January 2021

Retirement Planning Insights

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Up Front

Happy New Year! (finally)

I won't belabor the point that 2020 is over since you're obviously aware of that and probably feel as glad as I do that it's finally 2021. However, I'd be remiss if I didn't express gratitude for the support, creativity and resourcefulness of my family during the year.

The picture below is an example of how we took lemons and made lemonade. This is my woodworking shop, which is my home's attached one-car garage. We had family over on Christmas Eve and celebrated in a socially distant way in my shop; we had the garage door open and two space heaters running. To help make things more festive, my wife and kids hung Christmas lights and put up a mini tree on my table saw.

It definitely wasn't anything like our normal Christmas celebrations. However, considering how abnormal 2020 was, I think it was a smashing success!

One of the bright spots of 2020 for me was how well Tenon Financial has been growing. My ultimate goal for the business is to get to 40-50 households of ongoing planning & investment management relationships. I figured it would take five years to get to that point. However, after just one year in business, that goal is already a third of the way met and things don't look to be slowing down!

With that said, I've had to change my service offerings a bit to accommodate the faster-than-expected growth. I'm no longer offering hourly planning engagements and I have to put a pause on taking on one-time financial plans for now. For more info, see the revised **services and fees** for Tenon Financial.

I hope you have a happy and healthy 2021!

-Andy

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Retirement Planning News

Additional Coronavirus stimulus

On December 27, 2020, President Trump signed into law **the Consolidated Appropriations Act, 2021 (the "Act")**. While the Act is nearly 5,600 pages long and mostly comprises typical annual spending budgets for the whole of the federal government, there are some additional Coronavirus relief measures tucked into it.

Most of the relief provisions are focused on businesses (through the Payroll Protection Program) and extensions of federally subsidized unemployment assistance. Unlike in the first round of stimulus from early-2020, the Act doesn't contain a lot of measures that will directly impact retirement planning.

The provisions most likely to impact retirees and/or retirement planning are:

Additional stimulus payments to individuals

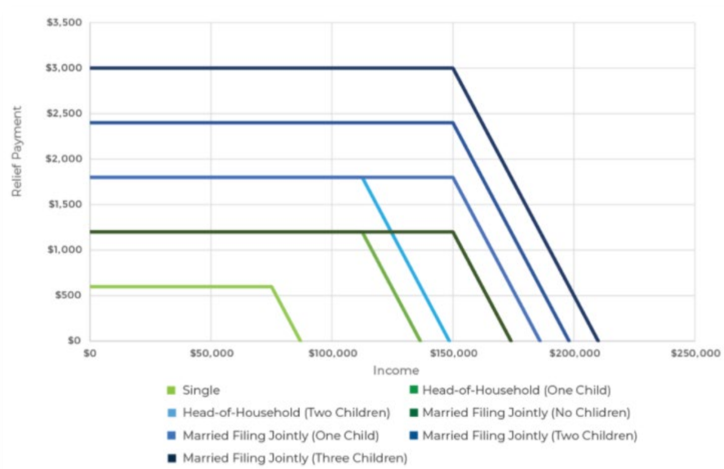
The first round of stimulus from March 2020 made payments of up to $1,200 to eligible individuals. This new round pays additional stimulus amounts of up to $600 to all eligible individuals. Payments started going out on December 29th.

These new stimulus amounts are similarly based on 2019 tax return filing status and Adjusted Gross Income ("AGI").

- Single tax filers with AGI up to $75,000 receive $600
- Head of Household filers with AGI up to $112,500 receive $600
- Married Filing Jointly filers with AGI up to $150,000 receive $1,200

In all cases, filers are eligible for an additional $600 per person for each qualifying child under the age of 17.

If AGI exceeds the above thresholds, the total payments are reduced by 5% of the amount of AGI above the threshold. The chart below (courtesy of www.kitces.com) shows the expected payment amount(s) for various filing statuses, number of qualifying children and AGIs.



Other mentionable changes for individuals

For 2020, you're able to deduct on your tax return qualifying medical expenses in excess of 7.5% of your AGI. Normally the threshold is 10%. The Act makes permanent the 7.5% threshold.

If you use the standard deduction on your tax return, you're normally unable to deduct your charitable donations for that year. The CARES Act added the ability deduct up to $300 of cash charitable donations for 2020 on top of the standard deduction. The newly signed stimulus bill extends this provision into

2021 AND allows you to double the amount to $600 if you file a joint return (for 2020, the special deduction is limited to $300 for both single and married filers alike).

It's also important to be aware of what the new Act does NOT include. Specifically, the Act does not extend the waiver of Required Minimum Distributions ("RMDs") into 2021; as of the writing of this newsletter, RMDs will again need to be taken as scheduled in 2021.

Practical Retirement Planning

Beginning of year retirement planning tips

While the end of the year is often busy with tax and financial planning housekeeping (e.g. Roth conversions, making sure RMDs are taken, tax loss harvesting in regular brokerage accounts, making charitable donations, etc.), the beginning of the year has some planning opportunities of its own.

Here are some things to consider as you start the year:

Estimate expenses and income - In addition to mapping out your anticipated "normal" expenses like housing, food, transportation and health insurance, also give thought to any extraordinary or large additional expenses you may have like a home renovation, special donation, new car, etc. It's important to have an idea of what your expenses will be so you can make sure you have the money for it readily available when necessary. To the extent your Social Security, pension and/or annuity income won't fully cover your expenses and you'll need to withdraw money from your portfolio, you want to plan for that ahead of time to make sure the cash is available when needed.

Plan tax withholdings and/or estimated tax payments - Once you estimate your income for the year, next figure out the approximate amount of federal and state income tax you'll owe and be sure to adjust your withholdings or make estimated tax payments throughout the year, if necessary.

Don't forget RMDs - If you'll have Required Minimum Distributions ("RMDs") to take from your accounts, be certain to actually take them. As mentioned in the "Retirement Planning News" section above, the 2020 waiver of RMDs was NOT extended into 2021. The penalty for missing an RMD is steep…50% of the amount that should have been taken but wasn't.

Plan for major "to do" items - Be aware of any major deadlines you might have during the year. For example, when you turn 65 you need to sign up for Medicare (unless you're still working and will continue to have qualifying health insurance through your employer). If you fail to sign up for Medicare during your initial sign-up window around your 65th birthday, you'll have to pay a monthly penalty, FOR LIFE, when you do eventually sign up.

If you have questions about retirement planning opportunities for 2021, don't hesitate to **contact us**.