TAYLOR FINANCIAL GROUP, LLC
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Taylor Financial Group, LLC

Monthly Planning Update

January 2023

Getting the New Year Off To A Good Start, SECURE ACT 2.0, and Budgeting Month

Dear Friends,

Whether you reached your personal goals last year or faced challenges, a New Year brings new opportunities and a fresh start.

The Setting Every Community Up for Retirement Enhancement Act of 2019, popularly known as the SECURE Act, was signed into law in late 2019. Now called SECURE Act 1.0, it included provisions that raised the requirement for mandatory distributions from retirement accounts (from 70 to 72) and increased access to retirement accounts.
But it didn't take long for Congress to enhance the landmark bill that was enacted barely three years ago.

Tucked inside a just-passed 4,155-page, $1.7 trillion spending bill are plenty of goodies, including another overhaul of the nation's retirement laws. **Dubbed SECURE Act 2.0**, the bill enjoys widespread bi-partisan support and builds on SECURE Act 1.0 by strengthening the financial safety net by encouraging Americans to save for retirement.

9 Key Takeaways on SECURE Act 2.0

1. **Changing the age of the required minimum distributions (RMD's).** Three years ago, SECURE ACT 1.0 increased the age for taking the required minimum distribution, or RMD, to 72 years from 70½. If you turn 72 this year, the age required for taking your RMD rises to 73 with 2.0.

If you turned 72 in 2022, you'll remain on the prior schedule.

If you turn 72 in 2023, you may delay your RMD until 2024, when you turn 73. Or you may push back your first RMD to April 1, 2025. Just be aware that you will be required to take two RMDs in 2025, one no later than April 1 and the second no later than December 31.

Starting in 2033, the age for the RMD will rise to 75.

Employees enrolled in a Roth 401(k) won't be required to take RMDs from their Roth 401(k).

That begins in 2024.

In our view, the SECURE Act 1.0 and 2.0 updates were long overdue. The new rules recognize that Americans are living and working longer.

2. **RMD penalty relief**. Beginning this year, the penalty for missing an RMD is reduced to 25% from 50%. And 2.0 goes one step further. If the RMD that was missed is taken in a timely manner and the IRA account holder files an updated tax return, the penalty is reduced to 10%.

But let's be clear, while the penalty has been reduced, you'll still pay a penalty for missing your RMD.

3. **A shot in the arm for employer-sponsored plans**. Too many Americans do not have access to employer plans or simply don't participate.

Starting in 2025, companies that set up new 401(k) or 403(b) plans will be required to automatically enroll employees at a rate between 3% and 10% of their salary.

The new legislation also allows for automatic portability, which will encourage folks in low-balance plans to transfer their retirement account to a new employer-sponsored account rather than cash out.

In order to encourage employees to sign up, employers may offer gift cards or small cash payments. Think of it as a signing bonus.

Employees may opt out of the employer-sponsored plan.

4. **Increased catchup provisions**. In 2025, 2.0 increases the catch-up provision for those between 60 and 63 from $6,500 in 2022 ($7,500 in 2023 if 50 or older) to $10,000, (the greater of $10,000 or 50% more than the regular catch-up amount). The amount is indexed to inflation.

Catch-up dollars are required to be made into a Roth IRA unless your wages are under $145,000.

5. **Charitable contributions**. Starting in 2023, 2.0 allows a one-time, $50,000 distribution to charities through charitable gift annuities, charitable remainder unitrusts, and charitable remainder annuity trusts. One must be 70 ½ or older to take advantage of this provision.

The $50,000 limit counts toward the year's RMD.

It also indexes an annual IRA charitable distribution limit of $100,000, known as a qualified charitable distribution, or QCD**,** beginning in 2023.

6. **Back-door student loan relief**. Starting next year, employers are allowed to match student loan payments made by their employees. The employer's match must be directed into a retirement account, but it is an added incentive to sock away funds for retirement.

Additional provisions

7. **Disaster relief.** You may withdraw up to $22,000 penalty-free from an IRA or an employer-sponsored plan for federally declared disasters. Withdrawals can be repaid to the retirement

account.

8. **Help for survivors.** Victims of abuse may need funds for various reasons, including cash to extricate themselves from a difficult situation. 2.0 allows a victim of domestic violence to withdraw the lesser of 50% of an account or $10,000 penalty-free.

9. **Rollover of 529 plans.** Starting in 2024 and subject to annual Roth contribution limits, assets in a 529 plan can be rolled into a Roth IRA, with a maximum lifetime limit of $35,000. The rollover must be in the name of the plan's beneficiary. The 529 plan must be at least 15 years old.

In the past, families may have hesitated in fully funding 529s amid fears the plan could wind up being overfunded and withdrawals would be subject to a penalty. Though there is a $35,000 cap, the provision helps alleviate some of these concerns.

* * *

We welcome these changes to our retirement laws. Many Americans lack adequate savings, and the just-enacted Bill helps address some of the challenges many face as they march toward retirement.

What we have provided here is a high-level overview of the SECURE ACT 2.0. Keep in mind that it is not all-inclusive. I have also included an article on **SECURE ACT 2.0** and a checklist on **Issues You Should Consider At the Start of The New Year and**. We are always here to assist you, answer your questions, and tailor any advice to your needs. Additionally, feel free to reach out to your tax advisor with any tax-related questions.

Debbie

Click Here for the "SECURE ACT 2.0" Article

Click Here For the "What Issues Should I Consider At The Start Of The Year?" Checklist

KICK THE NEW YEAR OFF RIGHT

KEY FINANCIAL DATA 2023

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2023 Key Financial Data

Retiring in a Slowing Economy? 3 Steps Can Help You Prepare

Article Provided by Kiplinger

People considering retirement in the near future, as well as early retirees, will likely need to navigate some choppy waters during these times. A slumping stock market, a slowing economy and a Federal Reserve that has signaled further increases in interest rates to combat inflation require retirees to make smart decisions to avoid jeopardizing a successful retirement...**Read More**

Reference Card Provided by Horsesmouth

This very handy reference card helps you with your finances for the rest of the year. It's called the 2022 Key Financial Data reference card, which offers fingertip access to all of the new numbers affecting taxes, health savings, Medicare, retirement, college planning, and more...**Click Here to Download**

TIPS FOR BUDGETING AND DEBT MANAGEMENT!

How to Build a Retirement Health Care Budget

Article Provided by Taylor Financial Group, LLC

Depending on how your life will change (or not) after retirement, you can base these projections on the amounts you currently spend. If you don't plan to move, for example, your housing and utility costs will...**Read More**

Tackle Your Debt Before Retirement

Article Provided by Kiplinger

You should aim to leave the workforce with as little debt as possible. Otherwise, money that could be spent enjoying your golden years could end up going to repaying loans. You'll need to decide if your debt is manageable. One gauge is your debt-to-income ratio...**Read More**

MISSED OUR CLIENT-ONLY WEBINAR?

A Look at the Year Ahead for 2023

Hosted January 5, 2023, at 4:15pm

Debra Taylor, Lead Wealth Advisor, spoke about current market trends, how your future planning may be impacted by new tax changes and how to help improve your wealth and investments in 2023 and beyond.

Here's what Debbie addressed:

1. Current market trends, and where they could take us in the coming months
2. Major tax changes under the Biden Administration and how they may impact your future planning
3. Investments to consider for 2023
4. Ways to help improve your wealth in the upcoming months

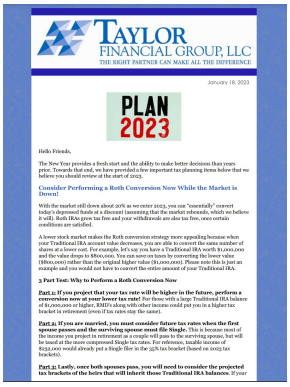
Please click here to download the FULL Powerpoint presentation!

MISSED OUR LATEST ANNOUNCEMENTS?

Financial Fitness Checkup

1.13.2023

With the New Year here, it's a good time to reflect on the past year—and create goals for this year. But whether or not you believe in setting New Year's resolutions, it's a good idea to review your finances and make sure they're in good shape...**Read More**



Tax Planning Items For 2023

1.18.2023

The New Year provides a fresh start and the ability to make better decisions than years prior. Towards that end, we have provided a few important tax planning items below that we believe you should review at the start of 2023....**Read More**

KEEPING UP WITH TFG

Happy Birthday to our Favorite Gal, Ellen!

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The S&P 500 is an index of 505 stocks chosen for market size, liquidity and industry grouping (among other factors) designed to be a leading indicator of U.S equities and is meant to reflect the risk/return

characteristics of the large-cap universe.

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Converting from a traditional IRA to a Roth IRA is a taxable event.

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A diversified portfolio does not assure a profit or protect against loss in a declining market.