ROBERTSON STEPHENS®

October 10, 2022 – Wealth Planning Commentary

Filing Deadline for 2021 Taxes Extended for Hurricane Victims

For most taxpayers who filed an extension in April, 2021 tax filings are due October 17th. Last week the IRS announced that individuals and businesses in a FEMA designated 'hurricane Ian disaster relief area' may delay filing until February 15th of next year. The FEMA relief areas are the states of North and South Carolina, and Florida. The February deadline is available to taxpayers who had a valid filing extension prior to 9/23, the date of the hurricane. The extension does NOT apply to payments for 2021 taxes, those were due in April.

Estimated tax payments for Q4 2022, due January 17, 2023, have also been extended until February 15, 2023. The extended deadline includes quarterly payroll and excise tax returns normally due on October 31st of this year and January 31st of next year. These extensions apply on the federal level but there may be different rules for State taxes. Please connect with your CPA for guidance if you file taxes in one or more of the effected states.

Wealth Planning opportunities and considerations in the current market environment:

Loss Harvesting - Selling positions with losses may be used to off-set capital gains. If the losses exceed capital gains in any tax year you may use up to $3,000 of capital losses to offset ordinary taxable income. We recommend staying invested as market timing is likely to lead to a less than optimal outcome. Please reach out to your Wealth Manager for guidance.

Roth Conversion - Market downturns are *not the reason* to perform a conversion, some good reasons include: 1) your future tax rates beyond the RMD age are expected to be higher, 2) RMD are not necessary to fund your future lifestyle, 3) you believe tax rates in the US will rise even further over time, 4) estate planning. If any of these reasons apply, a downturn is a great time to execute a conversion.

Wealth Transfer - Down markets may allow for reduced usage of the lifetime gift exclusion, currently at $12.06mm. After the wealth is transferred the assets are outside of the estate and will grow gift and estate tax free during a recovery.

Considerations

- **Pledged Asset Lines (PAL)**:
  - Review the loan to asset ratio on your PAL. The ratio should be well below 70% or there's a risk of a maintenance call.
  - Interest Rates on most pledged asset lines are variable and rose significantly this year. The rates are expected to increase even further in the short-term. Consider paying these types of loans down.
- Donating appreciated assets to charity is not optimal during a market downturn, the deductible amount will be less than if the markets were higher.