

# The FINANCIAL UPDATE

**D** DAY & ENNIS, LLC  
FEE-ONLY FINANCIAL PLANNING



Third Quarter 2022

NAPFA - Registered Financial Advisor

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## 20 Year-End Planning Tips To Slash Your 2022 Taxes

**T**his is an unusual year-end tax planning season. The pace of reform of federal tax laws has increased in the last several decades and accelerated since the pandemic struck.

In addition, simplification seems like a long-forgotten goal in recent tax reform legislation. For example, in February 2022, rules implementing the SECURE Act, which was signed in to law December 2019, changed a highly technical part of the Internal Revenue Code affecting distributions from federally qualified retirement plan (QRPs) and IRAs, and will change retirement funding and estate planning decisions of millions of Americans,

Meanwhile, stocks were up and down in recent months and may stay volatile through the end of 2022, which creates opportunities to realize gains and offset them by taking losses.

To make things simpler, here are 20 reminders about ways to cut your federal tax bill by December 31, 2022.

1. Have you fully funded your IRA or 401(k) for 2022 to save for retirement and lower your tax bill?

2. If you expect to have a taxable estate in 2026, when the \$12.06 million individual estate tax exclusion is slashed to \$6.2 million (\$12.4 million for

married couples), consider making gifts to children and others by December 31.

3. If you expect to have a taxable estate after 2025, consider setting up a trust to transfer assets from your estate to reduce taxes, avoid probate, direct assets to be inherited on terms you specify, and provide your heirs protection from creditors, liens and divorce settlements.

4. If you are edging into a higher tax bracket this year, have you considered ways of bunching charitable donations and other itemized deductions into 2022?

5. If you're funding college tuition and other qualified education expenses, can you time tuition and other payments to bunch deductions and optimize your itemized deductions in 2022 or 2023?

6. If you own a traditional IRA, is this a good time to consider converting it to a Roth IRA, which could provide tax-free income and other tax benefits to your heirs?

7. If you experienced a financial loss due to a property-casualty or theft, or if you paid large property tax or medical bills in 2022, it may be deductible and help you qualify to itemize deductions.

8. Consider donating to charity appreciated assets, like publicly traded securities, real estate, or an interest in a private business, to lower capital gain

## Welcome, Matthews and Congratulations to Lizzie.

**W**e are happy to welcome Matthews Barnett to Day & Ennis. He is a CERTIFIED FINANCIAL PLANNER™, having attained the certification issued by the Certified Financial Planner Board of Standards. He is also a Chartered Financial Consultant from The American College of Financial Services and a Registered Financial Advisor with the National Association of Personal Financial Advisors ([www.napfa.org](http://www.napfa.org).)

Matthews has worked in financial services since 2012. A Macon native, he received his BS from UGA's Terry College of Business in 2010. In 2013, he graduated from the Greater Macon Chamber of Commerce's Leadership Macon. He currently serves on the Central Georgia Estate Planning Council.

Our Financial Advisor Associate, Lizzie Gossett, has attained the certification issued by the Certified Financial Planner Board of Standards and is now a CERTIFIED FINANCIAL PLANNER™. Lizzie has a BBA in Finance from Auburn University, where she graduated Summa Cum Laude. We congratulate Lizzie for her achievement and look forward to helping her further her career as a Financial Advisor.

Both Matthews and Lizzie are part of our team effort to continually improve the expertise we offer clients at Day & Ennis.

Sincerely,  
Day & Ennis, LLC

2022 Tax Brackets		
Tax Rate	Taxable Income (Singles)	Taxable Income (Married Joint-Filers)
10%	Up to \$10,275	Up to \$20,550
12%	\$10,276 to \$41,775	\$20,551 to \$83,550
22%	\$41,776 to \$89,075	\$83,551 to \$178,150
24%	\$89,076 to \$170,050	\$178,151 to \$340,100
32%	\$170,051 to \$215,950	\$340,101 to \$431,900
35%	\$215,951 to \$539,900	\$431,901 to \$647,850
37%	\$539,900+	Over \$647,850+

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## A Caution About Calling IRA Custodians

**T**his is a heads up for anyone deciding on how to designate beneficiaries of an IRA of a federally qualified retirement account based on advice from an IRA custodian call center.

When you call your IRA custodian, checking your account balance or requesting paperwork for a transaction is usually the most straightforward and simple way to get help. However, designating beneficiaries, paying an IRA to a trust, or leaving someone other than your spouse assets held in your IRA or federally qualified retirement plan account is a different matter.

The representative that answers the call is not something you control. Whether you are calling with a question about a complex topic involving a large inherited IRA account or to ask a simple question about the amount of your last withdrawal, your call is routed to a representative on a service team who happens to be free.

Even if the service from your IRA custodian receives high ratings from consumers, calling in with a question about the disposition of an IRA upon your death may be placing faith in the advice of a recent college graduate new to financial and tax planning.

Relying on advice from a custodian call center employee about

your IRA beneficiary designations is a gamble unless you're an expert on IRAs. Which brings us to the heart of the issue: the rules on IRA and qualified retirement plans are complex and subject to change.

For example, even if you have a will, your beneficiary designation probably will override it. So, even though your will may say you wish to leave all your assets to your children, if your IRA beneficiary designation names your first spouse, that you divorced 20 years ago, as the account beneficiary, then your ex-spouse would be entitled to inherit the IRA account upon your death.

Designations made years ago at old IRA accounts should be confirmed as correct and in accordance with your wishes.

In addition, under the SECURE Act, which became effective January 1, 2020, the beneficiary of inherited IRA or 401(k) accounts is required to deplete the accounts within 10 years. The Act exempted disabled, chronically ill and children. It's a lot to know.

Complicating matters, two years and three months after the SECURE

Act went into effect, the IRS augmented the rules on distributions from IRA and Qualified Retirement Plans implementing the Act and the new rules went into effect at the beginning of 2022.

If you own a sizable IRA, 401(k) or other retirement plan account, and



your beneficiary is your spouse, an individual with a disability, chronic illness, or a minor child, planning properly to taking full advantage of these rules can make a big difference in the life of a loved one who can use the help.

They can stretch out distributions over their actuarial life expectancy, thus, leaving the assets to compound tax-free for a much longer period. If you are calling a custodian for help with complex area of retirement tax planning, exercise caution, and we are here to help.●

## Answering Some Difficult Personal Financial Questions

**A**t age 65, only about 20% of American retirees have family and financial resources to cover high-intensity care for at least three years. About 30% cannot afford any help at all. The remaining half of older adults lie somewhere in between not being able to afford any care and having a long-term safety net should they be stricken by a prolonged health crisis.

These are the grim conclusions of The Center for Retirement Research (CRR) at Boston College. Part of a consortium of research groups funded by the U.S. Social Security Administration since 2018, CRR's

research paints a gloomy picture of the retirement struggle most Americans are facing.

In a September 2021 research brief, CRC examined the resources available 65-year-olds to meet their needs for different long-term services and support (LTSS). CRC's analysis considered "informal" care from family members, as well as care paid for out of a retiree's pocket, and it categorized older adults by their ability to afford minimal, moderate, and severe care needs.

With about a third of America's retirees lacking resources for even minimal care, and only a fifth able to

afford care for a severe personal health crisis, such as a stroke or chronic disease, this problem is expected to cause enormous social and political issues in the decades ahead as baby boomers age. However, even if you have family support and enough money to care for a severe health event requiring long-term care, proper planning requires answering some difficult personal financial questions:

Can you afford to self-insure in your old age?

Have you done the financial math to ensure you could pay for a severe-care event in your retirement



# Where Your Money Goes When You Die

Since a 1965 book by financial planner Norman Dacey popularized avoiding probate, the strategy has become ingrained in the American financial psyche, and the U.S. financial system has accommodated consumers by making it easy to set up IRAs and other brokerage accounts to avoid probate.

Now, with the first generation of Americans who set themselves up to avoid probate starting to die, the quiet evolution of avoiding probate has created an urgent need for Baby Boomers to understand what will happen to their assets when they die. Once the domain of legal professionals only, strategies for estate planning and avoiding probate are today part of the financial advice process.

Since the 1980s, states changed property laws to make avoiding probate easier. Now, naming the beneficiaries of your IRA, Roth IRA, and other federally

qualified retirement accounts avoids probate and that puts a financial advisor at the center of a crucially

important estate planning decision.

Probate is the term for a legal process of distributing your assets after you die. It's historically been court-supervised, but most states now offer an independent administration option and takes months or years. Probate opens your will to objections from disgruntled family members, heirs who feel shortchanged, and makes public a record of personal information about your estate.

Avoiding probate became standard operating procedure for the entire generation of Baby Boomers with the advent of irrevocable trusts," said L. Paul Hood, Jr., who teaches estate tax planning to legal, accounting, and financial professionals. "Now, as Baby Boomers are starting to die, many

don't completely understand that their financial advisor – and not their attorney – plays a pivotal in ensuring your estate passes to beneficiaries outside of

probate and in conformity with your wishes."

In addition to beneficiary-

designation assets, most property that used to pass via probate can avoid it altogether now if properly titled. Real estate can pass by joint tenancy with rights of survivorship. Bank accounts can pass to the account beneficiary via a pay-on-death (POD) account. Marketable securities can pass to the account beneficiary via a transfer-on-death (TOD) account. In joint tenancy, POD and TOD accounts, the accountholder's will is irrelevant, even if it conflicts.

What if the account holder wants to change the account beneficiary in a POD or TOD account? They don't need to go to their estate planning lawyer; they need only visit (even electronically) the account sponsoring organization.

Unfortunately, with the rampant increase in elder financial abuse, it's now incumbent on the employees and representatives at banks and brokerages to keep watch for vulnerable seniors being taken into offices to change account beneficiaries without their consent or understanding. Given that account-sponsoring organizations now effectively control ultimate disposition of the accounts on death, it's increasingly clear that organizations that don't take adequate precautions to protect the vulnerable and elderly are going to be sued if they fail to do so.

Depending on your personal circumstances, a legal professional specializing in estate planning can be called in to assist in certain instances, including:

- family members with special needs
- transfer ownership of a business or investments
- gifting your residence to heirs
- leaving assets to charity
- estate is valued at more than \$12.06 million

Estate planning is central to fulfilling our role as your trusted financial advisor. If you have questions about what happens to your assets when you die, please do not hesitate to contact us.●

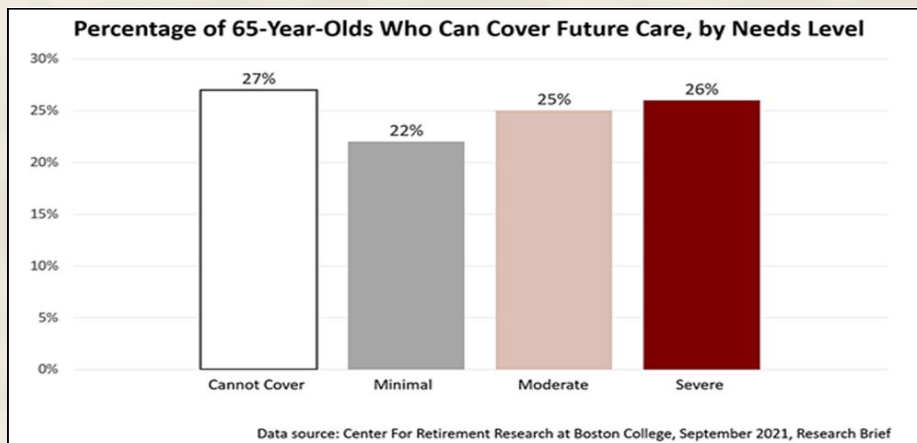


years, figuring on living through age 85 or 90?

Have you paid for long-term care insurance that has grown more expensive or now provides lower

benefits than it used to?

The earlier you get started on planning your retirement portfolio and income needs, the easier it is to find solutions and gain peace of mind. ●



# Financial History Is Crucial To Investing

**T**he extreme financial effects of the COVID-19 pandemic seemed unprecedented to most investors. Over the past two years, Americans witnessed a sudden stop financial crisis in March 2020, the injection of nearly \$10 trillion of monetary and fiscal stimulus within a matter of months, and an unanticipated burst of inflation that caught even the Federal Reserve off guard. The truth, however, is that these events seem anomalous only because many historical parallels have disappeared from our collective memory. In fact, there are no living Americans who recall the two most relevant events — the onset of World War I in July 1914 and the post-World War I/Great Influenza inflation of 1919-1920.

Famed economist John Kenneth Galbraith once said, “for practical purposes, the financial memory should be assumed to last, at maximum 20 years.” But this principle applies only if you lack the will to self-educate on events that transpired beyond this boundary, or work with a properly schooled professional.

“Those who delve into the more distant past discover that what seems

unprecedented in the moment has almost always occurred before — often multiple times,” says financial historian Mark Higgins, CFA, CFP®. “More so than prior financial crises, the COVID-19 pandemic revealed the importance of carefully studying financial history.”

Students of the 1919–1920 inflation were unsurprised by the onset of Post-COVID-19 inflation, according to Mr. Higgins, whose forthcoming history of the U.S. financial system, “Becoming an Enlightened Investor,” (Greenleaf Book Group) is expected to arrive on Amazon in spring 2023.

“Investors who recall the policy mistakes of the Federal Reserve in the late 1960s understand why the Fed leadership today is unlikely to repeat these errors,” says Mr. Higgins. “This makes the Federal Reserve’s hawkish turn in 2022 an expected outcome rather than an aberration.”

Those who know about the speculative bubbles that have tormented U.S. markets for more than two centuries are justifiably skeptical of the unproven prospects of cryptocurrencies and NFTs. “Deep knowledge of the past enables envisioning the future with greater clarity,” Mr. Higgins, says a

senior investment advisor to multi-billion-dollar institutional federally qualified pension and 401(k) plans. “Investors who immerse themselves in history will likely greet future financial



events with recognition rather than surprise, enabling better outcomes.”

If you are interested in learning more about how the period from 1914 to 1921 parallels with current investment conditions and how knowledge of history affects our firm’s investment outlook, please let us know. ●

## 20 Year-End Planning Tips

*(Continued from page 1)*

taxes and do good.

9. Have you cleaned out your garage, and storage spaces to decide what you could give to charity that may have significant fair market value and be written off against your taxable income as an itemized deductions?

10. If you’re planning to sell your business and have no buyer lined up yet, consider donating some of the proceeds from the sale to a charity to reduce gains taxes.

11. If you are due a bonus by the end of the year, determine whether it will push you into a higher tax bracket and take steps to reduce income.

12. If you are due for a bonus and can delay it until next year to reduce

your 2022 taxable income, remember you have until April 17, 2023 to make a contribution to an IRA.

13. Depressed stock prices present an opportunity to consider selling a concentrated stock position and reinvesting the proceeds in a diversified group of asset classes.

14. Did you realize an investment loss in 2022, and can you apply the loss against a gain to reduce your total capital gains taxes?

15. Because up to \$3,000 of long-term capital losses fully offsets up to \$3,000 of ordinary income, is there an investment loss you can realize?

16. If your employer sponsors a flexible spending account, maximize it by paying for health insurance co-pays or deductibles, and qualified medical expenses, which you pay with

pre-tax dollars.

17. If you are expecting a new child, grandchild, marriage of a child or grandchild, or life transition next year, act quickly and strategically to make gifts and pay expenses expected next year tax-efficiently before 2022 ends.

18. If you own a business and want to accelerate savings for retirement, a defined benefit (DB) plan allows higher contributions to a federal qualified retirement plan than an IRA, but DB plans are subject to complex tax and actuarial rules.

19. Are your beneficiary designations on IRA, 401(k) or QRP accounts still in accord with your wishes?

20. Do you need an appointment to review your year-end tax situation with us? ●