

THOUGHTS FOR THE WEEK

WELCOME TO THE FOURTH QUARTER

October 14, 2022

Forty-Two is...

- The number of kilometers in a marathon
- The number of gallons in a barrel of oil
- And the number of times drivers have slammed into the infamous Robert Parker Coffin Covered Bridge in Long Grove, IL since 2010

The most recent ding occurred this month...bringing the average hit rate over the past decade to about once per quarter (link below).

And speaking of quarters...welcome to the fourth.

gasp

If you feel like there are forty-two *thousand* things to do before year end, you're not alone.

Here's a far-from-all-inclusive-but-hopefully-helpful fourth quarter check list for you and your family.

Taxes: In a year when markets are in constant flux, one thing remains the same...we still cannot provide tax advice. But you likely have a hard-working CPA at the ready.

- **Income:** Make sure your tax team has a good idea of what your 2022 estimated income looks like. Let us know if we can provide statements to make their estimates more accurate. Reviewing your income can help uncover opportunities to realize losses, gains, or make charitable gifts to improve your forward-looking tax planning.
- **Residency:** Did a more flexible work arrangement or state tax jurisdiction nudge you to move this year? Check in with your tax team to ensure your state residency considerations are addressed appropriately
- **Tax Returns:** If you made gifts to individuals, trusts, or charities in 2021, ask your CPA and estate attorney if your gift tax filings are in order. If you've made or plan to make gifts in 2022, set a calendar reminder to touch base with your advisory team early next year.

Gifting: Many readers keep gift giving – charitable or otherwise – top of mind.

- **Charitable Gifting:** Gifting to charities can reduce your annual income taxes and reduce future estate taxes. The list of philanthropic entities to which you can gift is overwhelming (DAFs,

CRUTs, CLATs, Foundations, etc.), and deciding which entity to leverage and which assets to gift is rarely straightforward. Lean on your CPA, estate attorney, and our team to help make the best decision for you and your family.

- **Annual Gifting:** The 2022 annual exclusion limitation is \$16,000. That means in 2022 you can make an unlimited number of tax free \$16,000 gifts to individuals. Think back to Oprah's *Favorite Things Show* ... "You get \$16,000...and you get \$16,000...everyone gets \$16,000!!!" But \$16,001...and the IRS will take their pound of flesh on that incremental dollar. Real life example: A couple - parents, being a common example - can gift \$32,000 (\$16,000 x 2) to each child, grandchild, niece, nephew, neighbor, and friend before year end without paying a dime of gift tax (Source: The IRS).
- **Lifetime Gifting:** The 2022 federal lifetime gift and estate tax exemption is \$12.06 million. That means you can gift \$12.06 million *over your lifetime* without incurring a gift tax. This is in *addition* to annual gifts (see above), and it can be directed toward any number of individuals. Think back to Oprah's *Favorite Things Show*...if after the first round of \$16,000 gifts...she started stroking \$1M checks...twelve lucky audience members would receive checks before Uncle Sam entered stage right to collect his 40% gift tax. Notes: (i) If you don't gift \$12.06M away while you're alive, you can bequeath it to heirs free of a 40% federal estate tax and (ii) The amount you can gift/bequeath free of tax is set to drop by 50% after 2025 (Source: The IRS).

Retirement: Whether you're a scrappy, young entrepreneur or an AARP-card-carrying-curmudgeon, retirement accounts should be on your radar.

- **Required Minimum Distributions:** If you were 72 or older in the second half of 2021 and you have a Traditional IRA, 401(k), or some other type of "Qualified Retirement Plan", you should consider taking your RMD before year end. There's a steep 50% penalty for failing to do so (Source: The IRS).
- **Contributions:** If you're young and can afford to save, consider socking cash away in a Traditional IRA and \$20,500 to a Traditional 401(k). Contributions to Roth IRAs have more complex limitations, and you should work with a tax professional to understand if you qualify (Source: the IRS).
- **Roth IRAs:** If you can't contribute to a Roth IRA, you might consider converting your Traditional IRA to a Roth IRA. This can be an effective strategy when investment asset prices are down, as the tax burden is reduced. As with most strategies, consult a tax professional to better understand the costs/benefits before making any changes.

Seventy-Eight is...

- The atomic number for platinum
- The number of cards in a standard Tarot Deck
- And the number of days left in 2022 to complete your year-end to-do's

Don't wait for the arrival of the guy who popularized "making lists and checking them twice" to get started.

Enjoy your reading and your weekend.

Mike, Cate, Scott, Willis, Suzy, Oscar, and Wes

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CRC 5010054 dtd 10/14/2022