and many plans require primary care physician to provide a referral to see a specialist.
Preferred Point Provider (PPO)	Premiums tend to be higher, higher deductible, out-of-network doctors/hospitals may be covered, and specialists can generally be seen without a referral from a primary care physician
High Deductible Health Plan (HDHP)	Lowest monthly premiums of the main plans, higher annual deductibles and out-of-pocket maximum limits, and ability to contribute to a Health Savings Account

Medical Savings Plans

- ***Health Savings Account (HSA)***
  - Available only to individuals covered by a qualified High Deductible Health Plan (HDHP)
  - Contributions limited to $3,650 self / $7,300 family; additional $1,000 limit for age-55+ catch-up contributions
  - Contributions are tax-deductible
  - Earnings grow tax-free and distributions for qualified medical expenses are tax-free
  - Unused balances roll over to the next year

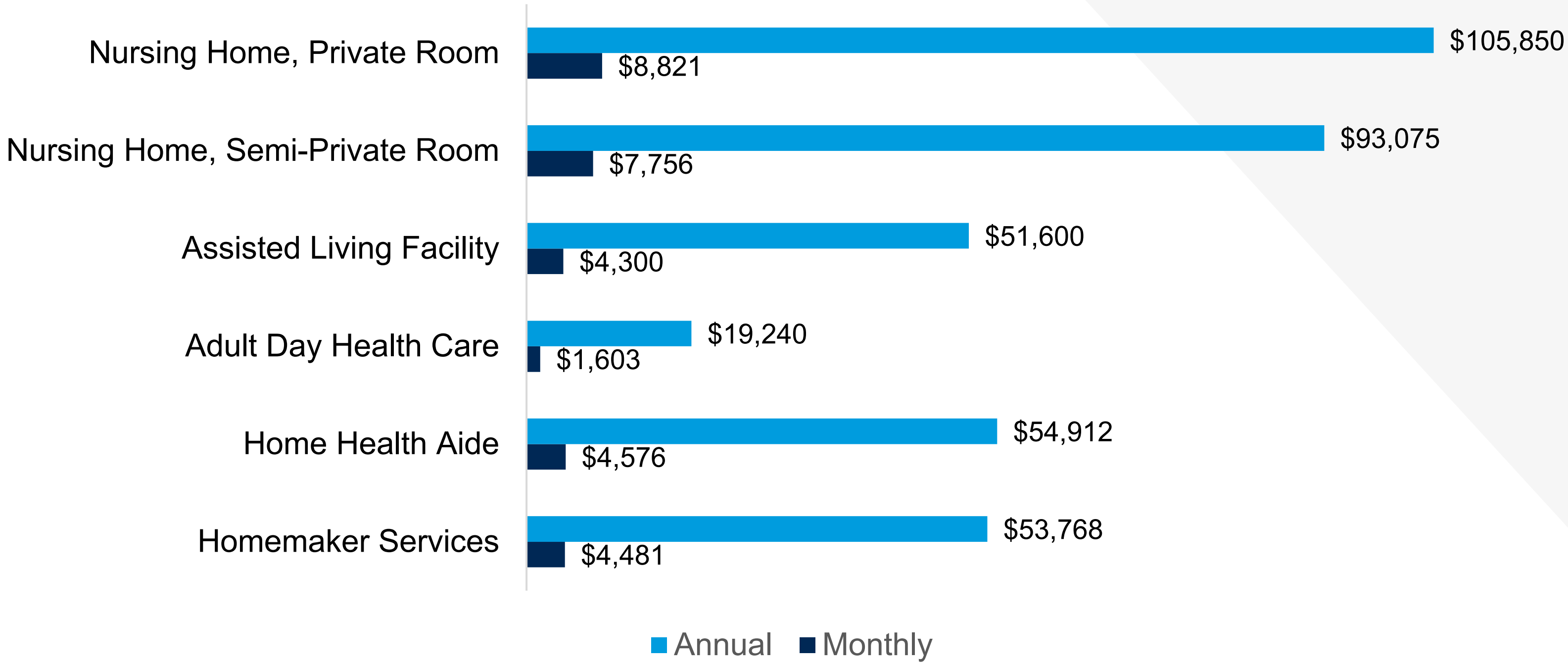
- ***Flexible Savings Plan (FSA)***
  - Available to individuals with benefits package from employer
  - Pre-tax payroll deduction; contributions limited to $2,850
  - Unused annual balances are forfeited, unless employer offers rollover

Source: Analysis of Bureau of Labor Statistics Consumer Expenditures Survey by data company Clever

Long-Term Care Insurance

With 10,000 Baby Boomers turning age 65 every day, cost of care is increasing to keep up with demand.

U.S. National Median Long-Term Care Support Services Costs



Ways to Cover Long-Term Care Needs

1. Medicare (max 100 days) and Medicaid
2. Self-Insure
3. Long-Term Care Insurance
4. Hybrid Life Insurance/Accelerated Death Benefits

Source: Genworth 2020 Cost of Care Survey

Long-Term Care Insurance

Long-Term Care Insurance generally covers:

- Skilled care – licensed therapists, nursing homes, rehabilitation services
- Custodial care – home health aides, companion services
- Assisted living and sheltered care
- Adult day care and hospice care
- Care coordination services

When to buy:

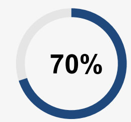
- Consider at age 50, no later than age 70
- Before developing medical issues that might disqualify coverage

When to begin benefits:

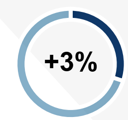
- Qualifying for long-term care benefits generally involves assistance with two of the Activities for Daily Living (ADLs): Dressing, eating, toileting, bathing, transferring and continence

Other considerations:

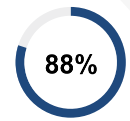
- Premium payment amounts are not guaranteed and may increase significantly after purchase
- Policyholders may be able to deduct a portion of premium payments (as medical expense, subject to the floor of 7.5 percent of AGI as itemized deduction)
- Most long-term care policies have a waiting period before benefits kick in (typically 90 days). All costs during waiting period are out-of-pocket



At least 70 percent of people over 65 will require some form of LTC services and support during their lifetimes



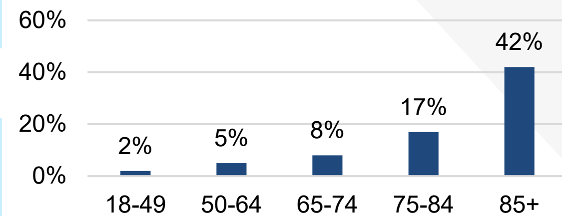
Annualized increase in the cost of care since 2019



The cost of nursing home care that individuals are responsible for after Medicare

Source: Genworth 2020 Cost of Care Survey

Need for LTC Services



Source: American Association for Long-Term Care Insurance

Cybersecurity and Fraud Prevention

Cybersecurity

PREVENT

1. ***Strong Passwords:*** Use a combination of numbers, symbols and letters to form a long, complex password. Use unique passwords for each online login and regularly change all passwords.
2. ***Multi-Factor Authentication:*** If available, enable two-factor authentication for email, social media, financial accounts, etc. This functionality sends a one-time code to a mobile device to verify access, thus preventing unauthorized parties from accessing your account without the code.
3. ***Secure Wi-Fi Network:*** Avoid unsecure access to public Wi-Fi networks, such as in coffee shops, airports, hotels, etc. A virtual private network (VPN) creates a personal, private network across public networks.
4. ***Cautiousness with targeted telephone calls:*** Avoid divulging any banking or personal information to a caller over the phone and do not give in to pressure to take immediate action. The IRS and law enforcement agencies will not call you. Beware of the question "can you hear me" which leads to the recording of you saying "yes" to authorize unwanted charges, etc.
5. ***Safe Surfing*:** Only open emails, attachments, and links from people you know. Pay attention to a website's URL; hover over any links to see where they lead.

DETECT

1. ***Account Review*:** Open your credit card bills and bank statements right away. Check carefully for any unauthorized charges or withdrawals and report them immediately.

2. ***Review Your Credit Report:*** By law, you can obtain a free credit report every 12 months from www.annualcreditreport.com. According to the Federal Trade Commission, this is the only authorized source for the free annual credit report (though it will not include your FICO score). You should review your credit report for any discrepancies (unauthorized accounts, etc.).

REACT

If you have been a victim of identity theft:

- File a report with the local law enforcement agency.
- File Form 14039 (Identity Theft Affidavit) with the Internal Revenue Service.
- Contact one of the three credit bureaus (Equifax, Experian, TransUnion) to report the crime and freeze credit. Once one of the credit bureaus issues a fraud alert, the other two bureaus are automatically notified.

Fraud Prevention

Excerpts from "10 Things You Can Do to Avoid Fraud" by the Federal Trade Commission (FTC)

Spot imposters	Scammers often pretend to be someone you trust, like a government official, a family member, a charity or a company you do business with. Don't send money or give out personal information in response to an unexpected request — whether it comes as a text, a phone call or an email.
Talk to someone	Before you give up your money or personal information, talk to someone you trust. Con artists want you to make rushed decisions. They might even threaten you. Slow down, check out the story, do an online search, consult an expert — or just tell a friend.
Don't believe caller ID	Technology makes it easy for scammers to fake caller ID information, so the name and number you see aren't always real. If someone calls asking for money or personal information, hang up. If you think the caller might be telling the truth, call back to a number you know is legitimate.
Consider how you pay	Credit cards have significant fraud protection built in, but some payment methods don't. Wiring money is risky because it's nearly impossible to get your money back; that's also true for reloadable cards (like MoneyPak or Reloadit) and gift cards (like iTunes or Google Play). Government offices and honest companies won't require you to use these payment methods.
Be skeptical of free trial offers	Some companies use free trials to sign you up for products and bill you every month until you cancel. Before you agree to a free trial, research the company and read the cancellation policy. Always review your monthly statements for charges you don't recognize.
Sign up for scam alerts: ***ftc.gov/scams***	Get the latest tips and advice about scams sent right to your inbox. If you spot a scam, report it at ftc.gov/complaint. Your reports help the FTC and other law enforcement investigate scams and bring criminals to justice.

Additional Resources

Additional Planning Insights

Please visit our website for other timely investing and financial planning insights.

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Research Paper

Nine Moves to Consider Before Year-End

Planning Ahead and Reaping the Benefits

by Nicholas Breit, CFA, CFP®, Principal, Director of Financial Planning

December 2021

Year-end planning could prove more challenging in 2021, given continued uncertainty over tax reform. The social safety net and climate bill known as the "Build Back Better Act" (BBBA) has been tied up in negotiations for months, given competing priorities on when to pass the infrastructure bill versus the spending bill. While the infrastructure bill ultimately passed and has since been signed into law by President Biden, the outlook for BBBA remains in question, albeit with some recent traction.

On Friday, November 19, the House passed the measure by a vote of 220-213 (along strict party lines). Attention now turns to the Senate, which will consider the bill over the coming weeks. Amid an evenly divided Senate (50-50) and with the expectation of no Republican support, centrists Joe Manchin (D-West Virginia) and Kyrsten Sinema (D-Arizona) will wield considerable power in upcoming negotiations. Passing BBBA using a process called 'reconciliation' will ultimately require unanimous Democratic support in the Senate (50 votes). Senate Majority Leader Charles Schumer (D-N.Y.) has cited a goal for the Senate to pass the bill prior to Christmas, though that timeline may be in question.

With the possibility that tax reform could be passed just prior to year-end, taxpayers should engage their team of trusted advisors to determine whether planning strategies (such as those outlined below) might yield meaningful tax savings.

1. Utilize the Lifetime Gift Tax Exemption

The Tax Cuts and Jobs Act (TCJA), which passed in December 2017, approximately doubled the estate exemption – from \$5.49 million per person in 2017 to \$11.18 million per person in 2018. For 2021, the lifetime gifting exemption currently stands at \$11.70 million per person, with a top federal estate tax rate of 40 percent. The increased exemption amounts, under TCJA, are scheduled to run through 2025, after which the basic exclusion amount (BEA) is set to revert to the 2017 level of \$5 million per person, plus inflation adjustments.

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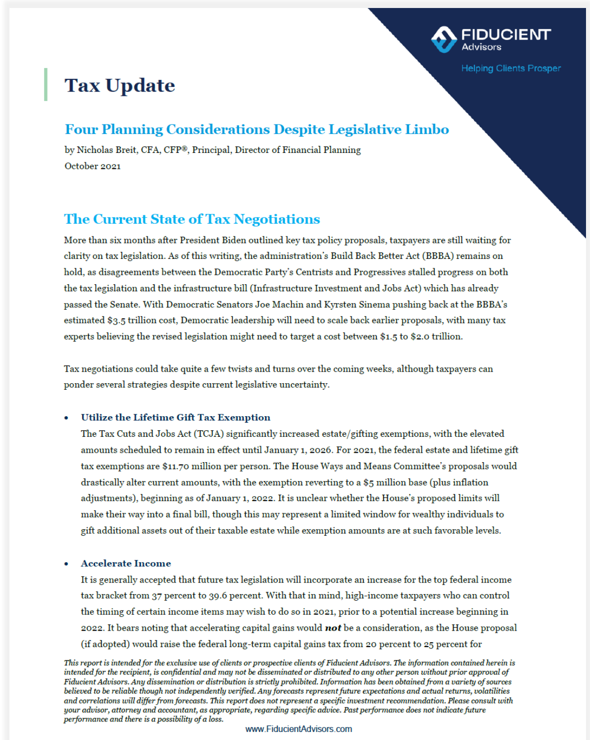

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Tax Update

Four Planning Considerations Despite Legislative Limbo

by Nicholas Breit, CFA, CFP®, Principal, Director of Financial Planning

October 2021

The Current State of Tax Negotiations

More than six months after President Biden outlined key tax policy proposals, taxpayers are still waiting for clarity on tax legislation. As of this writing, the administration's Build Back Better Act (BBBA) remains on hold, as disagreements between the Democratic Party's Centrists and Progressives stalled progress on both the tax legislation and the infrastructure bill (Infrastructure Investment and Jobs Act) which has already passed the Senate. With Democratic Senators Joe Machin and Kyrsten Sinema pushing back at the BBBA's estimated \$3.5 trillion cost, Democratic leadership will need to scale back earlier proposals, with many tax experts believing the revised legislation might need to target a cost between \$1.5 to \$2.0 trillion.

Tax negotiations could take quite a few twists and turns over the coming weeks, although taxpayers can ponder several strategies despite current legislative uncertainty.

- **Utilize the Lifetime Gift Tax Exemption**
  The Tax Cuts and Jobs Act (TCJA) significantly increased estate/gifting exemptions, with the elevated amounts scheduled to remain in effect until January 1, 2026. For 2021, the federal estate and lifetime gift tax exemptions are \$11.70 million per person. The House Ways and Means Committee's proposals would drastically alter current amounts, with the exemption reverting to a \$5 million base (plus inflation adjustments), beginning as of January 1, 2022. It is unclear whether the House's proposed limits will make their way into a final bill, though this may represent a limited window for wealthy individuals to gift additional assets out of their taxable estate while exemption amounts are at such favorable levels.

- **Accelerate Income**
  It is generally accepted that future tax legislation will incorporate an increase for the top federal income tax bracket from 37 percent to 39.6 percent. With that in mind, high-income taxpayers who can control the timing of certain income items may wish to do so in 2021, prior to a potential increase beginning in 2022. It bears noting that accelerating capital gains would ***not*** be a consideration, as the House proposal (if adopted) would raise the federal long-term capital gains tax from 20 percent to 25 percent for

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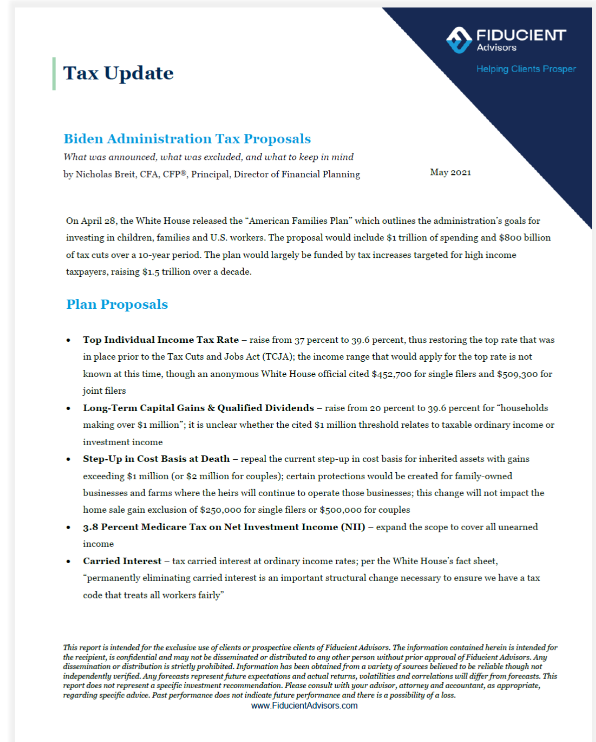

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Tax Update

Biden Administration Tax Proposals

What was announced, what was excluded, and what to keep in mind

by Nicholas Breit, CFA, CFP®, Principal, Director of Financial Planning May 2021

On April 28, the White House released the "American Families Plan" which outlines the administration's goals for investing in children, families and U.S. workers. The plan would include \$1 trillion of spending and \$800 billion of tax cuts over a 10-year period. The plan would largely be funded by tax increases targeted for high income taxpayers, raising \$1.5 trillion over a decade.

Plan Proposals

- **Top Individual Income Tax Rate** – raise from 37 percent to 39.6 percent, thus restoring the top rate that was in place prior to the Tax Cuts and Jobs Act (TCJA); the income range that would apply for the top rate is not known at this time, though an anonymous White House official cited \$452,700 for single filers and \$509,300 for joint filers
- **Long-Term Capital Gains & Qualified Dividends** – raise from 20 percent to 39.6 percent for "households making over \$1 million"; it is unclear whether the cited \$1 million threshold relates to taxable ordinary income or investment income
- **Step-Up in Cost Basis at Death** – repeal the current step-up in cost basis for inherited assets with gains exceeding \$1 million (or \$2 million for couples); certain protections would be created for family-owned businesses and farms where the heirs will continue to operate those businesses; this change will not impact the home sale gain exclusion of \$250,000 for single filers or \$500,000 for couples
- **3.8 Percent Medicare Tax on Net Investment Income (NII)** – expand the scope to cover all unearned income
- **Carried Interest** – tax carried interest at ordinary income rates; per the White House's fact sheet, "permanently eliminating carried interest is an important structural change necessary to ensure we have a tax code that treats all workers fairly"

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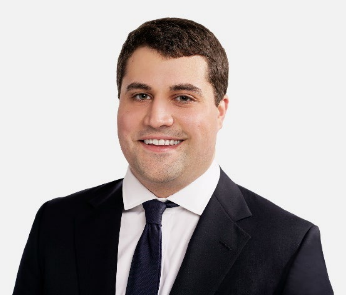

Barrett Scott
Consultant

Nick Santangelo
Client Service Associate

Disclosures

DiMeo Schneider & Associates, L.L.C. changed its name to Fiducient Advisors LLC on March 29, 2021. Prior to the name change, Fiduciary Investment Advisors LLC merged into DiMeo Schneider & Associates, L.L.C. on December 31, 2020. Fiducient Advisors (DiMeo Schneider) started conducting business in 1995.

P&I's Consultant Ranking is a proprietary survey produced by Pension & Investment. Results are based on 71 questionnaire responses sent to 213 consultants determined by P&I that self-reported institutional assets under advisement as of June 30, 2021. Consultants with multiple subsidiaries are asked to provide information on a consolidated basis. There is no fee associated with participating in the ranking. The ranking is not indicative of Fiducient Advisor's future performance.

FA's RIA Ranking is an independent listing produced by Financial Advisor magazine based on discretionary and non-discretionary assets under management as reported in the Form ADV of the 715 eligible firms. Fiducient Advisor's ranking took into consideration the combined capabilities of the firm and its subsidiary, Fiduciary Investment Advisors, LLC. To be eligible, firms must provide financial planning and related services to individual clients, be independently registered investment advisors, file an ADV statement with the SEC, and have at least $500 million in assets under management as of December 31, 2020 based their ADV filing with the SEC. There is no fee associated with participating in the ranking. The 2020 ranking is not indicative of Fiducient Advisor's future performance.

Barron's Institutional Consulting Teams ranking is based on quantitative and qualitative factors including team's assets, revenue, size and character of the team itself. Barron's invites firms that, in their opinion, are competitive given size and sophistication. There is no fee associated with participating in the ranking. Our ranking took into consideration the combined capabilities of the firm and its subsidiary, Fiduciary Investment Advisors, LLC.

P&I's 2020 Best Places to Work in Money Management ranking is a proprietary survey produced by Pension & Investment in partnership with Best Companies Group. 94 companies were recognized in 2020 and results are based on evaluating each nominated company's workplace policies, practices, philosophy, systems and demographics, as well as an employee survey to measure employee experience. Fiducient Advisor's rankings are representative of the firm and its subsidiary, Fiduciary Investment Advisors, LLC. There is no fee associated with participating in the ranking.

P&I's Outsourcing Managers special report is based on information as of March 31, 2020 complied from a proprietary survey. Fiducient Advisor's rankings are representative of the consolidated assets of the firm and its subsidiary, Fiduciary Investment Advisors, LLC. Results are based on 62 responses out of 140 targeted managers. There is no fee associated with participating in the ranking. The ranking is not indicative of Fiducient Advisors' future performance.

The Largest Manager of Outsourced Endowment Assets ranking is based on U.S. institutional outsourced assets under management where the OCIO firm has a full or partial investment discretion.

The Top 15 OCIO Firms by Percentage Growth in AUM Ranking is produced by The Skorina Letter. Rankings are based on 84 firms that self-reported AUM of their OCIO discretionary services of as of June 30, 2019, and March 31, 2018. There is no fee associated with participating in the ranking. The ranking is not indicative of our future performance.

As of October 31, 2020. The DiMeo Schneider Diversity Survey data is self-reported and there is no assurance the information is accurate or complete. Diversity and Inclusion Survey was sent to 70 percent of recommended manager firms for investments strategies as of October 31, 2020. The percentages listed above are based on the 82 responses received. Each firm may define diversity differently and standard definitions were purposely excluded from the survey instructions. Respondent may provide information that is incomplete or based off a more expansive or restrictive scope than the survey intended. For example, a respondent's answer may incorporate information about only the sub-adviser or based on a manager's parent company. Responses may include affiliate or subsidiary data. Information may be based on all global employees or only their workforce located in United States. Respondents provided information from as far back as December 31, 2019, and as recent as September 30, 2020. Figures determined using NACUBO diversity thresholds of 25 percent or greater.