

Top Tax Saving Tips



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Cardinal at Work Retirement Savings Benefits






We're money advisors not attorneys or tax advisors



FRANCIS
Investment Counsel

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First, a Little Background...

		
<p>All distributions taxable as income (plus 10% penalty before age 59 ½)</p>	<p>Just gains distributed taxable as income (plus 10% penalty before age 59 ½)</p>	<p>All distributions income-tax free (after 5 years and age 59 ½)</p>

Source: <https://www.irs.gov/retirement-plans>

2022 Tax Brackets

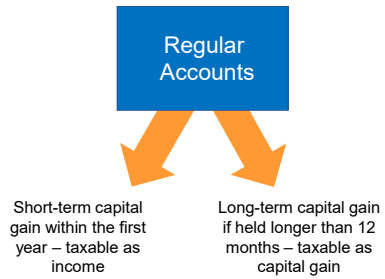
Income tax

	If taxable income is over	But not over	The tax is	Of the amount over
Married/Filing jointly and qualifying widow(er)s	\$0	\$20,500	\$0.00 + 10%	\$0
	\$20,500	\$83,550	\$2,055 + 12%	\$20,550
	\$83,550	\$178,150	\$9,615 + 22%	\$83,550
	\$178,150	\$340,100	\$30,427 + 24%	\$178,150
	\$340,100	\$431,900	\$69,295 + 32%	\$340,100
	\$431,900	\$647,850	\$98,671 + 35%	\$431,900
	\$647,850		\$174,253.50 + 37%	\$647,850
Single	\$0	\$10,275	\$0.00 + 10%	\$0
	\$10,275	\$41,775	\$1,027.50 + 12%	\$10,275
	\$41,775	\$89,075	\$4,807.50 + 22%	\$41,775
	\$89,075	\$170,050	\$15,213.50 + 24%	\$89,075
	\$170,050	\$215,950	\$34,647.50 + 32%	\$170,050
	\$215,950	\$539,900	\$49,335.50 + 35%	\$215,950
	\$539,900		\$162,718 + 37%	\$539,900
Estates and trusts	\$0	\$2,750	\$0.00 + 10%	\$0
	\$2,750	\$8,850	\$275 + 24%	\$2,750
	\$8,850	\$13,450	\$1,979 + 35%	\$8,850
	\$13,450		\$3,239 + 37%	\$13,450

* Source: [Investor Education: 2022 tax rates, schedules, and contribution limits \(income\)](https://www.irs.gov/btop/tax/2022-tax-rates-schedules-and-contribution-limits-income). The above summary is from sources believed to be reliable but cannot be guaranteed. Francis Investment Counsel does not provide tax or legal advice. Seek advice from qualified professionals.



First, a Little Background...




Source: <https://www.irs.gov/btop/tax/2022-tax-rates-schedules-and-contribution-limits-income>

2022 Tax Brackets

Tax on capital gains and qualified dividends

Single	Married/Filing jointly/Qualifying Widow(er)	Tax rate
\$0–\$40,400	\$0–\$80,800	0%
Over \$40,400 but not over \$445,850	Over \$80,800 but not over \$501,600	15%
Over \$445,850	Over \$501,600	20%

* Source: Pubam 2022 tax rates, schedules, and contribution limits, 12/19. The above summary is from sources believed to be reliable but cannot be guaranteed. Francis Investment Counsel does not provide tax or legal advice. Seek advice from qualified professionals.




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Take advantage of capital gains tax rates

Taking Advantage of Capital Gains Rates


- Offset gains against losses


Long-Term Capital Gains
Minus(-) Short-Term Capital Loss
 Net Capital Gain



Taking Advantage of Capital Gains Rates

- Offset gains against losses
- Try to hold on to investments for at least one year
- Hold individual equities in regular investment accounts





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Use Roth accounts to control your tax bracket in retirement

2022 Tax Brackets


Income tax

	If taxable income is over	But not over	The tax is	Of the amount over	
Married/Filing jointly and qualifying widow(er)s	\$0	\$20,550	\$0.00+10%	\$0	Pretax
	\$20,550	\$83,550	\$2,055 + 12%	\$20,550	Pretax
	\$83,550	\$178,150	\$9,615 + 22%	\$83,550	Roth
	\$178,150	\$340,100	\$30,427 + 24%	\$178,150	
	\$340,100	\$431,900	\$69,295 + 32%	\$340,100	
	\$431,900	\$647,850	\$98,671 + 35%	\$431,900	
	\$647,850		\$174,253.50 + 37%	\$647,850	

* Source: Investor Education: 2022 tax rates, schedules, and contribution limits (edrps.com). The above summary is from sources believed to be reliable but cannot be guaranteed. Francis Investment Counsel does not provide tax or legal advice. Seek advice from qualified professionals.



“But, don’t I make too much to save in Roth?”



Not everyone can save in Roth IRAs directly

If your filing status is...	And your modified AGI is...	Then you can contribute...
married filing jointly or qualifying widow(er)	< \$204,000	up to the limit
married filing jointly or qualifying widow(er)	≥ \$204,000 but < \$214,000	a reduced amount
married filing jointly or qualifying widow(er)	≥ \$214,000	zero
married filing separately and you lived with your spouse at any time during the year	< \$102,000	a reduced amount
married filing separately and you lived with your spouse at any time during the year	≥ \$102,000	zero
single, head of household, or married filing separately and you did not live with your spouse at any time during the year	< \$129,000	up to the limit
single, head of household, or married filing separately and you did not live with your spouse at any time during the year	≥ \$129,000 but < \$144,000	a reduced amount
single, head of household, or married filing separately and you did not live with your spouse at any time during the year	≥ \$144,000	zero

Source: [Amount of Roth IRA Contributions That You Can Make for 2022 | Internal Revenue Service \(irs.gov\)](#). The above summary is from sources believed to be reliable but cannot be guaranteed. Francis Investment Counsel does not provide tax or legal advice. Seek advice from qualified professionals.



Saving Roth in the Stanford Contributory Retirement Plan

- 403(b) savings limits apply: in 2022, \$20,500 or \$27,000 if age 50 or older
- Make sure you are saving 4% in the Contributory Retirement Account (CRA)



See the Plan's Summary Plan Description for governing plan rules.



Like Roth? Consider Converting

- Contribute 4% (after-tax) in the Contributory Retirement Account to capture your match
- Convert after tax balances to Roth 403(b)
- But after-tax gains converted are considered taxable income in the year of conversion (no penalties apply)



See Summary Plan Description for contribution and conversion rules. The above summary is from sources believed to be reliable but cannot be guaranteed. Francis Investment Counsel does not provide tax or legal advice. Seek advice from qualified professionals.



Like Roth IRA? Consider Converting

- Conversions were only available if your income did not exceed \$100,000
- Thanks to the Taxpayer Relief Act of 2012 now everyone convert
- But pre-tax amounts converted are considered taxable income in the year of conversion (no penalties apply)

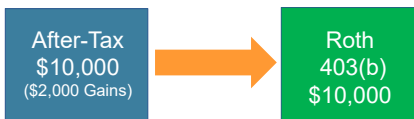
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All growth
after conversion
would be tax-free!



Worker has \$10,000 in CRA (\$8,000 Basis/\$2,000 Gains)

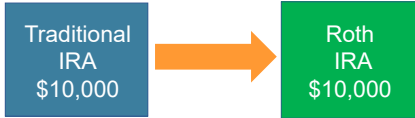


Would need to report additional income of \$2,000 in year of conversion (at 22% tax bracket, owe \$440)

Source: <https://www.irs.gov/retirement-plans>. The above summary is from sources believed to be reliable but cannot be guaranteed. Francis Investment Counsel does not provide tax or legal advice. Seek advice from qualified professionals.



Worker has \$10,000 in a Traditional IRA



Would need to report additional income of \$10,000 in year of conversion (at 22% tax bracket, owe \$2,200)

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The “Back Door” Roth IRA



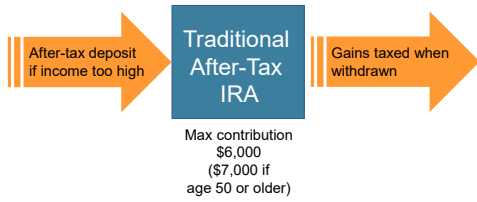
Not Everyone Can Deduct a Traditional IRA Contribution

If Your Filing Status Is...	And Your Modified AGI Is...	Then You Can Take...
single or head of household	\$68,000 or less	a full deduction up to the amount of your contribution limit
single or head of household	more than \$68,000 but less than \$78,000	a partial deduction.
single or head of household	\$78,000 or more	no deduction.
married filing jointly or qualifying widow(er)	\$109,000 or less	a full deduction up to the amount of your contribution limit
married filing jointly or qualifying widow(er)	more than \$109,000 but less than \$129,000	a partial deduction.
married filing jointly or qualifying widow(er)	\$129,000 or more	no deduction.
married filing separately	less than \$18,000	a partial deduction.
married filing separately	\$18,000 or more	no deduction.

Source: <https://www.irs.gov/retirement-plans>. The above summary is from sources believed to be reliable but cannot be guaranteed. Francis Investment Counsel does not provide tax or legal advice. Seek advice from qualified professionals.



Traditional IRA Contributions After-tax for Many



Source: <https://www.irs.gov/help/retirement-plans>. The above summary is from sources believed to be reliable but cannot be guaranteed. Francis Investment Counsel does not provide tax or legal advice. Seek advice from qualified professionals.



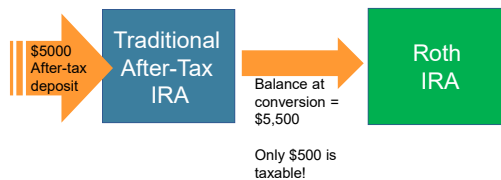


*In an after-tax
traditional IRA
ONLY the gains
are taxable upon
conversion!*

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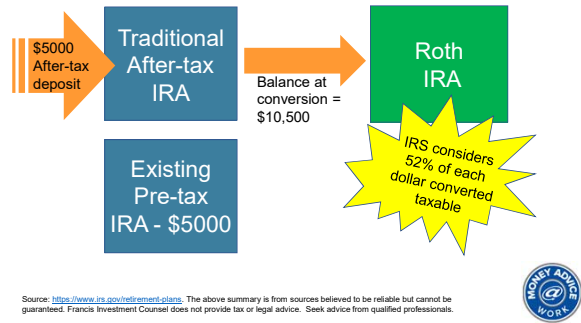
Back Door Roth Example: Worker and spouse earn \$220,000



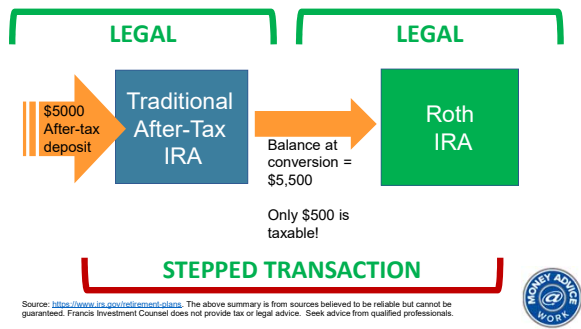
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Be Aware of the Pro Rata Rule



Be Aware of the Stepped Transaction Doctrine



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Required Minimum Distributions

Required Minimum Distributions

- Effective in 2020
- Age moved from 70 ½ to 72



Source: NAPA Net Staff. "Key SECURE Act Provisions and Effective Dates." 17 Dec. 2019. NAPA-net.org

Consider Qualified Charitable Distribution (QCD)

- Distribution from an IRA (not SEP or Simple IRA)
- Over 70.5 years old
- Paid directly from IRA to qualified charity
- Can satisfy the required minimum distribution




<https://www.irs.gov/retirement-plans/retirement-plans-faqs-regarding-iras-distributions-withdrawals>
Every situation is unique, seek qualified tax advice. Francis Investment Counsel does not provide tax advice.



Move Roth 403(b) to Roth IRA
before RMDs Begin

Roth 403(b)
accounts
still have RMDs



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Stretch IRA Eliminated

OLD: "Stretch" IRA?

Non-spouse
beneficiaries could roll
over account into
beneficiary IRA and
take annual draws over
their lifetime



Source: Green Benefits Brief, "SECURE Act Requires Immediate Action by Plan Service Providers," 15 Jan 2020, Green.org

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NEW: Distribution within 10 Years

- No annual draws required but account must be **distributed within 10 years**
- Pre-tax payments taxable at beneficiary's tax rate
- In the clear if IRA was inherited before January 1, 2020

Source: Green Benefits Brief, "SECURE Act Requires Immediate Action by Plan Service Providers," 15 Jan. 2020. Green.org


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Still Entitled to Stretch

- Spouse
- Disabled
- Minor children
- Person less than ten years younger than deceased

Source: House Committee on Ways and Means Overview, Chairman Richard E. Neal

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Be the best parent and/or grandparent

Make Roth IRA contributions for the kids

- May contribute a maximum of \$6,000 in 2022 or their W2 Income if less than the \$6,000

Source: <https://www.irs.gov/retirement-plans>. The above summary is from sources believed to be reliable but cannot be guaranteed. Francis Investment Counsel does not provide tax or legal advice. Seek advice from qualified professionals.



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Sell your home tax-free!

Sell your home tax-free!

Exclude up to \$250,000 in capital gains when you sell or up to \$500,000 if you're married and filing a joint return

You must have owned and lived in the property as your main residence for two of the last five years

Keep receipts!



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