GARDECAPITAL

September 2023

Five End-of-Year Wealth Management Reminders

2024 is quickly approaching. Before we say goodbye to 2023, it is important to flag a few wealth management reminders that have December 31, 2023 deadlines.

To ensure you have made the right decision in each of these key aspects, and to account for significant processing delays at custodians, we wanted to bring these to your attention before the end of year rush begins.

1. Charitable Donations and DAF Contributions

There are multiple methods to donate to charity. Some donors contribute cash to their favorite organizations while others will give appreciated stock. One easy way to give charitably is through a Donor Advised Fund (or DAF), 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.

Another method for those aged 70.5 or older is a "qualified charitable distribution" (QCD), which can reduce the amount of taxes owed in the year of a contribution. The current rules allow each person to contribute up to $100,000 annually from their IRA directly to any charity (or charities) of their choice (excluding Donor Advised Funds).

The deadline for charitable contributions this year is **December 31, 2023**.

Tip: If you plan on a charitable contribution in 2023, let your advisor know immediately. Custodians such as Schwab (which has been busy integrating the TD Ameritrade acquisition) and Fidelity are usually flooded 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 2023, please let us know as soon as possible.

2. Qualified Plan Contributions

If you are still working and are contributing to a qualified plan (meaning a work-sponsored plan), the deadline for your 2023 contributions is **December 31, 2023**. These plans include 401(k)s, 403(b)s, 457s, among others.

The most you as an employee can contribute to these plans for 2023 is $22,500 (if you are under 50 years old) or $30,000 (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.

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 2023. If you have been contributing an accelerated amount in the second half of 2023, it is a good idea to check to make sure that your January 2024 contribution is still appropriate.

3. Individual Retirement Account Contributions

The deadline for your contribution to individual retirement accounts (such as Traditional, Roth, SEP IRA, and SIMPLE IRA) has more breathing room. The deadline to contribute to a Roth IRA or a Traditional IRA for 2023 is **April 15, 2024**. SEP-IRA and SIMPLE-IRA owners have until **April 15, 2024** or **October 15, 2024**, depending on whether or not you plan on extending your tax return.

The limits for both qualified plan contributions and IRAs/Roth IRAs are expected to increase in 2024, but no official details have been shared yet.

Tip: Be sure to check with your tax advisor or CPA about the timing and amounts of any contributions. A Roth IRA, for example, has income phase-out limits - listed here - that are different for single and married tax filers.

4. Required Minimum Distributions (RMDs)

The IRS requires investors who have Traditional IRAs, SIMPLE IRAs, and SEP IRAs, and qualified plans to begin withdrawing amounts from those accounts once they reach their Required Beginning Date (RBD). These withdrawals are called required minimum distributions (RMDs).

Under Secure Act 2.0, which became law earlier this year, you do not need to begin RMDs until you turn 73 for any accounts that you own directly in your own name (not an inherited IRA, in other words). Beginning next year (2024), RMDs from Roth 401(k) accounts will be discontinued.

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. 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-ever 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.

5. Roth Conversions

In some limited cases, it may be advantageous to convert some or all of your pretax retirement 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 might be in the 22% bracket at the time you would be taking RMDs, a Roth conversion may improve the economics. And 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, 2023**.

If you have any questions about the above items, please do not hesitate to reach out to your wealth manager.

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