

Financial Wellness Series

**End of Year
Financial
Planning**



David Herlihy

Senior Vice President, Wealth
Management

Slavic401k






Key Questions

What is new in 2024?







SECURE 2.0 Act of 2022: New tax implications

KEY THEME	DETAILS
 <p>Increase the starting age for required minimum distributions (RMDs) from 72 to 75 over the next 10 years - <i>Deferring RMDs may increase taxes and Medicare surcharges late in life</i></p>	<p>RMD starting age of 73 for individuals who reach age 72 after 2022</p> <hr/> <p>RMD starting age of 75 for individuals who reach age 74 after 2032</p>
 <p>Greater importance of Roth in employer-sponsored retirement plans</p>	<p>Permit employer matching contributions on a Roth basis</p> <hr/> <p>Require catch-up contributions to be made on an after-tax Roth basis for highly paid employees¹</p> <hr/> <p>Exempt in-plan Roth accounts from lifetime RMDs</p>
 <p>Permit rollovers from 529 accounts to Roth IRAs</p>	<p>Allow rollovers from 529 Plans that have been open for 15 years to Roth IRAs (subject to a \$35,000 lifetime limit and the annual IRA contribution limit)</p>

Source: SECURE 2.0 Act of 2022. J.P. Morgan

SECURE 2.0 Act of 2022: Broadening access to more people and increasing savings

KEY THEME	DETAILS	EFFECTIVE
 <p>Encourage small businesses to create retirement plans through increased tax credits</p>	<p>Tax credit for 50% of startup cost up to \$5,000 per year for three years¹</p> <hr/> <p>Tax credit for employer contribution of up to \$1,000 per employee for five years²</p>	2023
 <p>Emergency savings accounts in defined contribution plans to build strong financial foundation</p>	<p>Maximum account value of \$2,500³ (after-tax contributions; tax-free distributions)</p>	2024
 <p>Help manage student loan debt burden</p>	<p>Employers will be allowed to make matching contributions to the plans for participants paying student loans</p>	2024
 <p>Allow greater savings in retirement plans</p>	<p>New plans will be required to auto enroll at a starting rate of at least 3% and auto escalate to at least 10% but no more than 15%</p> <hr/> <p>Increased catch-up amount for individuals aged 60-63 by 50% more than the regular catch-up limit in employer-sponsored plans</p> <hr/> <p>Replace the Saver's Credit with the Saver's Match equal to 50% of plan or IRA contributions, up to \$2,000</p>	2025 2027

Source: SECURE 2.0 Act of 2022. J.P. Morgan

End of Year Financial Planning

1. Assessing your plan
2. Review goals
3. Maximizing your 401(k), IRA and HSA
4. Year-end tax planning
5. Plan next year's savings
6. Optimize employee benefits
7. Insurance and estate review
8. Assessing asset mix, rebalancing





Assessing Your Plan

What's changed this past year? How can we adjust?

- Significant life events
- Unforeseen expenses
- Investment strategy trajectory
- Saving tax-efficiently
- Protecting your income
- Preserving your assets

Review Your Goals

What's changed this past year? How can we adjust?

- Reviewing progress against your plan
- Determining what needs to be modified
- Update budget and assess spending habits
 - Increases, decreases, trends
- Time horizons and risk assessment
 - Changes





Maximizing Your Retirement Savings

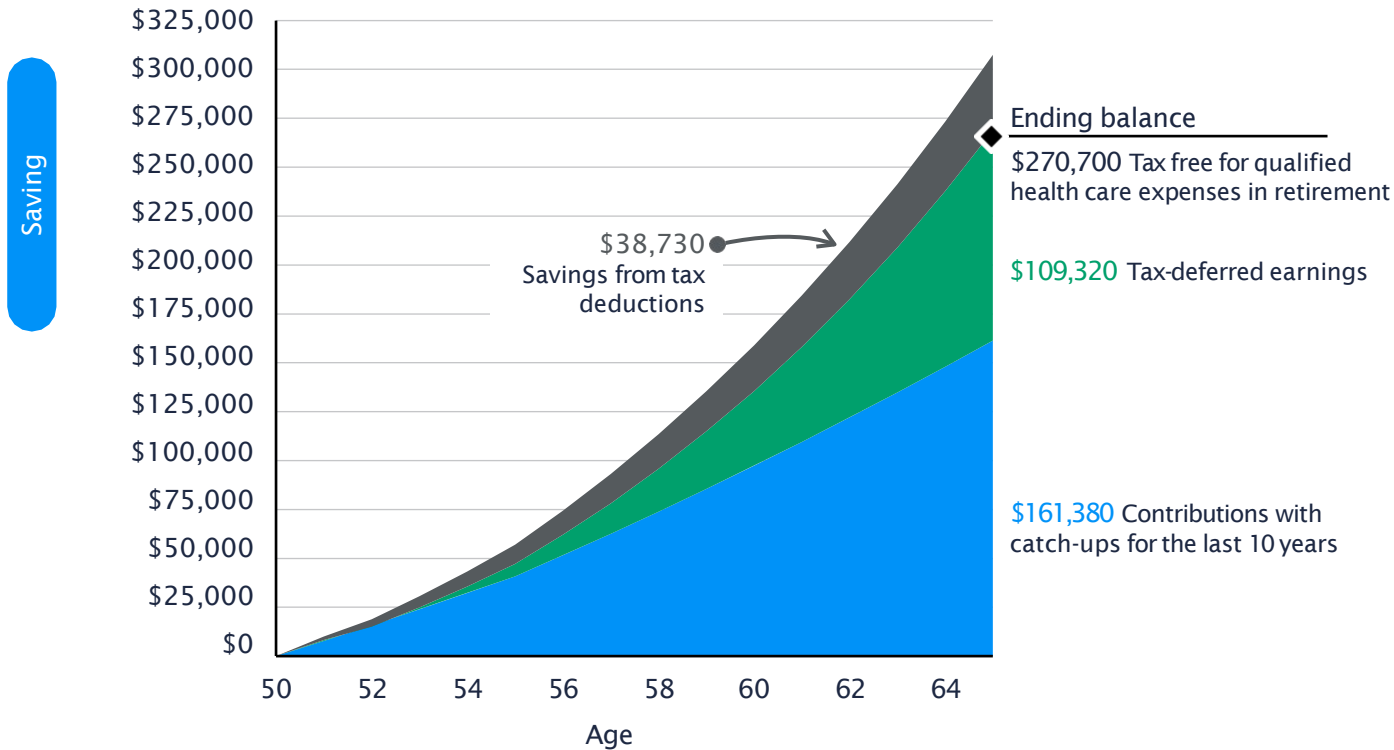
Maximize matches and catch-up provisions

- 401(k) contributions
 - \$23,000, \$7,500 catch up
- IRA contributions
 - \$7000, \$1,000 catch up
- HSA triple tax efficient
 - \$8,300, \$1,000 catch up
- Self-employment retirement vehicles

Maximizing an HSA for healthcare expenses

Health Savings Accounts (HSAs) are triple tax advantaged¹

Maximum family contribution with catch-ups, 7% return and 24% marginal tax rate



Make the most of it

Investing your HSA contributions for the long term and paying for current health care expenses out of income or short-term savings can provide significant tax-free funds for health care expenses in retirement.

\$270,700 would provide about 14 years of qualified Medicare-related health care expenses for a couple.

Source: See IRS Publications 969 and 502. This is not intended to be individual tax advice; consult a tax professional.

Year-End Tax Planning

- Lowering your taxable income
 - Increasing your number of tax deductions
- Taking advantage of certain tax credits
- Reducing exposure to future taxes

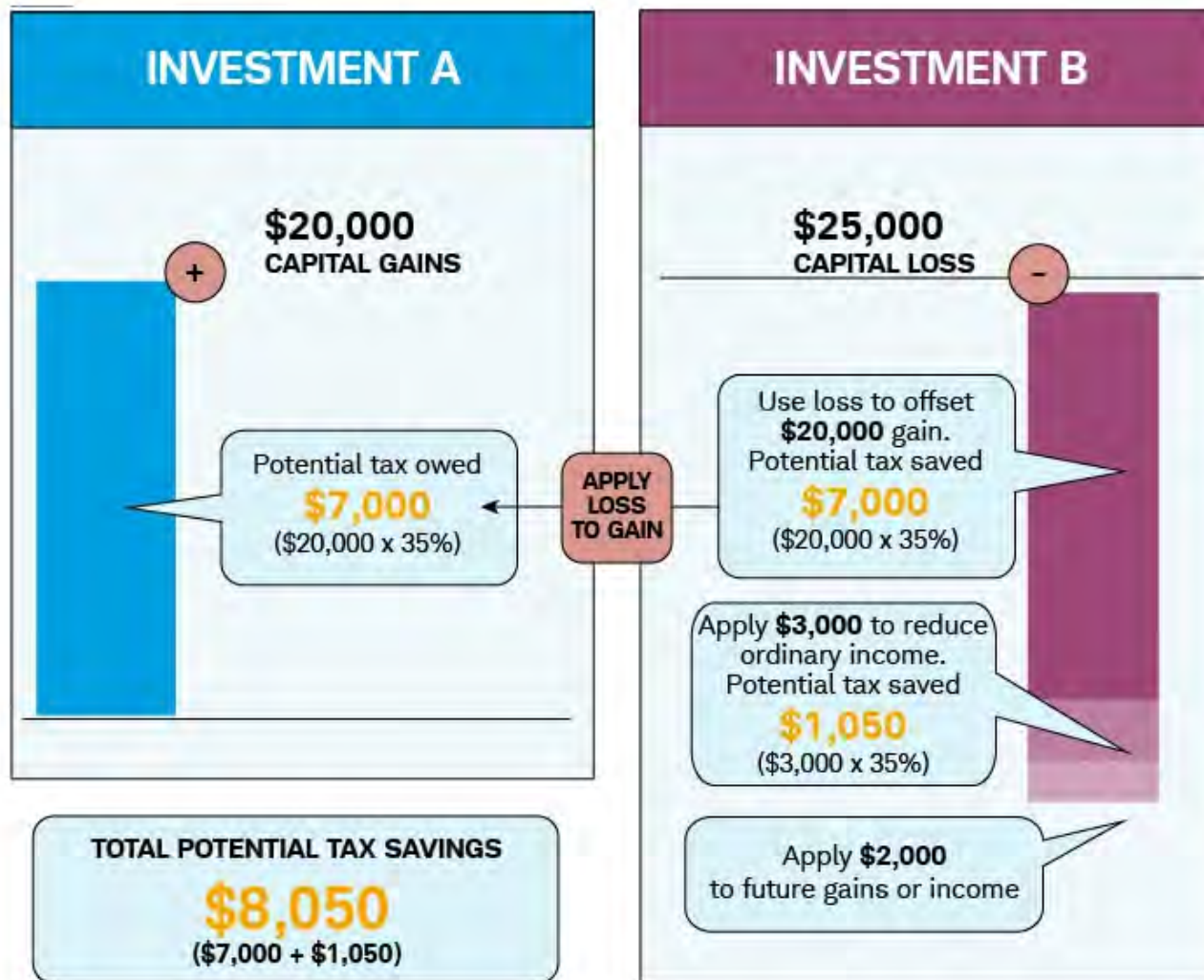


Lowering Your Taxable Income

- Tax-loss harvesting
- Tax bracket awareness
- Maximizing contributions to tax advantaged accounts
- Standard and itemized deductions
- Mortgage interest deduction
- Leveraging charitable contributions



Tax-loss harvesting



Source: Schwab Center for Financial Research. For illustrative purposes only



Maximizing Charitable Deductions

- 60% of Adjusted Gross Income
- Donating appreciated assets
- Leverage charitable vehicles
 - Charitable remainder trust
 - Charitable lead trust
 - Donor-advised funds





Reducing Exposure to Future Taxes

- Keeping a long-term perspective
- This year's gift tax exemption increase \$18,000
- Current lifetime estate exemption \$13,610,000
- IRA or 401k distributions
- Roth conversions

Taking Advantage of Certain Tax Credits

- Credits vs Deductions
- Three types: nonrefundable, refundable, and partially refundable
- Child and Dependent Care Credit
- Child Tax Credit
- Mortgage Interest Credit



Tax implications for retirement savings by account type

Defined Contribution

	Contributions ¹	Investment growth	Withdrawals	
Pre-tax 401(k) / Traditional IRA	+	+	- (Taxed as ordinary income)	Retirement accounts: Taxes generally apply to contributions or withdrawals. Most withdrawals must be qualified to avoid tax penalties. ²
Roth 401(k) / Roth IRA	-	+	+ (For qualified withdrawals)	
After-tax 401(k) / non-deductible Traditional IRA	-	+	- (Investment returns taxed as ordinary income)	
Health Savings Account (HSA) ³	+	+	+ (For qualified health care expenses)	If not used for qualified health care expenses, withdrawals after age 65 will be taxed as ordinary income (without penalty).

+ Preferential tax treatment
- Subject to taxes

Source: J.P. Morgan Asset Management



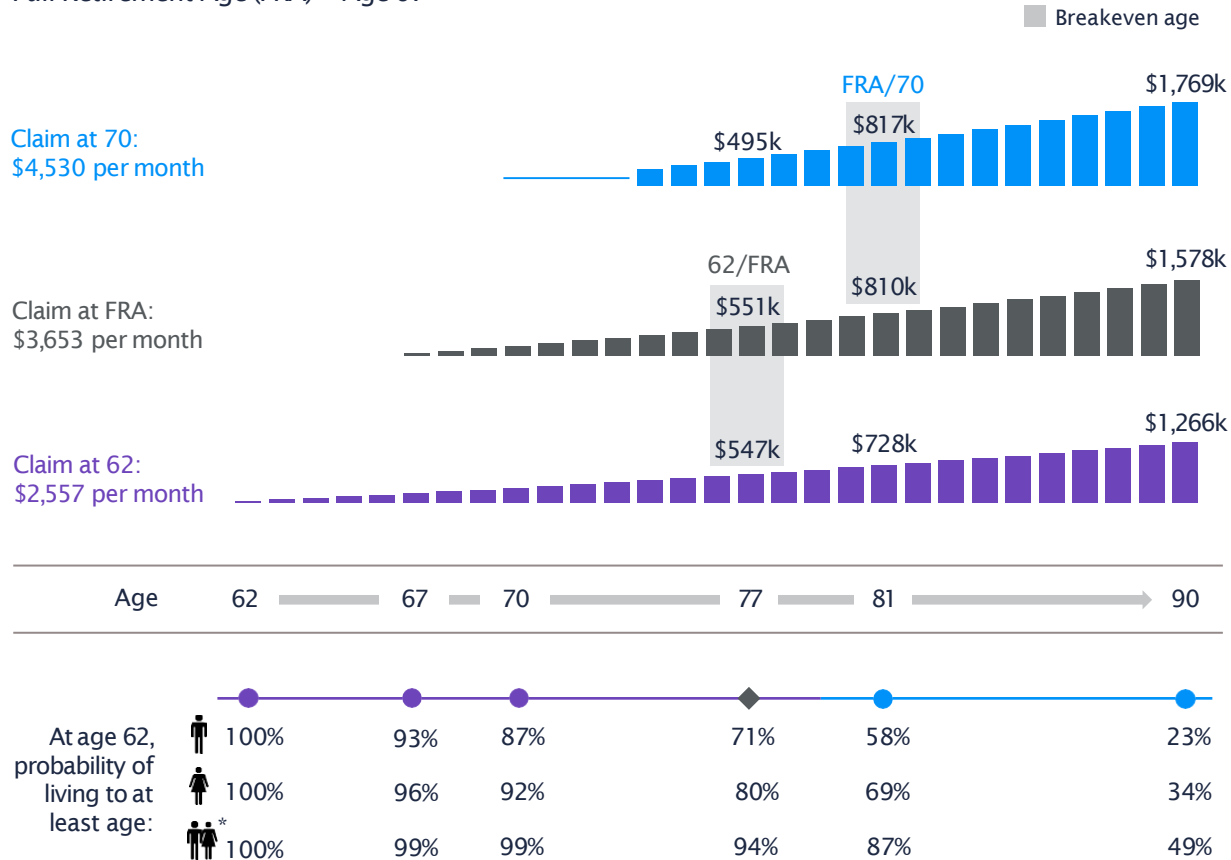
Required Minimum Distribution (RMD) Strategy

- Planning around earned income
- Social Security taxation
- Year end gifts with RMDs
- Roth IRA

Maximizing Social Security benefits: Maximum earner

Retirement Landscape

Cumulative individual maximum benefit by claim age
Full Retirement Age (FRA) = Age 67



Planning opportunity

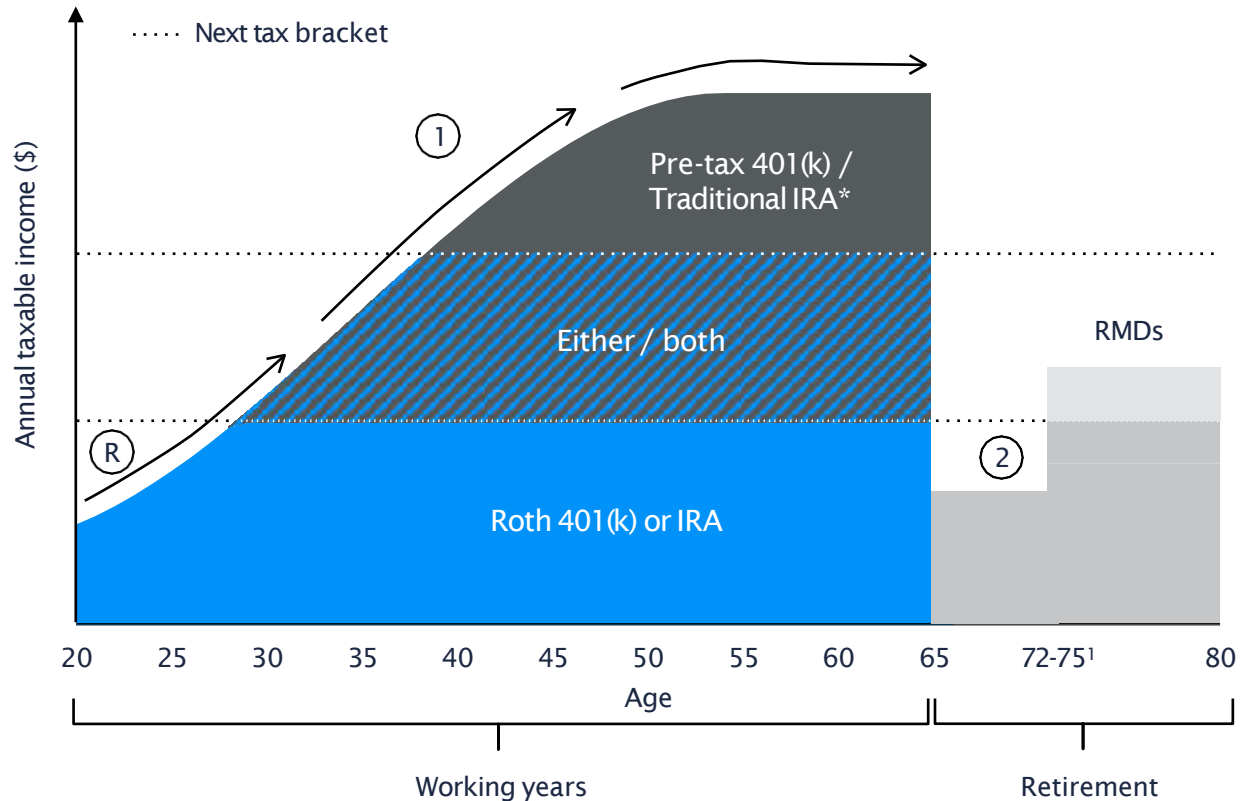
Delaying benefits means increased Social Security income later in life, but your portfolio may need to bridge the gap and provide income until delayed benefits are received.

Source: Social Security Administration, J.P. Morgan Asset Management

Evaluate a Roth at different life stages

Changes in lifetime taxable income
Hypothetical wage curve

Saving



Source: J.P. Morgan Asset Management

Tax diversification

Managing taxes over a lifetime requires balancing your current and future tax pictures. Make income tax diversification a priority to have more flexibility and control in retirement.

Rule (R): Contributing to a Roth early in your career and shifting as your income increases.

1. Roth 401(k) contributions in peak earning years if wealth is concentrated in tax-deferred accounts.

2. Proactive Roth conversions in lower income retirement years if RMDs¹ are likely to push you into a higher bracket.



Optimizing your Employee Benefits

Taking advantage of open enrollment season

- Retirement plans, employer matching
- Health, dental, and vision insurance
- High deductible health plan/HSA
- Medical FSA and dependent care FSA through an employer
 - Use it or lose it
- Life insurance
- Long term and short term disability insurance



Planning Next Year's Savings

Do you need to adjust?

- Maintaining or updating your budget
- Retirement and investment vehicle allocations
- Emergency savings, liquid cash on hand



Insurance and Estate Reviews

Major life changes that impact current insurance coverage or estate documents?

- Insurance annual review?
 - Marriage, divorce, job change
 - Life, health, long-term disability, home, auto-updates
- Annual estate review – has anything changed requiring the estate plan to be updated?
 - Minimal estate review every five years
 - Living will
 - Health care proxy review
 - Power of attorney

Reviewing and Rebalancing Asset Mix

- Time Horizon change
- Risk assessment change
- Appropriate portfolio mix
- Events impacting the market
- Evaluating opportunities

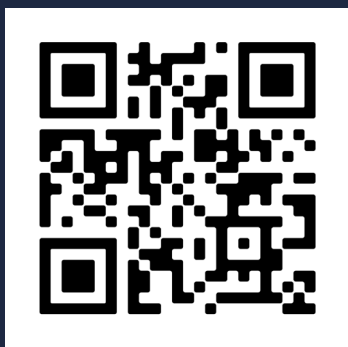


Year-end Deadlines to Know

- Money in your FSA at year-end
- Roth conversions
- HSA vs retirement contributions
- RMDs
- Annual Review of your Financial Plan



Questions?



Scan to visit
SlavicWealth.com



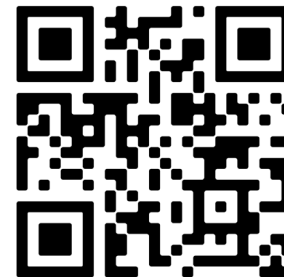
Thank you!

David Herlihy

davidh@slavic401k.com



**Scan to meet
with David**



**Scan to visit
*SlavicWealth.com***

