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**Private Wealth
Management**

Top Planning Topics for 2023

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Agenda

- Legislative updates
- The latest on RMDs
- Roth conversions
- 2026 tax landscape
- Tax deduction planning
- Charitable giving strategies



Legislative Updates



SECURE 2.0 Act

- More about quantity over quality
 - Lots of minor things, few big-ticket items
 - Opposite of SECURE 1.0 in 2019
- Expanded “Rothification” of savings strategies
- Enhanced retirement savings options, reduced restrictions/penalties on withdrawals
- None of the major tax changes we’ve been discussing for the last year+

SECURE 2.0 Act

- Delay RMD start age to 73 (2023), then to 75 (2033)
- Roll older 529 plans to Roth IRAs (2024)
 - 529 must be open 15+ years
 - Roth is for the same beneficiary as the 529
- Make a QCD to a trust, annuity (2024)
 - \$50,000 lifetime limit
 - No other gifts to the account
- No more RMDs from Roth 401k (2024)
 - RMD still applies for 2023

SECURE 2.0 Act

- New SEP/Simple Roth IRAs (2023)
- Employer 401k match to Roth (2023)
- Increase catch-up at ages 60-63 (2025)
- High-earner catch-ups must go to Roth (2024)
 - If prior year wages > \$145,000

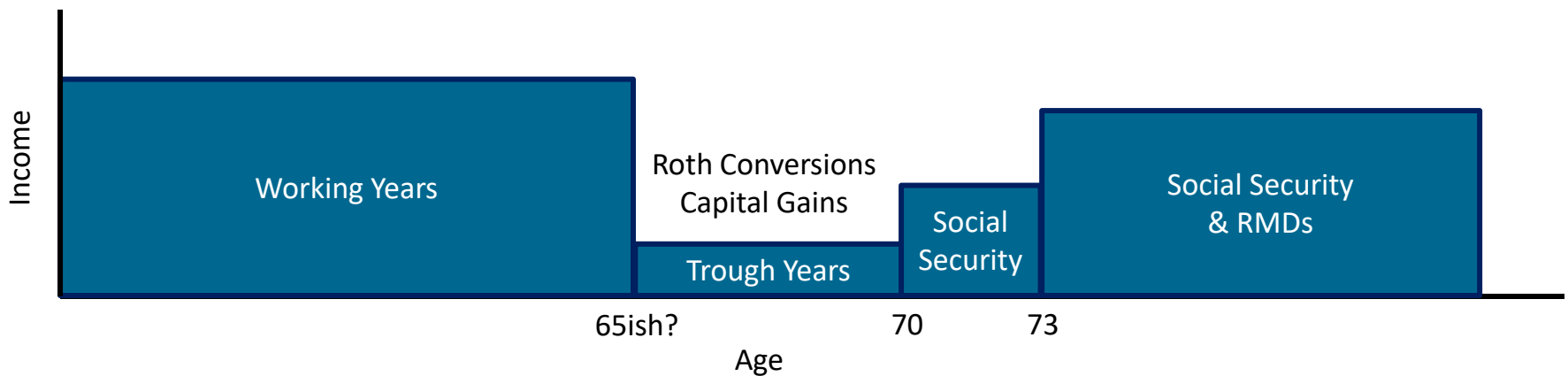


The Latest on RMDs

RMD Age Increased to 73

- RMDs now begin in year in which owner turns 73
 - Extended to 75 beginning in 2033
 - First year RMD can still be delayed to April 1 of following year (Required Beginning Date, RBD)
 - Employer plan RMD still delayed until year of retirement (unless >5% owner)
- Other key points
 - No change to age for penalty on early distributions – still 59½
 - No change to age for Qualified Charitable Distributions – still 70½

Planning Impact of New RMD Age: More “Trough” Year Opportunities



Planning Impact of New RMD Age: Spousal Beneficiary Opportunities

- When account owner dies before RMDs begin, surviving spouse can:
 - Roll IRA to their own name – RMDs begin when **survivor** turns 73, based on **uniform life table**
 - Keep IRA as beneficiary IRA – RMDs begin when **deceased** would turn 73, based on **single life table**
- Best practice for surviving spouse:
 - Leave as beneficiary IRA until either:
 - Year before deceased spouse would have turned 73 OR
 - After surviving spouse turns 59½
 - At that point likely best to roll to surviving spouse's name

Inherited Retirement Accounts Update

- Original SECURE Act created new “10-year rule”
 - For most beneficiaries, account must be emptied within 10 years of owner’s death
- What happens prior to year 10?
 - Beneficiary must take RMDs each year?
 - Beneficiary has full flexibility to take withdrawals?
- Still waiting for final guidance from the IRS, but...
- Beneficiaries should prepare to take RMDs in years 1-9



Roth Conversions



Roth Conversion Basics

- Withdraw funds from a Traditional IRA and redeposit into a Roth IRA
 - Can be a trustee-to-trustee transfer (ideal) or a 60-day rollover
 - Can be cash or in-kind transfer
 - Can convert Traditional 401k/403b to Roth 401k/403b OR Roth IRA
- Conversion of any deductible contributions, all earnings is taxable in year of conversion
- Other key points:
 - Taxed as ordinary income
 - May need to make Estimated Tax payment to avoid underpayment
 - Can trigger IRMAA
 - Recharacterization no longer available

Factors to Consider in a Roth Conversion

How to Pay the Conversion Tax

- Best to use money from a taxable account to pay the tax
- Roth conversion harder to justify if using IRA funds to pay the tax cost
- Especially true if less than age 59½
- IRA funds withdrawn pre-59½ and NOT converted are subject to 10% early withdrawal penalty

Factors to Consider in a Roth Conversion

Current vs. Future Tax Rate

- Best to convert in a year when marginal tax is lower than projected rate when taking IRA withdrawals
 - Income is artificially low (e.g., between jobs, loss from business)
 - Trough years between retirement and start of Social Security, RMDs
- However – higher tax rate at conversion can be overcome given enough time

Factors to Consider in a Roth Conversion

Income Needs in Retirement

- The longer you can delay accessing the Roth funds, the more effective the conversion will be
 - Roth funds need time to grow tax-free to make up for accelerating the tax cost
- Conversions are ideal for excess IRA money that won't be needed to fund retirement



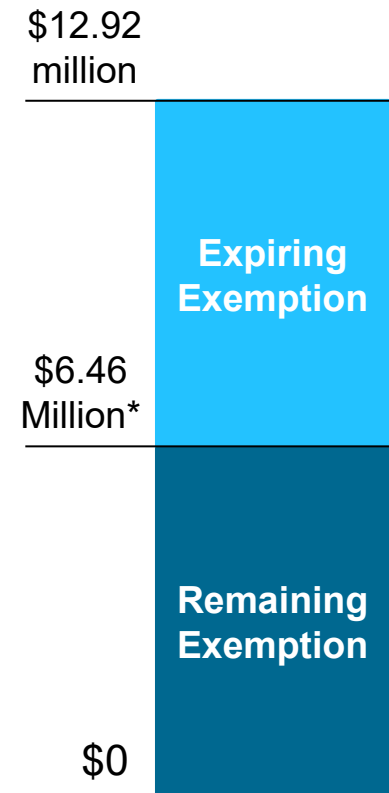
The 2026 Tax Landscape

The 2026 Tax Landscape

- 2017 Tax Cuts & Jobs Act – many provisions sunset after 2025
- Expiring provisions could lead to:
 - Changes to tax rates, brackets
 - Lower standard deduction
 - State tax limit expires, miscellaneous deductions are back
 - Personal exemption returns
 - AMT likely to become more of an issue again
 - Child credit reduced
 - Pass-through business deduction (QBI) expires
 - Estate tax changes

Estate Planning Leading Up to 2026

- Lifetime exemption amount would fall by 50%* upon expiration of TCJA
- Couples over ~\$30 million
 - Should always be planning to manage their estate tax liability
- Couples below ~\$15 million
 - Not likely to have a big issue either way
- Couples between \$15 and \$30 million
 - Difficult planning environment
 - Consider utilizing one spouse's exemption before expiration
 - Gifting, Spousal Lifetime Access Trust (SLAT)



*Estimated change in exemption after sunset of TCJA, based on 2023 exemption level



Tax Deduction Planning

Standard Deduction or Itemized Deduction

Standard Deduction

Filing Status	2023 Amount*
Married Filing Joint	\$27,700
Single	\$13,850
Married Filing Separate	\$13,850
Head of Household	\$20,800

Itemized Deductions

Deductible Expenses	Limitations
State & local taxes	\$10,000/year
Charitable gifts	Capped at % of AGI
Mortgage interest	Cap on size of loan
Medical expenses	Must exceed 7.5% of AGI

* Additional amounts for age 65 and/or blind

- Married - \$1,500
- Single - \$1,850

Tax Year	Standard	Itemized
2017	69%	31%
2018	88%	12%
2021	90%	10%

Bunching of Itemized Deductions

- Accelerating/deferring deductions between years to maximize their benefit
- Not a new concept – been around as long as we've had itemized deductions
- Requires multi-year tax planning to manage around the standard deduction

Bunching of Itemized Deductions

Pay Annually	2023	2024	2025	2026	Total
Income & Property Taxes	10,000	10,000	10,000	10,000	
Mortgage Interest	9,500	9,500	9,500	9,500	
Charitable Contributions	7,000	7,000	7,000	7,000	
Total Itemized Deductions	26,500	26,500	26,500	26,500	
Standard Deduction	27,700	27,700	27,700	27,700	
Actual Deduction	27,700	27,700	27,700	27,700	110,800

Bunching	2023	2024	2025	2026	Total
Income & Property Taxes	10,000	10,000	10,000	10,000	
Mortgage Interest	9,500	9,500	9,500	9,500	
Charitable Contributions	14,000	-	14,000	-	
Total Itemized Deductions	33,500	19,500	33,500	19,500	
Standard Deduction	27,700	27,700	27,700	27,700	
Actual Deduction	33,500	27,700	33,500	27,700	122,400

Bunching of Itemized Deductions

Pay Annually	2023	2024	2025	2026	Total
Income & Property Taxes	10,000	10,000	10,000	10,000	
Mortgage Interest	-	-	-	-	
Charitable Contributions	20,000	20,000	20,000	20,000	
Total Itemized Deductions	30,000	30,000	30,000	30,000	
Standard Deduction	27,700	27,700	27,700	27,700	
Actual Deduction	30,000	30,000	30,000	30,000	120,000

Bunching	2023	2024	2025	2026	Total
Income & Property Taxes	10,000	10,000	10,000	10,000	
Mortgage Interest	-	-	-	-	
Charitable Contributions	40,000	-	40,000	-	
Total Itemized Deductions	50,000	10,000	50,000	10,000	
Standard Deduction	27,700	27,700	27,700	27,700	
Actual Deduction	50,000	27,700	50,000	27,700	155,400



Charitable Giving Strategies

Donor Advised Fund

- Tax deduction up front, donations paid out over time

Advantages

- Easier to create, less expensive than a foundation
- No tax return, public notice to file
- Less documentation

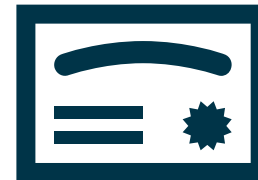
Disadvantages

- Typically less investment control
- Only “advising” on the gifts
- Administrative fees

Ideal for donor who:

- Is implementing a bunching strategy
- Can afford to make a larger donation
 - Initial funding varies by provider, but \$5,000 is common
- Has a large spike in income that isn't likely to occur again soon
- Wants deduction now but doesn't know where to give the money
- Doesn't have a need for income from the assets

What to Donate – Cash or Securities?



Donating Money

- Includes cash, checks, credit card charges
- Easiest to do
- Offset up to 60% of Adjusted Gross Income if given to public charity
 - 30% if given to private foundation

Donating Appreciated Property

- Includes stocks, bonds, mutual fund shares
- Avoids capital gain recognition
- Offset up to 30% of Adjusted Gross Income if given to public charity
 - 20% if given to private foundation

- Cash gifts deducted first, then appreciated property if room
 - Excess gifts carryover for 5 years, then expire

Qualified Charitable Distribution

- IRA owners can make direct gifts from the IRA to charity
 - Withdrawal is not taxable, no deduction for gift
 - QCDs count towards Required Minimum Distribution (RMD)
 - Not limited to RMD, however
 - Doesn't have to be the RMD – can keep the RMD and still do a QCD

Qualified Charitable Distribution – Rules



Age Requirements

- Must be at least age 70½ at the time of the gift
- Can come from inherited IRA if beneficiary is at least age 70½



Dollar Limits

- No more than \$100,000 per IRA owner per year



Other Rules

- Must go directly to charity
- No Donor Advised Funds, Private Foundations
- Charitable trusts, annuities available in 2024

Qualified Charitable Distribution – Benefits

- QCD creates a tax benefit for the gift that otherwise wouldn't be available
 - Allows RMD to be tax-free
 - Give away retirement assets while keeping taxable assets
- QCD also keeps Adjusted Gross Income (AGI) lower
 - Makes it easier to deduct medical expenses
 - Potentially reduces taxable portion of Social Security
 - Can help avoid higher Medicare premiums under IRMAA
 - Help avoid the 3.8% tax on Net Investment Income

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