PRACTICAL PLANNING:

2022 Practical Planning Tips to Start the Year Out

by Melody Behnke, MBA, CFP®
Senior Investment Advisor

As we turn the page on 2021, we hope the new year is off to a good start for you and your family. January is a great time to reset our goals and make sure you are taking full advantage of ways in which to save for retirement and defer taxes to the extent that you can. The Arnerich Massena Wealth Management team has assembled several planning ideas and tips to help you take advantage of retirement saving, charitable giving, estate planning, and tax strategies. Please contact your investment advisor if you have questions or would like to explore any of these ideas further.

1. MAXIMIZE CONTRIBUTIONS TO YOUR TRADITIONAL OR ROTH IRA

The IRS allows contributions to an IRA or SEP-IRA up to the filing date (April 15, 2022). Therefore, you can still make a 2021 contribution if you haven't done so yet.

Depending on your tax situation, you may also want to consider converting a traditional IRA into a Roth IRA; the conversion deadline is December 31.

If you have children with earned income, consider contributing on their behalf the amount they have "earned" up to $6,000. This can still be done for 2021.

2. MAXIMIZE CONTRIBUTIONS TO EMPLOYER-SPONSORED RETIREMENT PLANS

In 2022, the individual contribution to 401(k) plans has increased to $20,500, and for those 50 and older, you can contribute an additional $6,500. You may also be able to make non-tax-deductible (and non-Roth) contributions to traditional 401(k)s above the employee contribution limit; check your company plan or with your HR professional to see if this option is available.

If your company offers a match, make sure you are contributing enough to receive the full match.

And finally, if your children are covered by a company-sponsored plan and are not maximizing their contribution, consider assisting them with living expenses so they can maximize their full monthly contributions.

3. FUND YOUR HEALTH SAVINGS ACCOUNT (HSA) & SPEND YOUR FLEXIBLE SPENDNG ACCOUNT (FSA)

If you have a high deductible health insurance plan, the HSA contribution has increased in 2022: the maximum contribution for a family is $7,300, and the maximum for an individual is $3,650. If you are 55 or older, you can also contribute an additional $1,000 as a catch-up provision.

As part of the special COVID-19 relief package, you can roll up to $550 or 20% of your annual contribution into your 2022 FSA, or spend it during a two-and-a-half-month grace period, depending upon your employer's plan.

PRACTICAL PLANNING:

2022 Practical Planning Tips to Start the Year Out

4. START TAKING DISTRIBUTIONS PRIOR TO THE DATE AT WHICH MINIMUM DISTRIBUTIONS ARE REQUIRED

It may make sense to start withdrawals from retirement plans before required minimum distributions are required at age 72, especially if you are in a lower tax bracket after retirement. This allows you to space distributions out, reducing the tax implications.

5.ESTATE & GIFT TAX EXEMPTION

The aggregate amount exempt from estate and gift tax per individual in 2022 is $12,060,000. Effective January 1, 2026, the federal estate and gift tax exclusion will be cut in half to about $6,000,000 adjusted for inflation. If legislation were to pass before this date, the exemption could be reduced sooner.

The annual gifting limits were increased this year to $16,000.

6.ADJUSTED GROSS INCOME (AGI) CHARITABLE GIVING LIMITS

Here are the applicable Adjusted Gross Income (AGI) deduction limits for charitable donations.

Gift	Gift to Public Charity Deduction limited to % of AGI	Gift to Private Charity Deduction limited to % of AGI
Cash	60%	30%
Ordinary Income and Short Term Capital Gain Property (incl. life insurance)	50%	30%
Long Term Capital Gain Property	30%	20%

If you would like assistance with your planning or have any questions, please contact your advisor.