ALTAIR

2023

Year-End Financial Planning Checklist

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Greetings!

We are fast approaching the end of an eventful year that has seen its share of both good and bad for the global economy and markets. After the strong stock-market rally in the first half, rising U.S. Treasury yields and expectations the Fed could keep interest rates high for an extended period have diminished investment gains. But the U.S. economy remains robust, inflation is moderating, and corporate earnings are gradually improving. We can only hope that the Middle East war that began with Hamas' horrific attack on Israeli civilians is contained, as we do the now nearly two-year-old war in Ukraine, with limited further bloodshed and no setback for global stability.

We expect 2024 to be a busy year for financial planning – more on that in a moment – but before considering that we want to remind you about some year-end opportunities to fine-tune your financial well-being and further your long-term goals. The attached checklist and glossary are meant to serve as guidelines for actions you should consider taking if you have not already, from annual measures involving gifting/education planning, required minimum distributions and income tax strategies to 2023-specific steps tied to higher rates and pending legislation. We recommend you reach out to your Altair engagement team, attorneys and personal tax advisers soon to discuss specifics of your circumstances.

Why will 2024 be especially important? Aside from being an election year, it will be a big year for estate planning because we anticipate a large amount of wealth transfer with the approach of the exemption sunset of December 31st, 2025. Depending on the outcome of elections, changes in Federal Reserve policy and actions taken in Congress, which has been hamstrung by dysfunction in the House, it could be a year of transition in Washington that will require important consideration of financial planning moves.

All told, 2024 shapes up as a year with some big questions and considerable uncertainty. While we cannot do anything about the uncertainty, we can all control some of the foundations of financial planning.

We encourage you to reach out to your Altair engagement team. In the meantime, we hope you find this year-end packet helpful.

Warm regards,
Katie

See disclosures at the end of document.

2023 Year-End Financial Planning Checklist

Completed	Recommendation	Responsible Party	Target Date
Legislation Updates			
☐	Examine Required Minimum Distribution Relief for Inherited IRAs	Altair to Advise	December 31st
☐	Review Secure Act 2.0 Changes Going into Effect in 2024	Altair to Advise	January 1st, 2024
☐	Discuss Current Interest Rates and Evaluate Planning Opportunities	Altair to Advise	Ongoing
Retirement Planning / Employee Benefits			
☐	Maximize Retirement Plan Contributions (Pre-Tax/Post-Tax/Catch-Up Contributions)	Client	December 31st
☐	Rebalance 401(k)	Altair to Advise	December 31st
☐	Take Required Minimum Distributions	Altair to Coordinate	December 31st
☐	Make Deferred Comp Elections	Altair / Client	December 31st
☐	Utilize FSA Money (Use it or Lose it)	Client	December 31st
☐	Maximize Year-End Healthcare Benefits	Client	December 31st
Gifting / Education Planning			
☐	Complete Annual Exclusion Gifts ($17,000/$34,000)	Client	December 31st
☐	Fund 529 Plans + Reimburse Applicable Expenses	Client	December 31st
Estate Planning			
☐	Discuss Potential Changes to Estate Tax Exemption and Wealth Transfer Strategies	Altair / Attorney	Ongoing
☐	Execute Crummey Notices	Trustee	Ongoing
☐	Review Estate Plan & Fiduciary/Beneficiary Designations	Client	Ongoing
Income Tax Planning			
☐	Consider Roth IRA Conversion	Altair / Client / CPA	December 31st
☐	Analyze Taxable Accounts for Tax-Loss Harvesting Opportunities	CPA / Altair	December 31st
☐	Review Current Year Income	Client	December 31st
☐	Adjust Tax Withholding	CPA / Client	December 31st

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Completed	Recommendation	Responsible Party	Target Date
Income Tax Planning Cont'd			
☐	Make Charitable Donations/Consider Bundling Itemized Deductions	Altair / Client	December 31st
☐	Consider Making a Qualified Charitable Distribution (QCD) from your IRA	Altair / Client	December 31st
Other			
☐	Review Group Benefit Elections & Make Updates for Coming Year	Client	Ongoing
☐	Enroll in New Health Insurance Plan Through Healthcare.gov	Client	January 15th, 2024
☐	Complete Medicare Open Enrollment	Client	December 7th
☐	Request Annual Credit Report	Client	Ongoing
☐	Consider Updating Passwords & Security Questions	Client	Ongoing

Important Milestones		
☐	Age 50	You can make catch-up contributions to IRAs and some qualified retirement plans
☐	Age 55	You can take distributions from your 401(k) plan without penalty if retired and make catch-up contributions to your Health Savings Account
☐	Age 59 ½	You can take distributions from IRAs without penalty
☐	Age 62-70	You can apply for Social Security Benefits
☐	Age 65	You can apply for Medicare
☐	Age 73-75	You must begin taking Required Minimum Distributions from IRAs

Key Upcoming Dates		
☐	**Nov 2023**	Employers announce open enrollment period
☐	**1/16/2024**	4th Quarter 2023 Estimated Tax Payment Due
☐	**4/15/2024**	Deadline to file 2023 Income Tax Return or file extension

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Federal Estate Tax & Gift Tax	2023
Combined Federal Estate and Gift Tax Exemption	$12,920,000
Federal Estate Tax Rate	Top Marginal Rate is 40%
Annual Gift Exemption	$17,000 Per Person
Individual Retirement Accounts	**2023**
Individual IRA (Roth, Traditional)	$6,500
Catch-Up Contribution (Age 50+)	*$1,000*
Annual Qualified Plan Limits	**2023**
Maximum Compensation Used to Determine Contribution	$330,000
Deferral Limits for Plans	
401k / 403b / 457	$22,500
Catch-Up Contribution (Age 50+)	*$7,500*
SIMPLE	$15,500
Catch-Up Contribution (Age 50+)	*$3,500*
SEP IRA	$66,000[1]
Maximum Annual Addition for Defined Contribution Plan[2]	$66,000
Maximum Annual Benefit for Defined Benefit Plan[2]	$265,000
Federal Tax Rates	**2023**
Maximum Individual Income Tax Rate	37.0%
Maximum Rate for Qualified Capital Gains & Dividends	20.0%
Standard Deduction - MFJ	$27,700
Standard Deduction - Single/MFS	$13,850
Standard Deduction - Head of Household	$20,800
Personal Exemption	$0
Other	**2023**
Health Care FSA Contributions (pre-tax limit)	$3,050
Dependent Care FSA Contributions (pre-tax limit)	$5,000
HSA Contributions (Individual/Family coverage)	$3,850/$7,750
Catch-Up Contribution (Age 55+)	*$1,000*

[1] Contributions cannot exceed 25% of employee's compensation or $66,000
[2] 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.

2023 Financial Planning Checklist

Legislative Updates

1. Examine Required Minimum Distribution Relief for Inherited IRAs: While Required Minimum Distributions (RMDs) may not be required for certain beneficiaries of inherited IRAs, individuals may still want to consider withdrawing funds to avoid bunching of income in later years. In July, the IRS extended additional Required Minimum Distribution (RMD) relief. Notice 2023-54 says designated beneficiaries (who inherited after 2019 and after RMDs had already begun) will not be penalized for failing to take an RMD in 2023. Or in other words, RMDs would not be required for this group in 2023. There has been confusion surrounding the rules for inherited IRAs ever since the SECURE Act of 2019 eliminated the so-called “stretch IRA” for most non-spouse beneficiaries. The new rules would require the IRA to be drained by the end of the 10th year following the original owner’s death. 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 2024. Individuals with questions on the impact of this notice should follow up with their engagement team at Altair and tax advisers.

2. Review SECURE Act 2.0 Changes Going into Effect in 2024: A number of changes to retirement planning are set to go into effect in 2024. Among the changes, individuals 50+ who contribute to an IRA will see their catch-up contribution limit indexed for inflation annually. The new change, based on federally determined cost-of-living adjustments, will go into effect next year. Additionally, owners of Roth-designated accounts in employer retirement plans will no longer need to take an RMD or roll their Roth 401(k) over to a Roth IRA as the pre-death distribution for Roth accounts in employer plans will now be eliminated. An item previously set to roll out in 2024 that would have forced high income earners (individuals age 50 and older whose wages exceed $145,000 in the previous calendar year) to make after-tax catch-up contributions has been postponed until 2026.

3. Discuss Current Interest Rates and Evaluate Planning Opportunities: As interest rates have steadily climbed this year, so too has interest in wealth planning strategies that work well in a higher interest rate environment. Since the first quarter of 2022, the Federal Reserve has raised rates eleven times, bringing the Federal Funds rate from around 0.0% to 5.25-5.5%. The increase has also 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 steps 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. Currently, the exemption is $12,920,000 for individuals and nearly $26,000,000 for married couples. It is important to discuss all strategies with your Altair team, attorney and tax advisers before executing.

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2023 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 contributions before year-end. In 2023, you can elect to defer up to $22,500 of your compensation to a 401(k). Those over 50 can defer an extra $7,500 for a total of $30,000. Additionally, some plans allow you to make after-tax contributions, up to the IRS limit of $66,000 ($73,500 including catch-up contributions). Contributions for SEP and Traditional/Roth IRAs are not due until the April 15th tax filing deadline.

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): Individuals who are already taking RMDs and individuals who turn 73 in 2023 will need to take their required distribution before December 31st to avoid a 50% penalty. 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 2024 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 2023, individuals can contribute $3,050 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.

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.

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Gifting / Education Planning

10. Complete Annual Exclusion Gifts: In 2023, you can gift $17,000 per person ($34,000 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. Medical payments made directly to the healthcare facility and college tuition payments made directly to an institution do not count toward the exclusion.

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 2023 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. In addition to making annual gifts, taxpayers can elect to "superfund" a 529 plan. This election allows individuals or married filing jointly taxpayers to contribute up to $85,000 ($170,000 MFJ) (the annual gift-tax exclusion multiplied by five) to a plan per beneficiary without paying gift tax or using any of their lifetime exemption.

Estate Planning

12. Discuss Potential Changes to Estate Tax Exemption and Wealth Transfer Strategies: In 2023, the lifetime Federal Estate and Gift Tax Exemption is $12,920,000 ($25,840,000 for married couples). 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.

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.

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2023 Financial Planning Checklist

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: Review your portfolio to see if 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.

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 though 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 2023 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 2023, 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.

2023 Financial Planning Checklist

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 2024 open enrollment period for marketplace health insurance plans runs from Wednesday, November 1st to Monday, January 15th, 2024. If you fail to act by the end of that period, you will not be able to get 2024 coverage unless you qualify for a special enrollment period.

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, 2024. 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.

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