

October 31, 2022 – Wealth Planning Commentary

Important Year-End Planning Reminders

The end of the year is only two months away and a few wealth planning items are still actionable.

Required Minimum Distributions (RMD)

Confirm that you have taken or are scheduled to take your 2022 RMD from your retirement accounts. Penalties for not doing so are high: the amount of the RMD that is not withdrawn is taxed at 50%, which is higher than the income tax rate. The RMD amount is based on the account value at the end of 2021. Due to a downward trend in markets, the 2021 balance is likely higher than the account value now. If you have not taken your RMD, consider taking it in 2-4 installments over the remainder of the year, especially if the RMD is large. This approach is more time consuming, but it mitigates the risk of withdrawing at a new low, which is not optimal. The strategy may present the opportunity to withdraw at a recent high providing a marginal benefit.

IRAs that were inherited by non-spouse beneficiaries after Jan 1, 2020, are subject to the 10-year rule. Simply put, the rule means that all funds must be withdrawn within 10 years of the previous owner's passing. The IRS is in the process of proposing new rules to require distributions from these inherited IRAs during the 10-year period. These rules have not been approved yet and are not enforced. We expect the new rules to pass this year and go into effect next year. Beneficiaries of these inherited IRAs were not subject to RMDs in the past or this year. There are no penalties for not previously taking an RMD.

Maximize the annual exclusion and other direct gifts

An individual can give away up to \$16,000, and a couple \$32,000, to any person gift tax-free, this is the annual exclusion amount. These amounts may be given to as many people as desired. If the gift is to an irrevocable trust, most trusts that own life insurance policies fit into this category. Remember to draft and execute the Crummey letters. Gifts paid **directly** to an educational or medical institution are also tax-free and are independent of the annual exclusion amount. If you are paying for someone's tuition or medical bills, do not give the money to the individual to pay the bill, wire cash or write a check to the institution.

Medicare and donations

The Medicare enrollment period is currently open and ends on December 7th. Now is the time for those who are already enrolled in Medicare or Medicare Advantage to change their plans for 2023. Pay particular attention to changes in your Part D plan.

Charitable donations provide you with a tax deduction, reduce your taxable income, and benefit an organization that you wish to support. If you are donating to charity, it is likely advantageous to give securities that have appreciated highly. There are two benefits: a tax-deductible donation and avoidance of paying tax on the gain. Some charities cannot accept securities so you must donate cash or open a Donor Advised Fund (DAF), sell the securities, and then make the donation. A DAF is relatively simple to create and there is still time to open one before year-end.

Disclosures

Investment advisory services offered through Robertson Stephens Wealth Management, LLC ("Robertson Stephens"), an SEC-registered investment advisor. Registration does not imply any specific level of skill or training and does not constitute an endorsement of the firm by the Commission. This material is for general informational purposes only and should not be construed as investment, tax or legal advice. Please consult with your Advisor prior to making any Investment decisions. This material is an investment advisory publication intended for investment advisory clients and prospective clients only. Robertson Stephens only transacts business in states in which it is properly registered or is excluded or exempted from registration. A copy of Robertson Stephens' current written disclosure brochure filed with the SEC which discusses, among other things, Robertson Stephens' business practices, services and fees, is available through the SEC's website at: www.adviserinfo.sec.gov. © 2022 Robertson Stephens Wealth Management, LLC. All rights reserved. Robertson Stephens is a registered trademark of Robertson Stephens Wealth Management, LLC in the United States and elsewhere.