



ALTAIR 20 YEARS

## 2022 Beginning of the Year Financial Planning Checklist

# Greetings!

Every year brings new challenges and 2022 already has delivered a few curveballs, perhaps more than we all would have liked – from financial market turmoil and the highest inflation in 40 years to rising geopolitical tension in Ukraine and the Omicron variant’s spread. Adding to the mix is uncertainty surrounding the Federal Reserve’s tightening monetary policy, key legislation in Washington and midterm elections later in the year. We see signs of likely improvement in several of these areas after the rocky start, particularly in markets, inflation and the pandemic. However, we want our clients to be well-prepared for any outcome. As Alexander Graham Bell said, “Before anything else, preparation is the key to success.”

Notable for its possible impact on taxes and many of you, President Biden’s proposed Build Back Better Act remains stalled. Democrats’ inability to get the 51 votes they need to capitalize on their razor-thin Senate majority has stymied their attempts to pass a version of the House-passed legislation for months. In recent weeks, there has been discussion about dividing the bill into smaller pieces in hopes of securing passage of part of the plan, but it is difficult to predict what will happen. Previous versions included proposals for increased taxes on wealthy individuals and corporations and restrictions on certain retirement plans.

No matter what the coming months bring, the early part of the year is a good time to pause, reflect, evaluate and reset. To kick off your 2022 planning, we’ve summarized a list of important action items to consider. While everyone’s situation is different and not every action will apply to you, taking small steps today will lay the foundation for a successful 2022 and years to come.

As you navigate the 2022 Beginning-of-Year Financial Planning checklist, please keep in mind the following:

- The checklist is meant to serve as a reminder of actions you should consider completing. Since personal circumstances vary, it is important to consult with your Altair engagement team, attorneys and personal tax advisers regarding your specific situation.
- We have provided a glossary beginning on page 6 that provides a brief explanation of each task listed. If you have questions that go beyond the information provided, please don’t hesitate to reach out to your Altair engagement team.

Warm Regards,  
Kathryn



Kathryn A. O'Hara  
Director of Financial Planning

# 2022 Beginning-of-Year Financial Planning Checklist



Completed	Recommendation	Responsible Party	Target Date
<b>Legislative Updates</b>			
<input type="checkbox"/>	Monitor Proposed Tax Legislation and Discuss Related Planning	Altair to Advise	Ongoing
<b>Income &amp; Retirement Planning</b>			
<input type="checkbox"/>	Review 2021 Spending and Savings	Client/Altair	1 <sup>st</sup> Quarter
<input type="checkbox"/>	Discuss 2022 Expense and Cash Flow Goals	Client/Altair	1 <sup>st</sup> Quarter
<input type="checkbox"/>	Communicate Income Adjustments and New Stock Grants for Upcoming Year	Client	1 <sup>st</sup> Quarter
<input type="checkbox"/>	Review Asset Withdrawal Strategy and Adjust if Needed	Altair to Advise	1 <sup>st</sup> Quarter
<input type="checkbox"/>	Maximize Retirement Plan Contributions (Pre-Tax/Post-Tax/Catch-Up Contributions)	Client	1 <sup>st</sup> Quarter
<input type="checkbox"/>	Fund 2021/2022 Non-Deductible IRAs & Consider Converting to Roth	Altair to Advise	April 18 <sup>th</sup>
<b>Gifts / Education Planning</b>			
<input type="checkbox"/>	Discuss Gifting Plan/529 Contributions for Children/Grandchildren (2022 Annual Exclusion Gifts \$16,000/\$32,000)	Client	1 <sup>st</sup> Quarter
<input type="checkbox"/>	Fund 2021 Roth IRAs for Children (If they had earned income)	Client	April 18 <sup>th</sup>
<b>Estate Planning</b>			
<input type="checkbox"/>	Review Estate Plan and Fiduciary/Beneficiary Designations	Altair / Attorney	Ongoing
<input type="checkbox"/>	Fund Irrevocable Life Insurance Trust (ILIT) Accounts	Client	Ongoing
<b>Income Tax Planning</b>			
<input type="checkbox"/>	Gather and Organize Documents Necessary for Tax Filing	CPA/Client/Altair	1 <sup>st</sup> Quarter
<input type="checkbox"/>	Adjust Tax Withholding	Client	1 <sup>st</sup> Quarter
<input type="checkbox"/>	Consider Making a Qualified Charitable Distribution (QCD) from your IRA	Altair/Client	December 31 <sup>st</sup>

# 2022 Beginning-of-Year Financial Planning Checklist



Completed	Recommendation	Responsible Party	Target Date
<b>Risk Management / Employee Benefits</b>			
<input type="checkbox"/>	Increase Health Savings Account and Flexible Spending Account Contributions for New Limits	Client	1 <sup>st</sup> Quarter
<input type="checkbox"/>	Review Group Benefit Elections and Understand Updates for Coming Year	Client	Ongoing
<input type="checkbox"/>	Review Health Insurance Plan and Understand Updates for Coming Year	Client	Ongoing
<input type="checkbox"/>	Assess Life Insurance & Disability Coverage	Client/Altair	Ongoing
<input type="checkbox"/>	Review Property & Casualty Coverage	Client/Altair	Ongoing
<input type="checkbox"/>	Evaluate Current Debt Structure and Current Interest Rates	Altair to Advise	Ongoing
<b>Important Milestones</b>			
<input type="checkbox"/>	Age 50	You can make catch-up contributions to IRAs and some qualified retirement plans	
<input type="checkbox"/>	Age 55	You can make catch-up contributions to your HSA plan	
<input type="checkbox"/>	Age 55	You can take distributions from your 401(k) plan without penalty if retired	
<input type="checkbox"/>	Age 59 ½	You can take distributions from IRAs without penalty	
<input type="checkbox"/>	Age 62-70	You can apply for Social Security Benefits	
<input type="checkbox"/>	Age 65	You can apply for Medicare	
<input type="checkbox"/>	Age 72	You must begin taking Required Minimum Distributions from IRAs	
<b>Key Upcoming Dates</b>			
<input type="checkbox"/>	3/15/2022	Deadline for Partnerships/S Corporations to file tax return or file extension	
<input type="checkbox"/>	4/18/2022	Deadline to file 2021 individual income tax return or file extension + deadline to file Form 1041 - Trusts and Estates	
<input type="checkbox"/>	4/18/2022	1 <sup>st</sup> Quarter Estimated Tax Payment Due	
<input type="checkbox"/>	4/18/2022	Last Day to Make a 2021 IRA Contribution	

# 2022 Beginning-of-Year Financial Planning Checklist



Federal Estate Tax & Gift Tax	2022	2021
Combined Federal and Gift Estate Tax Exclusion	\$12,060,000	\$11,700,000
Federal Estate Tax Rate	Top Marginal rate is 40%	Top Marginal rate is 40%
Annual Gift Exclusion	\$16k per person	\$15k per person
Individual Retirement Accounts	2022	2021
Individual IRA (Roth, Traditional)	\$6,000	\$6,000
<i>Catch-Up Contribution (Age 50+)</i>	<i>\$1,000</i>	<i>\$1,000</i>
Annual Qualified Plan Limits	2022	2021
Maximum Compensation Used to Determine Contributions	\$305,000	\$290,000
Deferral Limits for Plans		
401k & 403b	\$20,500	\$19,500
<i>Catch-Up Contribution (Age 50+)</i>	<i>\$6,500</i>	<i>\$6,500</i>
SIMPLE	\$14,000	\$13,500
<i>Catch-Up Contribution (Age 50+)</i>	<i>\$3,000</i>	<i>\$3,000</i>
457	\$20,500	\$19,500
<i>Catch-Up Contribution (Age 50+)</i>	<i>\$6,500</i>	<i>\$6,500</i>
SEP IRA	\$61,000 <sup>1</sup>	\$58,000
Maximum Annual Addition for Defined Contribution Plan	\$61,000	\$58,000
Maximum Annual Benefit for Defined Benefit Plan	\$245,000	\$230,000
Federal Tax Rates	2022	2021
Maximum Individual Income Tax Rate	37%	37%
Maximum Rate for Qualified Capital Gains & Dividends	20%	20%
Standard Deduction - MFJ	\$25,900	\$25,100
Standard Deduction - Single/MFS	\$12,950	\$12,550
Standard Deduction - Head of Household	\$19,400	\$18,800
Personal Exemption	\$0	\$0
Other	2022	2021
Health Care FSA Contributions (pre-tax limit)	\$2,850	\$2,750
Dependent Care FSA Contributions (pre-tax limit)	\$5,000	\$5,000
HSA Contributions (self/family)	\$3,650/\$7,300	\$3,600/\$7,200
<i>Catch-Up Contribution (Age 55+)</i>	<i>\$1,000</i>	<i>\$1,000</i>
HDHP Minimum Deductibles (self/family)	<i>\$1,400/\$2,800</i>	<i>\$1,400/\$2,800</i>
HDHP Maximum Out-of-Pocket Amounts (self/family)	<i>\$7,050/\$14,100</i>	<i>\$7,000/\$14,000</i>
<sup>1</sup> Contributions cannot exceed 25% of employee's compensation or \$61,000		
This information provided is not written or intended as specific tax or legal advice. Altair employees are not authorized to give tax advice or legal advice. Individuals are encouraged to seek advice from their own tax or legal counsel. Individuals involved in the estate planning process should work with an estate planning team, including their own personal legal or tax counsel.		



## 2022 Beginning-of-Year Financial Planning Checklist

### Legislative Updates

1. **Monitor Proposed Tax Legislation and Discuss Related Planning:** A growing number of Democrats are hoping to divide up President Biden's Build Back Better bill in hopes of passing pieces of legislation ahead of November's midterm elections. Previous versions of the plan included proposals for increased taxes on individuals with adjusted gross income (AGI) over \$10MM, retirement plan restrictions and a reduction in the federal estate tax exemption. Altair will continue to monitor the situation and discuss the latest developments with you and your team of trusted advisers.

### Income & Retirement Planning

2. **Review 2021 Spending and Savings:** Examine year-end banking and credit card statements and compare actual expenses vs. projected expenses. Confirm whether you met 2021 savings goals and determine if you have excess savings to invest.
3. **Discuss 2022 Expense and Cash Flow Goals:** Do any adjustments need to be made to expenses? What are your goals for the year? Are there any big expenses on the horizon?
4. **Communicate Income Adjustments and New Stock Grants for Upcoming Year:** Inform your engagement team about any adjustments to compensation (salary/bonus) and new stock grants for the year.
5. **Review Asset Withdrawal Strategy and Adjust if Needed:** Once you determine how much money you will need to withdraw from your portfolio in 2022, your Altair team will help you determine which assets to draw on first.
6. **Maximize Retirement Plan Contributions (Pre-Tax/Post-Tax/Catch-Up Contributions):** In 2022, you can elect to defer \$20,500 of your compensation to a 401(k) (an increase of \$1,000 over 2021). Those aged 50-plus can defer an extra \$6,500 for a total of \$27,000. Additionally, some plans allow you to make after-tax contributions, up to the IRS limit of \$61,000.
7. **Fund 2021/2022 Non-Deductible IRAs & Consider Converting to Roth:** There is still time to fund non-deductible IRAs and immediately convert the contribution to a Roth in 2022. In 2021 and 2022, individuals can contribute \$6,000 to an IRA. Those aged 50-plus can contribute an extra \$1,000 for a total of \$7,000. The Build Better Back plan, as proposed last year, would have prohibited the Roth conversion of after-tax funds in traditional retirement accounts. If the Senate passes a version of the bill that includes elimination of the backdoor Roth strategy, it's possible they could retroactively impose restrictions to the start of the 2022 calendar year.



## 2022 Beginning-of-Year Financial Planning Checklist

### Gifts / Education Planning

- 8. Discuss Gifting Plan/529 College Savings Plan Contributions for Children/Grandchildren:** If you plan on giving money to your children or grandchildren this year, consider how you plan to make the gifts (529 contributions, cash gifts, etc.). In 2022, the annual exclusion for gifts to any individual increased to \$16,000 (\$32,000 per couple). As a reminder, if you pay college or medical bills directly to the institution, your payment is not considered a gift and there is no limitation on those contributions.
- 9. Fund 2021 Roth IRAs for Children:** If your children had earned income, you can use part of their annual gifting exclusion to fund a Roth IRA for each working child. This strategy helps transfer wealth to the next generation in a tax-efficient manner.

### Estate Planning

- 10. Review Estate Plan and Fiduciary/Beneficiary Designations:** With the passage of the SECURE Act in late 2019, it is crucial to review your estate documents and beneficiary designations with your attorney to ensure they still meet your wishes. Most non-spouse beneficiaries are now required to take larger distributions to adhere to the new 10-year rule (the stretch provision was eliminated for certain IRA beneficiaries), which could result in a higher marginal tax rate as compared to a longer distribution period.
- 11. Fund Irrevocable Life Insurance Trust (ILIT) Accounts:** Make gifts to your Irrevocable Life Insurance Trusts (ILITs) to ensure assets are in place when insurance premiums are due.

### Income Tax Planning

- 12. Gather and Organize Documents Necessary for Tax Filing:** Begin collecting W-2s, 1099s, investment income information (interest and dividend income, proceeds from the sale of stocks and bonds, income from foreign investments), business income and Social Security benefits to prepare your 2021 federal and state tax returns.
- 13. Adjust Tax Withholding:** To make sure you don't wind up with a large tax bill or a significant refund when you file your 2021 tax return, take some time to review your W-4 and update your withholding if necessary. The Internal Revenue Service re-designed the W-4 form in 2020 to make withholdings more accurate.
- 14. Consider Making a Qualified Charitable Distribution (QCD) from your IRA:** Charitably inclined individuals who are required to take a Required Minimum Distribution (RMD) from their IRA should consider whether a Qualified Charitable Distribution (QCD) makes sense. A QCD is a non-taxable distribution from your IRA directly to a qualified charity, which typically counts towards your RMD. When making a QCD election, the amount you distribute will not be included in your adjusted gross income. The total of all QCDs is limited to \$100,000 and you cannot make the distribution from SEP or SIMPLE plans if an employer contribution is made for that year. A QCD cannot be made to a Donor-Advised Fund.



## 2022 Beginning-of-Year Financial Planning Checklist

### Risk Management / Employee Benefits

15. **Increase Health Savings Account and Flexible Spending Account Contributions for New Limits:** In 2022, you can contribute up to \$2,850 to a health care FSA and \$5,000 to a dependent care FSA. Additionally, the IRS increased HSA contribution limits to \$7,300 for those with family coverage and \$3,650 for individuals. Individuals aged 55 and older can contribute an additional \$1,000.
16. **Review Group Benefit Elections and Understand Updates for Coming Year:** Review your employee benefit elections (group health, dental, life, disability, FSA, HSA) and ensure you understand any updates to coverage.
17. **Review Health Insurance Plan and Understand Updates for the Coming Year:** Familiarize yourself with updates to your medical coverage including new co-insurance and deductible limits.
18. **Assess Life Insurance & Disability Coverage:** Early in the year is an opportune time to review your life and disability insurance and make sure you are properly covered. In addition to providing coverage in the event of premature death, life insurance can also be used to help cover future estate tax liabilities, secure protection on business owners or key employees and ensure a future inheritance for your children. Individuals who no longer have a need for coverage should discuss with their engagement team whether it makes sense to continue funding policies and if the option to restructure exists.
19. **Review Property & Casualty Coverage:** If any significant improvements were made to your home or you sold or purchased a property in 2021, it is important to review your coverage and confirm you are properly insured. Additionally, you should review your current excess liability coverage and inventory your special, valuable property items. The agreed-upon values listed in your policy represent the cash settlement in the event of a covered loss.
20. **Evaluate Debt Structure and Current Interest Rates:** After years of ultra-low interest rates, we're beginning to see rates rise. It is important to analyze your outstanding debt and determine whether or not it makes sense to restructure any outstanding loans.





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