



ALTAIR 20^{YEARS}

2022 Year-End Financial Planning Checklist



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Director of Financial Planning

Greetings!

With 2022 coming to a close, the final weeks of the year are an opportune time to review and execute year-end financial planning strategies. The current geopolitical environment, world market volatility and proposed legislative changes make planning more important than ever. In conjunction with planning for the year ahead, it is also important to reflect on the year we are leaving behind - both the good and bad... and the ugly.

You probably felt the sting of rising interest rates in 2022. In an effort to fight high inflation, the Federal Reserve raised interest rates over 3% this year in the largest single year jump since the 1980s. This has made purchasing everyday items such as groceries and fuel more expensive and increased the cost of borrowing money. Rates on 30-year fixed mortgages climbed to over 7% and the Applicable Federal Rate and 7520 rate, commonly used in wealth transfer strategies, have increased to levels not seen since 2007. With a higher hurdle to clear, popular estate planning strategies, such as intra-family loans, sales to Intentionally Defective Grantor Trusts and Grantor Retained Annuity Trusts have become less attractive, though declines in asset values may present opportunities.

Rising inflation is not all bad news - both Social Security and the Lifetime Estate and Gift Tax Exemption will see big increases in 2023 thanks to upward inflation adjustments. Individuals will soon be able to pass along \$12,920,000 (\$25,840,000 for married couples) without incurring any federal estate tax. Individuals and families can also maximize the annual gift exclusion - soon to increase to \$17,000 per person (from \$16,000 in 2022). Individuals receiving Social Security will also see their monthly checks go up by over \$200 per month. The maximum Social Security benefit for individuals retiring at Full Retirement Age will increase to \$3,627 per month in 2023 from \$3,345 in 2022.

2023 could also be a big year for individuals in or nearing retirement. Both the House and Senate have proposed bills that would raise the starting age for Required Minimum Distributions to 75, reduce the penalty for missing a distribution and index Qualified Charitable Distributions (a non-taxable distribution from your IRA directly to a qualified charity) for inflation. It remains to be seen whether either bill will pass.

Enclosed you will find our annual checklist of important actions to consider before the end of the year. Taking small steps today will lay the foundation for a successful 2023 and years to come.

As you navigate the 2022 Year-End 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 5 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,
Katie

2022 Year-End Financial Planning Checklist

Completed	Recommendation	Responsible Party	Target Date
Legislation Updates			
<input type="checkbox"/>	Review Required Minimum Distribution Guidance for Inherited IRAs	Altair to Advise	December 31 st
<input type="checkbox"/>	Monitor Proposed Retirement Legislation and Discuss Related Planning	Altair to Advise	Ongoing
<input type="checkbox"/>	Discuss Current Interest Rates and Evaluate Planning Opportunities	Altair to Advise	Ongoing
Retirement Planning / Employee Benefits			
<input type="checkbox"/>	Maximize Retirement Plan Contributions (Pre-Tax/Post-Tax/Catch-Up Contributions)	Client	December 31 st
<input type="checkbox"/>	Rebalance 401(k)	Altair to Advise	December 31 st
<input type="checkbox"/>	Take Required Minimum Distributions	Altair to Coordinate	December 31 st
<input type="checkbox"/>	Make Deferred Comp Elections	Altair / Client	December 31 st
<input type="checkbox"/>	Utilize FSA Money (Use it or Lose it)	Client	December 31 st
<input type="checkbox"/>	Maximize Year-End Healthcare Benefits	Client	December 31 st
Gifting / Education Planning			
<input type="checkbox"/>	Complete Annual Exclusion Gifts (\$16,000/\$32,000)	Client	December 31 st
<input type="checkbox"/>	Fund 529 Plans + Reimburse Applicable Expenses	Client	December 31 st
Estate Planning			
<input type="checkbox"/>	Discuss Potential Changes to Estate Tax Exemption and Wealth Transfer Strategies	Altair / Attorney	Ongoing
<input type="checkbox"/>	Execute Crummey Notices	Trustee	Ongoing
<input type="checkbox"/>	Review Estate Plan & Fiduciary/Beneficiary Designations	Client	Ongoing
Income Tax Planning			
<input type="checkbox"/>	Consider Roth IRA Conversion	Altair / Client / CPA	December 31 st
<input type="checkbox"/>	Analyze Taxable Accounts for Tax-Loss Harvesting Opportunities	CPA / Altair	December 31 st
<input type="checkbox"/>	Review Current Year Income	Client	December 31 st
<input type="checkbox"/>	Adjust Tax Withholding	CPA / Client	December 31 st

2022 Year-End Financial Planning Checklist

Completed	Recommendation	Responsible Party	Target Date
Income Tax Planning Cont'd			
<input type="checkbox"/>	Make Charitable Donations/Consider Bundling Itemized Deductions	Altair / Client	December 31 st
<input type="checkbox"/>	Consider Making a Qualified Charitable Distribution (QCD) from your IRA	Altair / Client	December 31 st
Other			
<input type="checkbox"/>	Review Group Benefit Elections & Make Updates for Coming Year	Client	Ongoing
<input type="checkbox"/>	Enroll in New Health Insurance Plan Through Healthcare.gov	Client	January 15 th , 2023
<input type="checkbox"/>	Complete Medicare Open Enrollment	Client	December 7 th
<input type="checkbox"/>	Request Annual Credit Report	Client	Ongoing
<input type="checkbox"/>	Consider Updating Passwords & Security Questions	Client	Ongoing
Important Milestones			
<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 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	
Key Upcoming Dates			
<input type="checkbox"/>	Oct/Nov 2022	Employers announce open enrollment period	
<input type="checkbox"/>	1/17/2023	4 th Quarter 2022 Estimated Tax Payment Due	
<input type="checkbox"/>	4/18/2023	Deadline to file 2022 Income Tax Return or file extension	

2022 Year-End Financial Planning Checklist

Federal Estate Tax & Gift Tax	2022
Combined Federal Estate and Gift Tax Exemption	\$12,060,000
Federal Estate Tax Rate	Top Marginal Rate is 40%
Annual Gift Exemption	\$16,000 Per Person
Individual Retirement Accounts	2022
Individual IRA (Roth, Traditional)	\$6,000
<i>Catch-Up Contribution (Age 50+)</i>	\$1,000
Annual Qualified Plan Limits	2022
Maximum Compensation Used to Determine Contribution	\$305,000
Deferral Limits for Plans	
401k / 403b / 457	\$20,500
<i>Catch-Up Contribution (Age 50+)</i>	\$6,500
SIMPLE	\$14,000
<i>Catch-Up Contribution (Age 50+)</i>	\$3,000
SEP IRA	\$61,000
Maximum Annual Addition for Defined Contribution Plan ¹	\$61,000
Maximum Annual Benefit for Defined Benefit Plan ¹	\$245,000
Federal Tax Rates	2022
Maximum Individual Income Tax Rate	37.0%
Maximum Rate for Qualified Capital Gains & Dividends	20.0%
Standard Deduction - MFJ	\$25,900
Standard Deduction - Single/MFS	\$12,950
Standard Deduction - Head of Household	\$19,400
Personal Exemption	\$0
Other	2022
Health Care FSA Contributions (pre-tax limit)	\$2,850
Dependent Care FSA Contributions (pre-tax limit)	\$5,000
HSA Contributions (Individual/Family coverage)	\$3,650/\$7,300
<i>Catch-Up Contribution (Age 55+)</i>	\$1,000
¹ Not including catch-up contributions 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 Year-End Financial Planning Checklist

Legislative Updates

- 1. Review Required Minimum Distribution Guidance for Inherited IRAs:** On October 7th, 2022 the IRS waived the 50% penalty on missed 2021 and 2022 inherited IRA Required Minimum Distributions (RMDs) for certain beneficiaries subject to the SECURE Act 10-year payout period (Notice 2022-53). The notice states non-eligible designated beneficiaries who did not take an RMD in 2021 or 2022 (when the account owner died in 2020 on or after his or her required beginning date) would avoid a penalty. Additionally, non-eligible designated beneficiaries who missed 2022 RMDs (when the account owner died in 2021 on or after his or her required beginning date) would not be penalized either. The “required beginning date” is April 1 of the year after the year the IRA owner turns 72. It is important to note that the notice does not affect lifetime RMDs, inherited IRAs by eligible designated beneficiaries or RMDs by beneficiaries who inherited before 2020. Penalties for missed distributions are expected to resume in 2023. Individuals with questions on the impact of this notice should follow up with their engagement team at Altair and tax advisers.
- 2. Monitor Proposed Retirement Legislation and Discuss Related Planning:** Major changes to retirement planning could be on the horizon if the House’s Secure Act 2.0 or the Senate’s EARN Act pass into law. Both bills include provisions to increase the starting age for Required Minimum distributions (to age 75) and reduce the penalty for missing a distribution (25% from 50%) among other things. Currently, the legislation remains a proposal and could see changes before final passage (if passed at all).
- 3. Discuss Current Interest Rates and Evaluate Planning Opportunities:** With more interest rate hikes expected, it could be a good time to look into wealth planning strategies that are advantageous in a higher interest rate environment. Since the start of the year, the Federal Reserve has raised rates over 3-percent (the largest single year jump since the 1980s). The increase bumped up both the applicable federal rate (AFR) which is commonly used in intra-family loans and the 7520 rate, which is used to compute present values for a variety of estate planning strategies. This in turn has made various wealth transfer strategies, like Charitable Remainder Trusts (CRTs) and Qualified Personal Residence Trusts (QPRTs) more attractive than in years past. Individuals and families in a position to take action can also consider paying down debt (where appropriate), gifting or swapping low-value assets with potential for future appreciation and utilizing the increased lifetime Estate and Gift Tax Exemption. In October the IRS announced the exemption will increase to \$12,920,000 for individuals and nearly \$26MM for married couples. The annual gift tax exclusion will also increase to \$17,000 in 2023. It is important to discuss all strategies with your Altair team, attorney and tax advisers before executing.

See disclosures at the end of document.



2022 Year-End Financial Planning Checklist

Retirement Planning / Employee Benefits

4. **Maximize Employer Retirement Plan Contributions:** If you have a 401(k) or another retirement plan at work, remember to make your allowable 2022 contributions before year-end. In 2022, you can elect to defer up to \$20,500 of your compensation to a 401(k). Those over 50 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 (\$67,500 including catch-up contributions).
5. **Rebalance 401(k):** Periodically rebalancing your 401(k) ensures your account is in line with your target asset allocation.
6. **Take Required Minimum Distributions (RMDs):** Beginning at age 72, RMDs must be completed before December 31st to avoid a 50% penalty. If you turn 72 this year, you may be able to delay the distribution until April 1st, 2023. If you have several IRA accounts, you may take the distribution from just one, but the distribution must be calculated on the aggregate of your IRA balances. Please note that once an RMD is taken, it is irrevocably distributed (and taxable). RMDs are not required for Roth IRAs (unless inherited).
7. **Make Deferred Comp Elections:** If applicable, determine before December 31st whether to defer a portion of your 2023 compensation. Deferring income allows for compound growth without an annual tax drag. As with any investment decision, it is important to weigh the benefits of deferring in light of your liquidity needs, time horizon and lifestyle choices. Additionally, you will be required to make a distribution election—keep in mind that distribution periods of 10 years or more may provide certain state tax benefits.
8. **Utilize FSA Money:** If you have a Flexible Spending Account (FSA), you have until December 31st (or March 15th of the new year for some plans) to spend your balance. FSA dollars work on a use-it-or-lose-it provision. Remaining dollars will be forfeited on January 1st of each year. FSA dollars can be used to pay for medical expenses that aren't covered by a health plan, like co-pays, deductibles, dental and vision care or dependent day care. You can also use dollars to purchase items like sunscreen and first aid kits. In 2022, individuals can contribute \$2,850 to a healthcare FSA and \$5,000 to a dependent care FSA. The end of the year is also a good time to calculate your FSA allotment for next year, based on your current account excess or deficit.

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2022 Year-End Financial Planning Checklist

9. **Maximize Year-End Health Benefits:** If you've hit your healthcare deductible and out-of-pocket maximum for the year, consider scheduling medical procedures you've been putting off. Once your deductible is met, your health insurance provider helps pay for procedures, and many treatments, like elective surgeries, become more affordable. Beginning January 1st, the deductible resets to zero on many health insurance plans.

Gifts / Education Planning

10. **Complete Annual Exclusion Gifts:** In 2022, you can gift \$16,000 per person (\$32,000 per couple) to any individual, free from gift tax. This annual exclusion is a way to transfer assets and reduce your taxable estate. Please keep in mind that contributions to 529 plans are considered gifts, as are contributions to an irrevocable life insurance trust to pay insurance premiums.
11. **Fund 529 Plans:** If you plan to contribute to a 529 account this year, be sure to do so by December 31st to take advantage of the annual gift exclusion and to qualify for any state tax deductions on your 2022 taxes. If you pay for college directly to the institution, your payment is not considered a gift and there is no limitation on your contributions (please remember contributions to 529 plans are considered gifts). If you plan to pay bills directly and reimburse yourself from a 529 plan, make sure you reimburse yourself in the same calendar year in which the expenses occurred.

Estate Planning

12. **Discuss Potential Changes to Estate Tax Exemption and Wealth Transfer Strategies:** In 2022, the lifetime Federal Estate and Gift Tax Exemption is \$12,060,000 (\$24,120,000 for married couples). The IRS announced in October the exemption will increase to \$12,920,000 (\$25,840,000 for married couples) on January 1st, 2023. If legislative action is not taken, the current exemption amount will sunset 12/31/2025 and be reduced to \$5,000,000 per taxpayer (\$10,000,000 for married couples) indexed for inflation. Please reach out to your Altair team, estate attorney and tax advisers to discuss whether any action should be taken.

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13. **Execute Crummey Notices:** Confirm with your estate planning attorney or trustees that beneficiaries are being provided written notice (Crummey Notice) of their withdrawal power each year a gift is made to an irrevocable life insurance trust or other trust that contains Crummey powers. It is important to store these notices in the event the IRS challenges past gifting. Failure to provide this documentation could compromise the tax status of assets held in the trust.
14. **Review Estate Plan & Fiduciary/Beneficiary Designations:** The end of the year is a good time to review your overall estate plan and fiduciary designations to make sure they are still in line with your wishes. Additionally, you should verify/update your beneficiary designations on your retirement accounts and life insurance policies.

Income Tax Planning

15. **Consider Roth IRA Conversion:** Currently, anyone, regardless of income, is eligible to convert a traditional IRA to a Roth IRA. The Roth IRA carries significant income tax advantages for both you and your beneficiaries and may be advantageous to execute when asset values are reduced. Please consult with your accountant to discuss potential taxes that could be owed on a Roth conversion, and consult Altair to determine whether a Roth conversion makes sense for you.
16. **Analyze Taxable Accounts for Tax-Loss Harvesting Opportunities:** Given 2022 market performance, there may be opportunities in your portfolio to sell a position and realize a tax loss. These losses can be used to offset capital gains and up to \$3,000 of ordinary income each year. Additional losses can be carried forward to future tax years. When using this strategy, make sure you do not violate the “wash sale” tax rules. Your Altair engagement team can advise you on whether or not it makes sense to execute this strategy now.
17. **Review Current Year Income:** Typically, it makes sense to accelerate deductions into the current year and defer income into a future year when possible. Consult with your tax adviser.
18. **Adjust Tax Withholding:** Review your W-4 and update your withholding if necessary.

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2022 Year-End Financial Planning Checklist

19. **Make Charitable Donations/Consider Bundling Itemized Deductions:** All charitable contributions must be made prior to December 31st to be taken as a deduction on this year's tax return. Charitably inclined individuals who are unable to itemize may benefit from bundling two or more years of donations into a single year (possibly through a Donor Advised Fund). This will increase the likelihood of being able to itemize deductions in alternate years. Taxpayers can deduct cash donations up to 60% of adjusted gross income (AGI) in 2022 when made directly to a public charity and stock donations up to 30% of AGI. (Cash contributions to a Donor Advised Fund can be deducted up to 60% of AGI). If you do intend to make a donation for 2022, we encourage you to do so by December 1st to ensure your gift is processed in the current tax year.
20. **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.

Other

21. **Review Group Benefit Elections & Make Updates for the Coming Year:** Open enrollment is under way at many employers. Please take time to review your employee benefit elections (group health, dental, life, disability, FSA, HSA) to ensure you have selected the right plan with the right coverage amount and a deductible that you are comfortable paying.
22. **Enroll in New Health Insurance Plan Through Healthcare.gov:** The 2023 open enrollment period for marketplace health insurance plans runs from Tuesday, November 1st to Sunday, January 15th, 2023. If you fail to act by the end of that period, you will not be able to get 2023 coverage unless you qualify for a special enrollment period.

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23. **Complete Medicare Open Enrollment:** If you're on Medicare, you have until December 7th to decide whether to keep your current coverage or make changes that will take effect January 1st, 2023. Covered individuals can pick a new Medicare Part D drug plan, a new Medicare Advantage plan or switch from original Medicare into a Medicare Advantage plan. Please remember Medicare supplement plans are not part of this open enrollment.
24. **Request Annual Credit Report:** We recommend that you review a full credit report annually to make sure there are no errors. You are allowed one free copy of your credit report each year from each credit bureau. To request, go to www.annualcreditreport.com or call 877-322-8228. If you have not done so already, consider signing up for a credit monitoring service.
25. **Consider Updating Passwords & Security Questions:** We recommend you regularly update your passwords and security questions to prevent fraud and cybersecurity attacks. Additionally, to assist family members if you become incapacitated or pass away, create a list of usernames and passwords for all of your digital assets and store this in a secure place.

Disclosures

The material shown should not be construed as accounting, legal, or tax advice. All investments are subject to the risk of loss. Forward-looking statements are subject to numerous assumptions, risks, and uncertainties, and actual results may differ materially from those anticipated in forward-looking statements. As a practical matter, no entity is able to accurately and consistently predict future market activities. Therefore, actual results may differ materially from those anticipated herein.



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