

# 2022 YEAR-END TAX PLANNING CONSIDERATIONS

While it's important to ensure your estate plan is always up to date, times of increased market volatility may offer additional planning opportunities. Here are a few things to keep in mind as 2022 draws to a close. Please do not hesitate to get in touch if you have questions.

## 1. Retirement accounts

Consider increasing contributions to retirement accounts. Historically, market growth follows a period of decline, which makes this a good time to increase the amount you are contributing to retirement plans. The Internal Revenue Service announced that the amount individuals can contribute to their 401(k) plans in 2023 has increased to \$22,500, up from \$20,500 for 2022.

In addition to boosting the amount put aside for retirement, now may be a good time to invest as prices are lower and opportunities for growth are higher. As always, it is important to review your asset allocation with your relationship manager to ensure it meets your long-term goals.

## 2. Traditional IRAs vs Roth IRAs

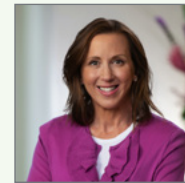
Consider converting your traditional IRA to a Roth IRA, which will increase your present taxable income and allow the converted assets to grow tax free thereafter. Furthermore, the income tax owed will be lower if the values have decreased recently. This option is beneficial to those who do not think they will be in a lower tax bracket at retirement. It is important to use other funds to pay the income tax that will arise as a result of the conversion, as it is counterintuitive to use IRA assets.

As always, confirm any required minimum distributions (RMDs) have been taken for you or family members as appropriate.

## 3. Gifting

If you have securities that are depressed but have a high likelihood of appreciating, it may be a good time to gift them. In doing so, you are making a gift equal to the current value of the security and the appreciation will not be subject to gift or estate taxes.

The annual exclusion amount is \$16,000 (\$32,000 for a married couple), which means you may make gifts of this amount to as many individuals as you



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would like without paying gift tax or applying your exclusion. This amount will increase to \$17,000 (\$34,000 for a married couple) in 2023.

Payment of medical expenses, health insurance, and tuition is outside of the lifetime exemption and can be done in addition to the annual exclusion.

Gifts in excess of these exceptions will be applied toward your lifetime exemption, which is currently \$12.06 million per person. This amount is scheduled to be reduced by approximately half in 2026 and perhaps sooner, so it may be wise to use it now.

### 4. Charitable donations

Consider donating low basis stock positions to charities to avoid a capital gains tax. If you use a donor-advised fund (DAF), you can take a current charitable deduction for the entire amount of the donation but delay the distribution to the charities.

### 5. Intrafamily loans

With mortgage and interest rates consistently rising, intrafamily loans may be attractive. These loans must use the Internal Revenue Service's Applicable Federal Rate (AFR), but this is much lower than third-party loans. Before doing so, it is important to consider the impact a loan might have on your financial well-being and carefully consider the terms and family logistics involved.

### 6. Estate and financial planning

Year-end is always a good time to review your estate and financial plan, but it's especially important during periods of heightened market volatility — and having a good plan in place can give you a sense of comfort. It is important that all estate planning documents are in order and reflect your current intention as well as any recent changes (divorce, marriage, birth, and change in domicile). We suggest you:

- a. Review or establish wills, trusts, guardianships, powers of attorney, and health care proxies.
- b. Notify trustees, advisors, and/or family members about existing documents and how to access them.
- c. Review life insurance policies terms and coverage.

We have a team of private wealth advisors to help you manage volatile markets and plan for the future. We have the capability to review and assist with financial and estate planning as well as provide investment management and asset allocation services. We encourage you to contact your relationship manager to discuss your goals and consider opportunities that may exist to meet them.

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