

# Tax Update

April 2024



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*Wealth Advisor*

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# About me...

- I am a CPA, CFP® wealth advisor
- Over 15 years experience in tax, estate, and financial planning
- Began my career in public accounting at Deloitte, working with ultra high net worth individuals
- Switched over to wealth management 8 years ago; Worked only at fee-only RIA firms
- Current practice serves families with investment portfolios of \$2 million - \$10 million
- Born & raised in OC. I enjoying hiking, traveling and recently skiing



# Financial Planning Process

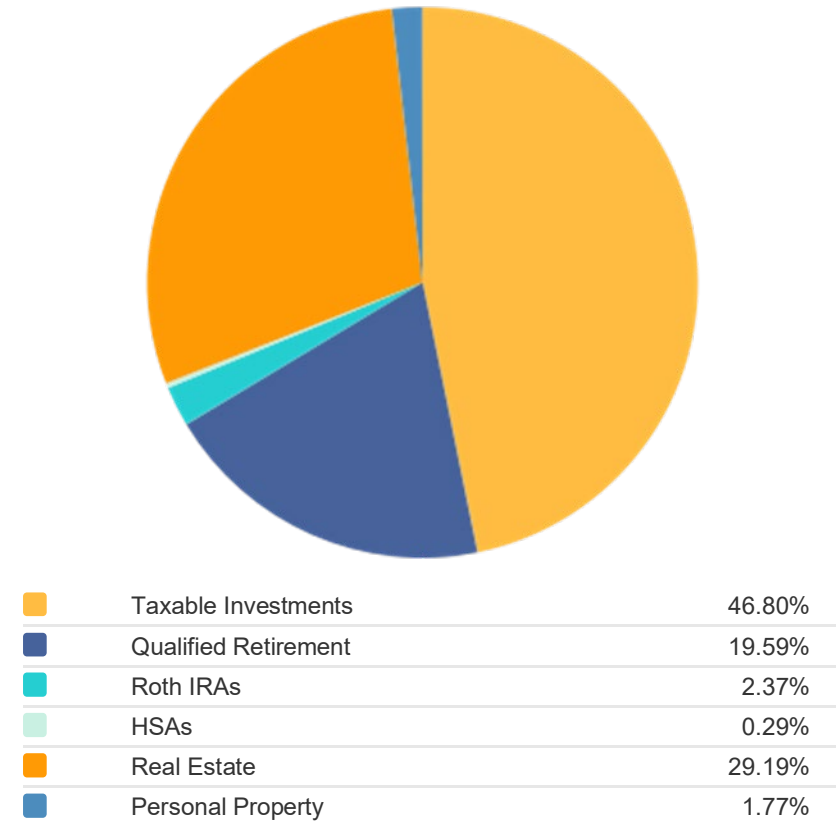
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1. Establish client-advisor relationship
2. Define goals and gather data
3. Evaluate current financial situation
4. Develop a plan, including recommendations
5. Present the plan
6. Implement the plan
7. Monitor & update the plan



# Net Worth

Assets	John	Jane	Joint	Total
<b>Non-Qualified Assets</b>				
<i>Taxable Investments</i>				
Schwab (Community)	\$859,800	\$859,800	—	\$1,719,600
<b>Retirement Assets</b>				
<i>Qualified Retirement</i>				
Schwab IRA (John)	\$316,468	—	—	\$316,468
Schwab IRA (Jane)	—	\$254,455	—	\$254,455
<b>Real Estate Assets</b>				
Principal Residence	—	—	\$1,072,500	\$1,072,500
<b>Personal Assets</b>				
Automobiles	—	—	\$30,000	\$30,000
Jewelry	—	—	\$35,000	\$35,000
<b>Total Assets</b>	<b>\$1,310,377</b>	<b>\$1,226,557</b>	<b>\$1,137,500</b>	<b>\$3,674,434</b>
<b>Liabilities</b>				
<b>Long Term Liabilities</b>				
Mortgage	—	—	(\$580,000)	(\$580,000)
<b>Total Liabilities</b>	<b>—</b>	<b>—</b>	<b>(\$580,000)</b>	<b>(\$580,000)</b>
<b>Total Net Worth</b>	<b>\$1,310,377</b>	<b>\$1,226,557</b>	<b>\$557,500</b>	<b>\$3,094,434</b>



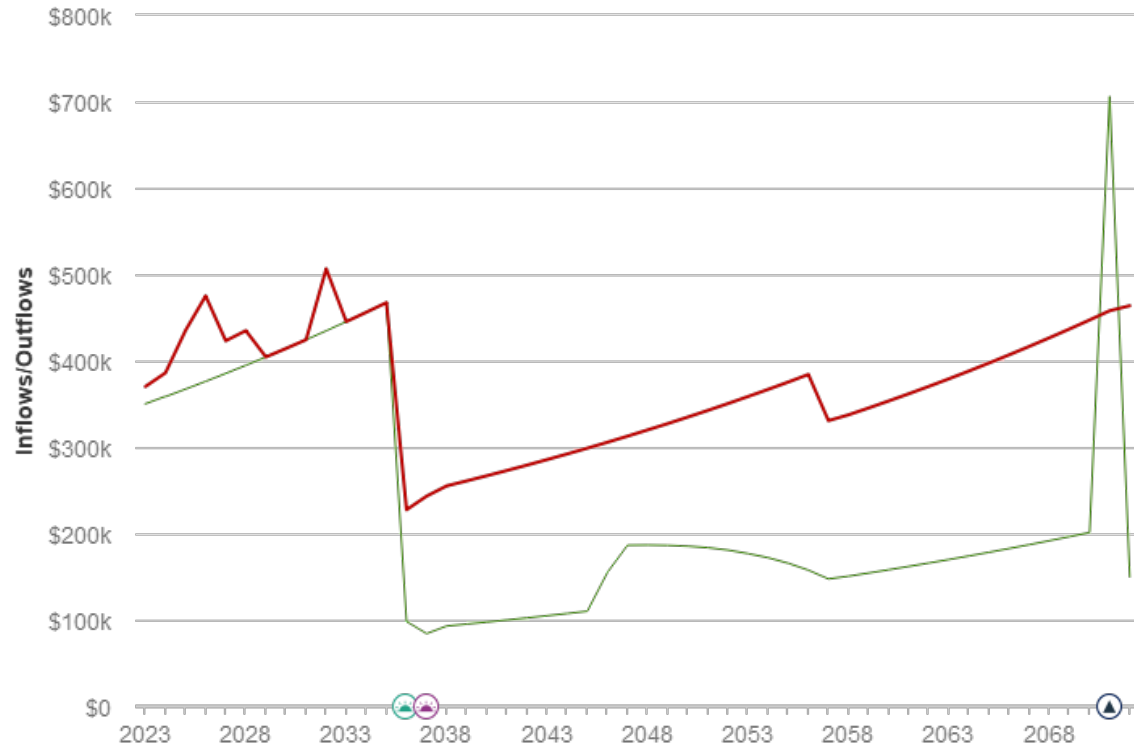
# 5-Year Cash Flow

YEARS (AGES)	2024 (72)	2025 (73)	2026 (74)	2027 (75)	2028 (76)
<b>PORTFOLIO ASSET BALANCES (BEGINNING OF YEAR)</b>					
Taxable Investments	\$428,292	\$444,350	\$466,701	\$490,176	\$514,832
Retirement Accounts	\$1,319,367	\$1,370,623	\$1,391,215	\$1,410,488	\$1,428,490
Cash Accounts	\$22,376	\$24,221	\$60,516	\$96,043	\$133,364
<b>Total Portfolio Asset Balances (Beginning of Year)</b>	<b>\$1,770,035</b>	<b>\$1,839,194</b>	<b>\$1,918,432</b>	<b>\$1,996,707</b>	<b>\$2,076,686</b>
<b>CASH INFLOWS</b>					
Social Security	\$29,424	\$45,138	\$46,163	\$47,211	\$48,283
Trust Income	\$26,000	\$26,000	\$26,000	\$26,000	\$26,000
IRA Distributions	\$0	\$49,610	\$52,150	\$54,600	\$57,158
<b>Total Cash Inflows</b>	<b>\$55,424</b>	<b>\$120,748</b>	<b>\$124,313</b>	<b>\$127,811</b>	<b>\$131,441</b>
<b>CASH OUTFLOWS</b>					
Living Expenses	\$36,000	\$49,090	\$50,204	\$51,344	\$52,510
Taxes	\$2,753	\$15,597	\$18,819	\$19,385	\$19,985
<i>Other Expenses</i>					
Travel	\$15,000	\$20,000	\$20,000	\$20,000	\$20,000
<b>Total Cash Outflows</b>	<b>\$53,753</b>	<b>\$84,687</b>	<b>\$89,023</b>	<b>\$90,729</b>	<b>\$92,495</b>
<b>Net Cash Flow</b>	<b>\$1,671</b>	<b>\$36,061</b>	<b>\$35,290</b>	<b>\$37,082</b>	<b>\$38,946</b>
<b>Total Portfolio Asset Balances (End of Year)</b>	<b>\$1,839,194</b>	<b>\$1,918,432</b>	<b>\$1,996,707</b>	<b>\$2,076,686</b>	<b>\$2,158,353</b>

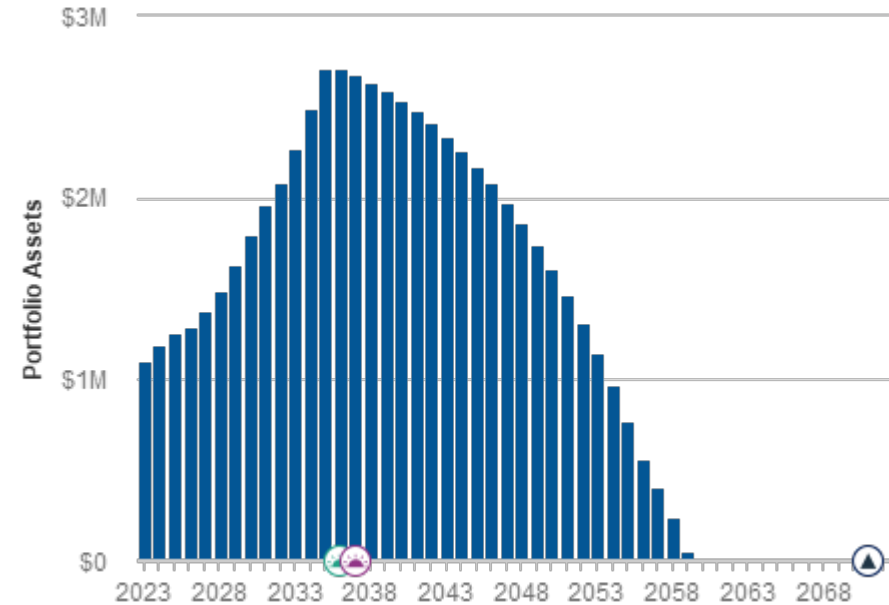
# 5-Year Cash Flow

The Cash Flow report illustrates your income, savings, expenses, and resulting net cash flow on an annual basis.

## Inflows and Outflows



## Portfolio Assets



Assets Last Until 2060 (Age 89/88)

# Fee-Only Financial Advisor

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## Fee-Only

- Collects fees only from you
  - Percentage of your assets under management (AUM)
  - Hourly/monthly rate
  - Flat Fee
- No commissions, referral fees, kickbacks or any other hidden compensation forms
- Unbiased & objective advice
- National Association of Personal Financial Advisors (NAPFA)
  - [www.napfa.org](http://www.napfa.org)
  - 888-FEE-ONLY (888-333-6659)



## Fee-Based

- Collects fees + commission
- May be unbiased

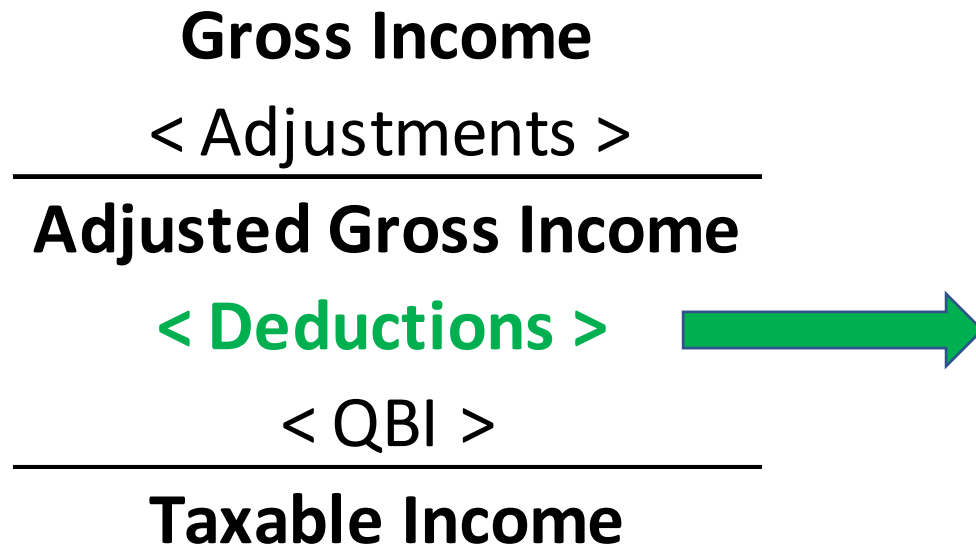
# Why Is Tax Planning Important?

- A big part of financial planning is tax planning
- The *less* money you pay in taxes,
  - the *more* you have to devote toward your financial goals
- Working with the right advisor
  - Manage your income & withdrawals to minimize the tax impact
  - Maximize tax-advantaged savings opportunities & tax breaks



# What Is Your Tax Bracket?

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## 2024 Deductions - Greater of:

### Standard Deduction

- Single \$14,600 + \$1,950 over age 65
- MFJ \$29,200 + \$1,550/spouse over age 65

### Itemized Deductions

- Medical & Dental Expenses (over 7.5% of AGI)
- Long-Term Care Premiums (limited based on age)
- Property/State Taxes You Paid (\$10,000 limit)
- Mortgage Interest You Paid
- Gifts to Charity

# Ordinary Income vs. Capital Gains

## Ordinary Income

Rate	Single	Married
10%	\$0 - \$11,600	\$0 - \$23,200
12%	\$11,601 - \$47,150	\$23,201 - \$94,300
22%	\$47,151 - \$100,525	\$94,301 - \$201,050
24%	\$100,526 - \$191,950	\$201,051 - \$383,900
32%	\$191,951 - \$243,725	\$383,901 - \$487,450
35%	\$243,726 - \$609,350	\$487,451 - \$731,200
37%	\$609,351 +	\$731,201 +

### Examples:

- Wages
- Interest & Non-Qualified Dividends
- Social Security Benefits
- Pension
- IRA Distributions
- Rental Income
- Gain on sale of assets owned < 1 year

## Capital Gains

Rate	Single	Married
0%	\$0 - \$47,025	\$0 - \$94,050
15%	\$47,026 - \$518,900	\$94,051 - \$583,750
20%	\$518,901 +	\$583,751 +

### Examples:

- Qualified Dividends
- Gain on sale of assets owned > 1 year

Also, 3.8% Net Investment Income Tax

- Single \$200,000, Married \$250,000

# Gift & Estate Taxes

## 2024

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Annual Gift Tax Exclusion \$ 18,000

Estate Exemption \$ 13,610,000

Estate Tax Rate (Highest) 40%

# Required Minimum Distributions (RMD)

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The SECURE Act 2.0 pushes back the age you must begin taking RMDs:

Birthdate	RMD Age
Before July 1, 1949	70.5
July 1, 1949 - 1950	72
<b>1951 – 1959</b>	<b>73</b>
<b>1960 or later</b>	<b>75</b>

# Unused 529 College Savings Funds

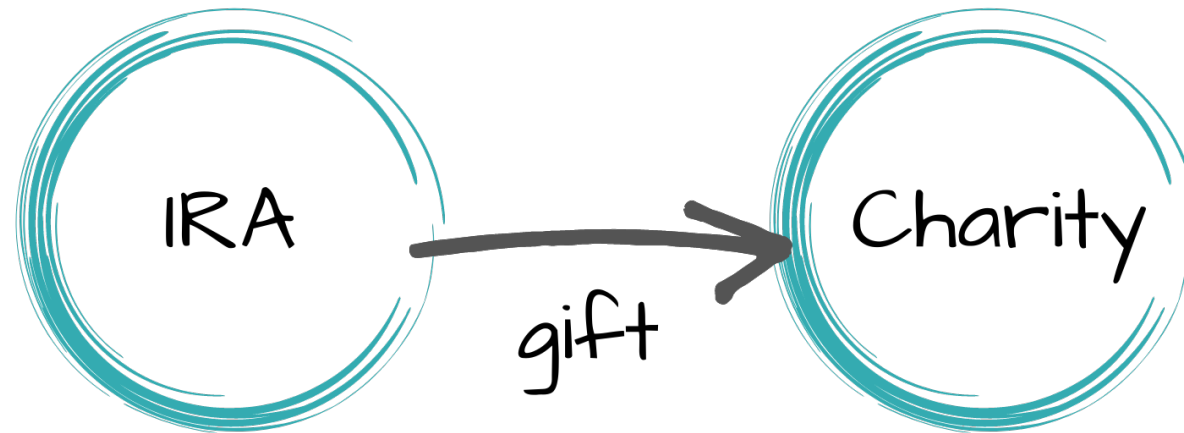
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- Starting in 2024, families can roll unused 529 college savings plan funds, without a tax penalty
- **Holding Periods:** Must have owned the 529 for at least 15 years
- **Annual Limits:** Subject to annual Roth IRA contribution limits
  - \$7,000 for 2024 (\$8,000 for 50 or older)
  - Must have earned income at least equal to amount of the rollover
  - Lifetime maximum: \$35,000 per beneficiary
- **Ownership:** Beneficiary of 529 plan must also be owner of the Roth

# Qualified Charitable Distribution (QCD)

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Charitable giving after **Age 70-1/2** made simple by the IRS:



Donate up to **\$105,000** directly from your IRA instead of taking your Required Minimum Distribution (RMD)

# 2024 Medicare

## Income Related Monthly Adjustment Amounts (IRMAA)

Single	Married Filing Jointly	Part B Premium	Part D IRMAA
\$103,000 or less	\$206,000 or less	\$174.70	\$0 + your plan premium
\$103,000 to \$129,000	\$206,000 to \$258,000	\$244.60	\$12.90 + your plan premium
\$129,000 to \$161,000	\$258,000 to \$322,000	\$349.40	\$33.30 + your plan premium
\$161,000 to \$193,000	\$322,000 to \$386,000	\$454.20	\$53.80 + your plan premium
\$193,000 and under \$500,000	\$386,000 and under \$750,000	\$559.00	\$74.20 + your plan premium
\$500,000 or above	\$750,000 and above	\$594.00	\$81.00 + your plan premium

# Thank you!



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