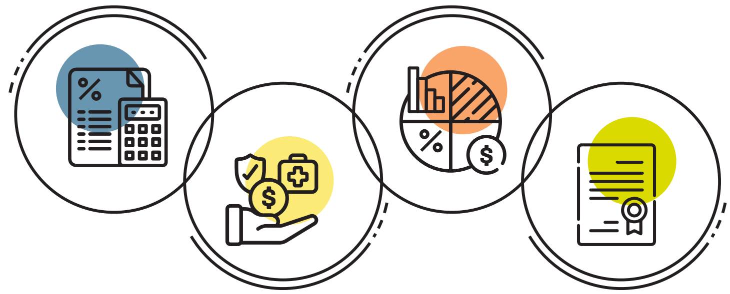

Your Year-End Financial Planning Guide for 2022

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With the holiday season upon us, you might be thinking about travel arrangements and family gatherings, elaborate meals, and gift shopping. Before those activities take over your schedule, set aside some time for your year-end financial planning.

You can handle most of these financial tasks now — or pass them off to us. We know you don't want to be preoccupied by taxes when you're sipping hot chocolate by the fireplace.

Income Tax Strategies

Deferring income until 2023 or accelerating income into 2022 can reduce your tax burden in both years. You'll have to make a prediction about whether your income will be higher or lower next year, and any number of things could throw that prediction off — but this is worth a conversation with your Pitcairn relationship manager.

Year-End Tax-Planning Strategies

If you ...	... and you think your income will be higher in ...	
	2022	**2023**
are self-employed or own a small business	hold off on invoicing until January 1, 2023	invoice your customers in mid-November 2022 to get receivables paid by December 31, 2022
	accelerate business expenses through December 31, 2022	postpone business expenses until at least January 1, 2023
need to change your investment portfolio	sell investments with capital losses by December 31, 2022	sell appreciated investments with capital gains by December 31, 2022
have a 401(k) with a former employer or a traditional IRA	consider a full or partial Roth conversion in 2023	consider a full or partial Roth conversion in 2022
want to itemize your deductions	accelerate charitable contributions, property tax payments, medical expenses, and January mortgage payments through December 31, 2022	postpone charitable contributions, property tax payments, nonessential medical expenses, and January mortgage payments until at least January 1, 2023

Investment Strategies

With the market volatility we've seen this year, it's a good time to review your investments with your relationship manager. Ask about funds you own that may be worth selling at a loss to offset capital gains and reduce your taxable income. You can deduct up to $3,000 in capital losses from your ordinary income this year and carry over additional losses to future years.

Work Benefits

Whether you work for yourself or someone else, you may have work benefits that you can make the most of with a few tweaks before year end.

Maximize retirement account contributions. 401(k) and 403(b) plans allow employee contributions of up to $20,500 in 2022 plus an additional $6,500 if you're 50 or older.

Some 401(k) plans allow additional after-tax contributions as long as total employee and employer contributions don't exceed $61,000 in 2022.

Spend FSA dollars. If you've contributed to a flexible spending account (FSA), make sure you're on track to incur enough qualified medical expenses by year end to use up every dollar you contributed (the maximum for 2022 was $2,850).

If not, it's a good time to book an extra session with your doctor, visit your dentist, and purchase prescription glasses, contact lenses, and over-the-counter medications.

Max out HSA contributions. If you have a high-deductible health insurance plan, you may be eligible to contribute up to $3,650 individually or up to $7,300 as a family to a health savings account (HSA). If you, (and your spouse) are 55 or older, you may (each) be eligible to contribute an additional $1,000.

Take RMDs/QCDs. If you turned 70½ on or before December 31, 2019, or if you've turned 72 since then, you'll incur steep penalties if you don't take required minimum distributions (RMDs) from your taxable retirement accounts — such as 401(k)s and traditional IRAs — by December 31. You can defer the first RMD until April 1 of the following year you turn 72.

For traditional IRA RMDs that you don't need for living expenses, you may wish to take a qualified charitable distribution (QCD) of up to $100,000 instead. That money won't be included in your adjusted gross income and could be part of your overall philanthropic gifting.

Intergenerational Planning

Some families may find value in funding a 529 plan for any children or grandchildren who are likely to attend college. While providing for their education, parents and grandparents can also remove assets from their taxable estates. You and your spouse could each use a $16,000 annual exclusion gift to place a total of $32,000 into each child's 529. These plans don't have annual contribution limits.

Another option is to prefund a 529 by placing up to five years' worth of annual exclusion gifts ($80,000) into each child's account. The donor then can't utilize the annual exclusion gift to that child during that five-year period. Prefunding the account creates more time for compound growth, and investments with depressed value right now might have additional growth potential.

Giving and Estate Planning

Here are three giving and estate-planning items to consider before December 31.

Annual exclusion gifts. If you haven't used up your annual exclusion gifts, now is the time. Individuals can gift up to $16,000 per recipient in 2022. These can be cash gifts, but given the market volatility, you might consider gifting depreciated investments with high upside potential instead.

Charitable gifts. Along with giving to family, you may want to give to your favorite charities. Whether you give cash, appreciated stock (especially low-basis stock), or other assets, you may be able to reduce your taxable income, offset taxes from a Roth conversion, or avoid paying taxes on RMDs while making a difference in someone else's life.

Consider consolidating several years of donations into one year for a more tax efficient gift.

Planning documents. It's also a good time to make sure your estate plan is up to date. Who are the beneficiaries on your payable-on-death accounts and your life insurance policies? Do your existing trustee appointments and bequests still meet with your overall wealth plan and objectives? It may be time to remove an ex-spouse, add a child, or change a trustee.

Everyone should consider appointing a healthcare proxy and financial power of attorney. You'll need witnessed or notarized documents naming individuals you trust to make health and financial decisions on your behalf. All it takes is a car accident, a fall, or a stroke to become unable to make these decisions for yourself — with no warning.

Closing Thoughts

You don't have to make these tax and investment moves on your own, but we know our clients find it helpful to see what opportunities may be available. Reach out to your Pitcairn relationship manager for an analysis and discussion of which strategies might benefit you the most.

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