



A Review of End of Year Financial Planning Items

2022 is quickly coming to a close. Before we look ahead to 2023, we wanted to share a list of five end of year financial planning items that we are carefully monitoring. One or more of these items may apply to you. Most of them, but not all, have December 31, 2022 calendar deadlines.

Qualified Plan Contributions

If you are still working and are contributing to a “qualified plan” (meaning a work-sponsored plan), the deadline for your 2022 contributions is **December 31, 2022**. These plans include 401(k)s, 403(b)s, 457s, among others.

The most you as an employee can contribute to these plans for 2022 is \$20,500 (if you are under 50 years old) or \$27,000 (if you are 50 or older). These amounts do *not* include any employer match. These limits only reflect the maximum annual amount that you as an employee can defer into your own plan.

In 2023, the maximum employee deferral increases to \$22,500 (for those under 50) and \$30,000 (for those 50 or older).

We generally recommend saving as much as possible in these plans, at least 10-12% of your income if you are able to.

Tip: If this is applicable, you may want to reach out to your payroll/HR department to ensure you are contributing the right amount to your qualified plan for 2022. If you have been contributing an accelerated amount in the second half of 2022, it is a good idea to check to make sure that the January 2023 contribution is still appropriate.

Individual Retirement Account Contributions

The deadlines for your contributions to individual retirement accounts (such as Traditional, Roth, SEP IRA, and SIMPLE IRA) have more breathing room. The deadline to contribute to a Roth IRA or a Traditional IRA for 2022 is **April 18, 2023**. SEP-IRA and SIMPLE-IRA owners have until **April 18, 2023** or

October 16, 2023, depending on whether or not you plan on extending your tax return.

Tip: Check with your advisor and/or a CPA before making any contributions. A Roth IRA, for example, has income phase-out limits - listed [here](#) - that are different for single and married tax filers.

Required Minimum Distributions

The IRS requires investors with Traditional IRAs, SIMPLE IRAs, SEP IRAs, and qualified plans to begin withdrawing amounts from those accounts in their early 70s. These are called required minimum distributions (RMDs).

If you were born after June 30, 1949, RMDs begin for you at age 72. If you were born before that date, your RMDs begin at age 70.5. Note that a Roth IRA is the *only* type of account that has no required minimum distributions (RMDs).

Your advisor will work with you on the amount to withhold for taxes and whether to reinvest the after-tax proceeds or send them to you for your living expenses. Also, if you have inherited an IRA or a Roth IRA, your advisor and Client Operations Specialist will work with you on your distribution strategy.

Your first RMD must be taken by April 1 in the year after it was technically due (meaning you have a few extra months if you need them for your first-ever RMD). For each subsequent RMD (your second, third, and so forth) the deadline is **December 31 of that year**.

Donations to Charitable Organizations

There are multiple methods to donate to charity. Many donors contribute cash to their favorite organizations, and others will give appreciated stock. One emerging way to give charitably is through a Donor Advised Fund, a special vehicle that lets taxpayers receive a deduction for the year in which they contributed and then control the disbursements to charities over time. Those aged 70.5 or older can also use a “qualified charitable distribution” (QCD) which can reduce the amount of taxes owed in the year of a contribution. The current rules allow each taxpayer to contribute \$100,000 annually from their IRA to any charity (excluding Donor Advised Funds) of their choice.

The deadline for charitable contributions this year is **December 31, 2022**.

Tip: If you plan on a significant charitable contribution in 2022, let your advisor know as soon as possible. Custodians such as Schwab and Fidelity are usually inundated with requests in the last couple months of the year to set up Donor Advised Funds, so if you plan on setting one up in 2022, please let us know as soon as you can.

Roth Conversions

In some limited cases, your advisor may see an opportunity to convert some or all of your pretax account to a Roth IRA. This requires thoughtful analysis and coordination with you and your CPA/tax preparer. Roth conversions may generate a favorable tax tradeoff for some investors. For example, if you are in the 12% bracket today but may be in the 22% bracket at the time you would be taking RMDs, you could potentially save 10% on amounts withdrawn from pretax accounts. But it actually gets better, because those after-tax dollars are reinvested and can grow over the course of your lifetime and will never be taxed again assuming tax laws remain the same.

The deadline for Roth conversions this year is **December 31, 2022**.

We wish you a happy and joyous holiday season as 2022 begins to wind down. If you have any questions about the above items, please do not hesitate to reach out.

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