
Year End Update

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Agenda

- Economic Update
- Proactive Tax Planning For 2021

Five Key Areas of Financial Planning



1. Preservation Planning
2. Retirement Planning
3. Tax Planning
4. Estate Planning
5. Investment Planning

Causes For Optimism

- Faith in the stock market
- Federal Reserve is still accommodative
- The Government & the Fed has put a lot of money into the hands of Americans
- Economic growth thesis is still intact
- Strong corporate earnings
- Energetic consumer spending
- Rapid pace of change



Reasons To Worry

- Inflation
- Labor force strains
- Public policy risks
- Change in Federal Reserve policy
- Recovery can still be derailed
- Rapid pace of change



Inflation and Interest Rates

Federal Reserve Met in September

- Fed funds rate remains at 0 – 0.25%
- Expected to remain at this rate until the Fed sees enough change in employment and inflation numbers.
- Tapering could commence in November and conclude “around middle of next year”

Treasury Yields

- The 10-year Treasury yield finished the quarter at 1.52%.
- The 30-year Treasury yield hit a 2021 high on March 19 at 2.45%.

January 4, 2021				March 19, 2021 <i>(Highest 30-year yield in 2021, to date)</i>				September 30, 2021			
5-year	10-year	20-year	30-year	5-year	10-year	20-year	30-year	5-year	10-year	20-year	30-year
0.36	0.93	1.46	1.66	0.90	1.74	2.36	2.45	0.98	1.52	2.02	2.08

Source: www.treasury.gov

Key Takeaways

- Caution is still the principal notion for investors.
- Interest rates are still near zero but may rise sooner than expected.
- Inflation worries have become much more prevalent
- The Fed has suggested that tapering may occur as soon as November.

We are here to help YOU!



Proactive Year-end Tax Planning Ideas for 2021

A “**Proactive**” approach to your tax planning instead of a “**Reactive**” approach could produce better results!

Form **1040** Department of the Treasury—Internal Revenue Service
U.S. Individual Income Tax Return (99)

Filing Status
Check only one box.
 Single Married filing jointly
If you checked the MFS box, enter the name of spouse. ▶

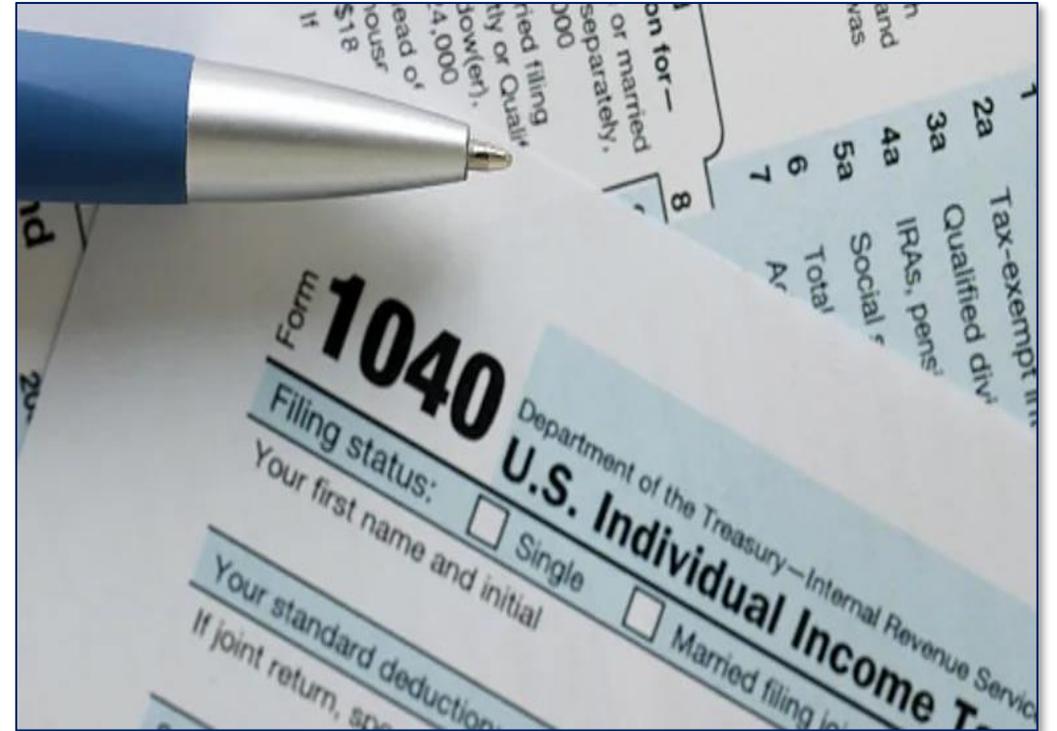
Your first name and middle initial _____ Last name _____

If joint return, spouse's first name and middle initial _____ Last name _____

Home address (number and street). If you use a P.O. box, see instructions. _____

If you have a foreign address, see instructions. _____

Tax Planning vs. Tax Preparation



“By failing to prepare, you are preparing to fail.”
Benjamin Franklin

Tax Brackets for 2021

For 2021, there are still seven tax rates.

They are 10%, 12%, 22%, 24%, 32%, 35%, and 37%.

Under current law this seven-rate structure is scheduled to phase out on January 1, 2026.

2021 Tax Rates				
2021 Tax Rate	Single	Married/Joint & Widow(er)	Married/Separate	Head of Household
10%	\$0 to \$9,950	\$0 to \$19,900	\$0 to \$9,950	\$0 to \$14,200
12%	\$9,951 to \$40,525	\$19,901 to \$81,050	\$9,951 to \$40,525	\$14,201 to \$54,200
22%	\$40,526 to \$86,375	\$80,051 to \$172,750	\$40,526 to \$86,375	\$54,201 to \$86,350
24%	\$86,376 to \$164,925	\$172,751 to \$329,850	\$86,376 to \$164,925	\$86,351 to \$164,900
32%	\$164,926 to \$209,425	\$329,851 to \$418,850	\$164,926 to \$209,425	\$164,901 to \$209,400
35%	\$209,426 to \$523,600	\$418,851 to \$628,300	\$209,425 to \$314,150	\$209,401 to \$523,600
37%	\$523,601 or more	\$628,301 or more	\$314,151 or more	\$523,601 or more

Itemized Deductions Vs The Standard Deduction

Evaluate The Use Of Itemized Deductions Vs The Standard Deduction

2021 STANDARD DEDUCTION Amounts

Single	MFJ/QW	MFS	HOH
\$ 12,550	\$ 25,100	\$ 12,550	\$ 18,800

Capital Gains Rates for 2021

Long-term capital gains tax rates for the 2021 tax year

FILING STATUS	0% RATE	15% RATE	20% RATE
Single	Up to \$40,400	\$40,401 – \$445,850	Over \$445,850
Married filing jointly	Up to \$80,800	\$80,801 – \$501,600	Over \$501,600
Married filing separately	Up to \$40,400	\$40,401 – \$250,800	Over \$250,800
Head of household	Up to \$54,100	\$54,101 – \$473,750	Over \$473,750

Source: Internal Revenue Service

Tax Gains & Loss Harvesting



Harvesting Capital Losses

- Selling assets at a loss to offset capital gains.
- Reduces or eliminates tax on current capital gain.
 - On the surface, loss harvesting produces an economic benefit equal to the tax saved, however it could only provide a timing benefit.
- Tax deferral could be valuable!

Harvesting Capital Losses

- Capital losses are highly tax effective if they can be used to offset income taxed at higher rates.

KEY FACT:

Taxpayers can use up to \$3,000 capital loss above capital gains to offset ordinary income!

Warning: Watch out for the wash sale rule, which prevents taxpayers from repurchasing a substantially similar security within 30 days of selling at a loss.

Harvesting Capital Gains

- On the surface, it might appear that taxpayers should always harvest gains.
- However, harvesting gains introduces a tradeoff between lower tax rates versus the loss of tax deferral.
- Remember although tax is paid at a lower rate, it might be paid sooner.

Proactive Tax Planning with the SECURE ACT

Explore Roth IRA Conversion Benefits

- Lowers overall taxable income long-term
- Tax-free compounding
- No RMDs (at age 72)
- Tax-free withdrawals for beneficiaries



*Withdrawals from Roth IRA may be tax free, as long as they are considered qualified. Limitations and restrictions may apply. Withdrawals prior to age 59 1/2 or prior to the account being opened for five years, whichever is later, may result in a 10% IRS penalty tax. Future tax laws can change at any time and may impact the benefits of Roth IRAs. Their tax treatment may change.

2021 Year-end Tax Planning

Summary Checklist

- Bracket Management
- Itemized Deduction Timing
- Gain & Loss Harvesting
- Retirement Planning
- Education Planning
- Charitable Planning
- Estate Tax Planning
- Planning for Major Financial or Life Events Next Year / Future
- Planning for Any Other Personal Situational Concerns



What Can You Expect From Us?

- Regular review of changes that may affect you.
- Regular communication.
- More frequent discussions.
- Review of economic, tax, estate and investment issues for our clients.



Help Us Help Others



Thank You!

**Your Health And Well-being Is
Our Highest Priority!**

We Appreciate The Opportunity To Assist With Your
Financial Needs

&

We're Always Planning For Your Success, Together



Q & A



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