

Tax And Financial Planning Ideas For 2023

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It's always a good time to plan for your financial future, but a new year, which is just a few weeks, can be a good reason to consider some planning strategies. In addition, the government has adjusted some tax rules, and several of these changes benefit workers, savers, and most Americans.



Here are some of the important changes our legislators and the tax code have made effective for 2023:

Higher Health Saving Account Limits: An increasingly popular tax-favored benefit for workers and families are Health Savings Accounts (HSAs). According to Jack Rushing, Senior Vice President with NFP, “these plans, especially when coupled with a High Deductible Health Care Plan, allow individuals to save for health care expenses on a pre-tax basis. In addition, the assets in these accounts can be invested for the short or long term, can grow tax-free provided they are used for qualified medical expenses, and they are portable.”

For 2023, the maximum annual contribution amount is \$3,850 (up from \$3,650 in 2022). For families the amount is \$7,750 per year (up from \$7,300 in 2022). The catch-up contribution amount

for those age 55 or older is \$1,000 per year. For a family in the 35% marginal tax bracket, a maximum contribution can result in a federal income tax saving of \$2,712.50 plus any state income tax and other benefits.

Rushing explains that for the self-employed, “there is a common misconception that they are ineligible for an HSA. Anyone enrolled in a high deductible health plan that is HSA-qualified can set up an HSA and benefit from the triple tax advantage.”

And as an additional reminder, check if your employer is making any contributions to your HSA-if they are, this can be a [valuable benefit](#). According to Rushing, “one thing to keep in mind is that unlike the 401(k) limits, the total allowed contribution to your HSA-plan includes any employer contribution.”

Increased 401(k) and IRA Contribution Limits: The amount an individual can contribute to a 401(k) plan in 2023 has increased by \$2,000 to \$22,500. This change will also impact 403(b) plans, most 457 plans, and the government’s Thrift Savings Plan. The annual ‘catch-up’ contribution limit for those age 50 or older increases by \$1,000 to \$7,500.

The annual limit on IRA contributions increases \$500 to \$6,500. The annual ‘catch-up’ contribution limit for those age 50 or older remains at \$1,000. This allows an individual who turns 50 or older at any point in 2023, and who is eligible for an IRA, to contribute a total of \$7,500 to their IRA. These amounts also apply to Roth IRAs which could be an attractive option for many workers especially younger workers, but a Roth, inside a 401(k) plan, may also benefit higher earners. See my previous Forbes contribution on this topic: [Roth Strategies For High Earners And Business Owners](#)

Increased Standard Deductions: The Tax Cut and Jobs Act of 2017 increased a taxpayers Standard Deduction which is amount of income exempt from income taxes. In addition, it also indexed this amount to inflation. That means that as inflation increases, so does the amount exempt from income taxes.

For single taxpayers and married individuals filing separately, the standard deduction amount in 2023 will rise by \$900 to \$13,850. And for married couples, it rises \$1,800 to \$27,700. For those filing as heads of households, the standard deduction rises \$1,400 to \$20,800 per year.

Of course, if you choose to instead itemize your deductions on your tax return, these changes will not affect you, but most taxpayers do not itemize so claiming these higher standard deductions will be a nice benefit for many taxpayers.

Higher Marginal Tax Bracket Thresholds: In addition to the higher standard deduction, another stealth tax benefit is that more income can be taxed at lower marginal tax rate. This is something that usually goes unnoticed, but if the tax rates stay the same (and they are going into 2023), while the amount of income you can earn before you hit the next highest rate increases, then you may wind up paying less income taxes. If this happens to you, this tax savings as well as the tax savings from your higher standard deduction can be an amount you set aside for long-term retirement planning.

Summary: While there are thousands of pages to the tax code, these are some of the ways that typical working Americans can adjust and benefit in 2023. Combining a few of these strategies you will not only help your long-term financial plan, but they may also reduce your current tax bill.

About The Contributor

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