

## October 3, 2022 – Wealth Planning Commentary

### New Market Lows Offer Investors Wealth Planning Opportunities

#### Loss Harvesting

Selling positions with losses may be used to offset 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. Any losses beyond this may be used to offset future gains and are carried forward until the loss amount is exhausted. We recommend staying invested, as market timing is likely to lead to a less than optimal outcome. Avoid the ‘wash sale’ - selling a security and purchasing it again or buying a substantially similar security within 30 days. 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 is 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.

The strategy is to take assets from an IRA that has been negatively impacted by the market and convert them to a Roth. The market may eventually recover, and all or a portion of the IRA assets are in the tax-free Roth. A conversion is a taxable event, and an important goal is to minimize the amount of income exposed to the higher tax brackets.

#### Wealth Transfer

In the same vein as a Roth conversion, market downturns are also a good time to execute wealth transfers. Again, have a good reason. 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.

#### Other considerations

- Donating appreciated assets to charity is not optimal during a market downturn. The deductible amount will be less than if the markets were higher.
- Review the loan-to-asset ratio on pledged asset lines. The ratio should be well below 70%, or there's a risk of a maintenance call.

### Medicare Premiums for 2023

The Centers for Medicare & Medicaid Services (CMS) announced that the standard monthly premium for Medicare Part B enrollees will decrease about 3% in 2023, from \$170 to \$165.

Medicare premiums rose around 10% from 2021 to 2022. The large increase was due to the expected cost of covering a new Alzheimer drug. However, the drug price was reduced, and the CMS offered less coverage to Medicare participants. The 2023 reduction in Medicare is an adjustment for an excessive increase in 2022.

#### Disclosures

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