

# 2022 TAX PLANNING GUIDE

WORK TO REDUCE YOUR TAXES THIS YEAR  
AND IN THE FUTURE



MOORE'S  
WEALTH  
MANAGEMENT  
*"Protecting Your Future"*



# INTRODUCTION

After a tumultuous 2021, filing your taxes this year could be complicated. Maybe you stopped working, realized investment gains, created an estate plan, or went from itemizing to claiming the standard deduction or vice versa. There are many factors that can impact whether your taxes will increase and whether you need to rethink your tax strategy.

We believe it's important that you look to employ tax diversity in your retirement plan. Different types of investments can impact your taxes differently. Having accounts that receive varying tax treatments is a key strategy. You should work with a qualified professional to help determine exactly how much you should have in each tax "bucket" to help minimize your overall tax burden in retirement.

While the tax code can be incredibly complex, you still need to stick to the basics when it comes to filing and preparing your tax returns. So, here are our 5 tips to help you better prepare for tax filing this year.



## HELPFUL TAX PLANNING TIPS

1. Get Organized and Prepare Your 2021 Taxes
2. Understand Year-to-Year Changes
3. Know What Deductions You May Be Able to Claim
4. Learn Strategies to Help Lower Your Tax Bill
5. Avoid Potential Tax Burdens on Your Retirement Plans





## GET ORGANIZED AND PREPARE YOUR 2021 TAXES

This may seem like a no brainer, but the sooner you get your W-2, receipts, and other information together, the easier the process. Make sure you take into account home improvements, charitable donations, business expenses, etc. A Certified Public Accountant (CPA) will be able to help you with your individual tax situation.

### KNOW YOUR TAX TERMS

First, you'll want to make sure you understand what some of the basic tax terms mean, such as tax credit, tax deduction, tax deferrals, and tax-free. A tax credit is a dollar-for-dollar benefit. A tax deduction is worth your highest marginal tax bracket, for instance, 28 cents on the dollar. In this instance, if you spend \$100, then you would get \$28 back. Tax deferrals are those that you see with accounts like a 401(k) where you pay taxes at a later date. Tax-free means you owe no tax.

### BE SAFE AND SECURE

The last part of the organization process includes certain precautionary safety measures. Tax identity theft is a significant threat and has been at the forefront of our minds given the recent security breaches and cyberattacks of major commercial organizations. Online tax filings allow for greater convenience, but also leave us more vulnerable to Cybersecurity threats if we're not careful. Be sure you're using a secure browser if you're going to file online. Beware if you receive a notice or letter regarding a tax return, tax bill or income that does not apply to you; or if you get an unsolicited e-mail or other contact asking for your bank account number, Social Security number, or other personal information/documents. Also, be cautious if you receive a spam robocall insisting that you must call back and settle your tax bill. The IRS does not demand immediate payment over the phone, threaten to arrest you, or demand your personal information, including credit/debit or bank account numbers.



## 2

## UNDERSTAND THE CHANGES TO THE TAX BRACKETS



There are no structural changes to the tax brackets this year. There are still seven tax brackets, and the seven marginal tax rates -- 10%, 12%, 22%, 24%, 32%, 35%, and 37% -- remain unchanged.

However, the income ranges for each bracket have been adjusted for inflation. So with that in mind, here's a guide for the 2021 tax year brackets:

Marginal Tax Rate	Single	Married Filing Jointly	Head of Household
10%	Up to \$9,950	Up to \$19,900	Up to \$14,200
12%	\$9,951 - \$40,525	\$19,901 - \$81,050	\$14,201 - \$54,200
22%	\$40,526 - \$86,375	\$81,051 - \$172,750	\$54,201 - \$86,350
24%	\$86,376 - \$164,925	\$172,751 - \$329,850	\$86,351 - \$164,900
32%	\$164,926 - \$209,425	\$329,851 - \$418,850	\$164,901 - \$209,400
35%	\$209,426 - \$523,600	\$418,851 - \$628,300	\$209,401 - \$523,600
37%	\$523,600 or more	\$628,300 or more	\$523,600 or more

1

Finally, a few types of income, particularly qualified dividends and long-term capital gains, are taxed according to different rates. Talk to your financial advisor for more information.



### 3

## STANDARD AND ITEMIZED DEDUCTIONS HAVE CHANGED

The standard deduction amount almost doubled for most taxpayers under the Tax Cuts and Jobs Act. The increase means that more taxpayers are expected to opt for the standard deduction over claiming itemized deductions. With inflation, those amounts will edge up slightly. Here are the standard deduction amounts<sup>2</sup>:

FILING STATUS	STANDARD DEDUCTION RATE
<i>Single</i>	\$12,550
<i>Married Filing Jointly &amp; Surviving Spouse</i>	\$25,100
<i>Married Filing Separately</i>	\$12,550
<i>Head of Household</i>	\$18,880

- Taxpayers who are at least 65 years old or blind can claim an additional 2021 standard deduction of \$1,350 (\$1,700 if using the single or head of household filing status). For anyone who is both 65 and blind, the additional deduction amount is doubled.<sup>3</sup>
- For those high-income taxpayers who itemize their deductions, there are no longer Pease limitations.
- A number of important retirement savings incentives were increased, including deductions for 401(k)s and health savings accounts (HSA).



## ARE YOU SELF-EMPLOYED?

One key feature of the Tax Cuts and Jobs Act that went into effect for the 2018 tax year, is the 20% deduction on pass-through income for self-employed, sole proprietors (Schedule C on Form 1040), limited liability companies, partnerships and S corporations. This deduction allows the self-employed to keep more earnings tax-free and helps curb high tax rates and the 15.3% self-employment tax.<sup>4</sup>

## CHARITABLE CONTRIBUTIONS

Normally, there is a cap on how much someone can donate to charity tax-free—this cap is 60% of a taxpayer's AGI (Adjusted Gross Income). However, the CARES Act raised this limit to 100% of AGI for the 2020 and 2021 tax years. There is also a provision that allows individual taxpayers who don't itemize to deduct up to \$300 in charitable donations and married couples filing jointly to deduct up to \$600 in 2021. However, this year, the tax break is no longer "above the line," meaning that a charitable donation cannot be subtracted from adjusted gross income.<sup>5</sup>

## MEDICAL EXPENSE DEDUCTION

For the 2021 tax year, taxpayers who itemize can deduct qualified, unreimbursed medical expenses equal to more than 7.5% of their adjusted gross income.<sup>6</sup> The threshold used to be 10% but was changed in 2019. Some examples of qualified expenses are hospital and nursing home care, acupuncture, and payments to doctors, dentists, surgeons, and chiropractors.

<sup>4</sup> <https://www.irs.gov/newsroom/qualified-business-income-deduction>

<sup>5</sup> <https://www.irs.gov/newsroom/expanded-tax-benefits-help-individuals-and-businesses-give-to-charity-during-2021-deductions-up-to-600-available-for-cash-donations-by-non-itemizers>

<sup>6</sup> <https://www.irs.gov/taxtopics/tc502>



The tax code has several rules that can make it complicated to decipher how your retirement savings will be taxed. To help avoid these common mistakes, it is important you discuss your options with a qualified tax advisor.



## AVOIDING TAX TRAPS ON YOUR RETIREMENT PLANS

### RMDS OR REQUIRED MINIMUM DISTRIBUTIONS

Tax-deferred retirement saving is one of the best tools at investors' disposal, but you can't simply let your money grow forever -- at some point, you have to start withdrawing it. This is known as required minimum distributions (RMDs), which is an IRS rule that says you need to start taking distributions from certain retirement accounts beginning at age 72. An RMD is a certain amount of money that the government requires you to withdraw from a 403(b), SEP IRA, 457(b), or traditional IRA every year. Even if you don't want or need the money, you need to take it, or else the IRS can take 50% of what you didn't withdraw.<sup>7</sup>

The IRS provides an IRA RMD table that gives IRA holders the distribution factor for their age. Starting at age 72, the pre-tax money you put away over the course of your career will now be subject to tax, and the government has a specific method of calculating how much you must withdraw every year.

Age	Distribution Period	Age	Distribution Period
72	27.4	86	15.2
73	26.5	87	14.4
74	25.5	88	13.7
75	24.6	89	12.9
76	23.7	90	12.2
77	22.9	91	11.5
78	22.0	92	10.8
79	21.1	93	10.1
80	20.2	94	9.5
81	19.4	95	8.9
82	18.5	96	8.4
83	17.7	97	7.8
84	16.8	98	7.3
85	16.0	99	6.8
		100	6.4

8

<sup>7</sup> <https://www.irs.gov/retirement-plans/retirement-plans-faqs-regarding-required-minimum-distributions>

<sup>8</sup> <https://www.myfederalretirement.com/rmd-rules/>





Your first RMD is due by April 1st of the year after you turn 72. So, if you turn 72 in 2022, you won't need to take your first RMD until April 1st, 2023. Keep in mind that by pushing back the first RMD, you could end up having to take two RMDs in one year, since all RMDs after the first are due by December 31st. This could mean you'll have to withdraw more than you want, potentially resulting in a higher tax burden. When it comes to RMDs, planning is key.

Don't forget to make your withdrawal because you could be hit with an unnecessary 50% penalty tax. Also, keep in mind that you're allowed to donate up to \$100,000 of your RMD to a 501(c)(3) organization to help lower your tax burden. The good news is that the IRS tends to be pretty forgiving when it comes to RMDs. You can ask them to waive the penalty if you had "reasonable cause" for missing the deadline, and they typically will oblige. But not if you have a habit of missing your RMDs every year.<sup>9</sup>

## SOCIAL SECURITY BENEFITS

We tend to think of Social Security as being simple: it's a benefit that you receive every month from the government. Did you know that your Social Security benefit is taxable – up to 85% of it, in fact. These laws can be confusing, and they depend on your age, income, and other factors. You can avoid a lot of these taxes by just adjusting your income and your cash flow. If you don't know, "income" refers to any money that you receive, and "cash flow" is your money after taxes. By adjusting your sources of taxable income, you can minimize the amount of taxes that you would otherwise owe on your Social Security benefits.

## CONVERTING A TRADITIONAL IRA TO ROTH IRA

Roth IRAs can be a unique and powerful way to save for retirement. You pay taxes up front on a Roth IRA. After that, all growth and withdrawals are tax-free. This is most beneficial when your taxes are lower now than you expect they will be in the future.

<sup>9</sup> <https://www.irs.gov/retirement-plans/correcting-required-minimum-distribution-failures>



# THE PROBLEM

*People who earn over a certain amount aren't allowed to open Roth IRAs—under the regular rules, anyway. If you think tax-free income in retirement would be important to you, but you make too much to open a Roth, you might want to consider the back door. In a backdoor Roth, you first make a contribution to a Traditional IRA, then convert it to a Roth IRA.*

You can do a backdoor Roth IRA in one of two ways. The first method is to contribute money to an existing Traditional IRA, sell shares, and then roll over the money to a Roth IRA account. Or, you can convert an entire Traditional IRA account to a Roth IRA account.

## ROTH IRA INCOME LIMITS:

In 2022, if your modified adjusted gross income is \$144,000 (single) or \$214,000 (married filing jointly or qualifying widow[er]) or over, you may not contribute to a Roth IRA. These limits do not apply to Roth IRA backdoor conversions.<sup>10</sup>

## ROTH IRA CONTRIBUTION LIMITS:

In 2022, you can contribute up to \$6,000 to a Roth IRA if you are under 50. If you are over 50, you can contribute an additional \$1,000 for a total of \$7,000. With a backdoor Roth IRA conversion, these limits do not apply.<sup>11</sup>

The conversion cap was removed in 2018 as older and higher-income investors asked for the benefit of tax-free withdrawals in retirement. Also, since there are no required minimum distributions (RMDs) for Roth IRAs during the lifetime of the account owner, the entire amount of money saved in a Roth can be passed down to your beneficiaries after your death.<sup>12</sup>

<sup>10</sup> <https://www.irs.gov/newsroom/irs-announces-changes-to-retirement-plans-for-2022>

<sup>11</sup> <https://www.irs.gov/newsroom/irs-announces-changes-to-retirement-plans-for-2022>

<sup>12</sup> <https://www.irs.gov/retirement-plans/plan-participant-employee/retirement-topics-required-minimum-distributions-rmds>





## STRATEGIES TO HELP LOWER YOUR TAX BILL



*Taxes are one of the biggest expenses facing retirees today. There are investment options that may help minimize your tax burden without minimizing your gains, withdrawals, or distributions.*

### MAX OUT YOUR RETIREMENT ACCOUNTS

Maxing out your 401(k) with your employer, or if you're self-employed, contributing to a defined-benefit or defined-contribution plan can not only help to grow your investments but can also help to reduce your tax burden. This is because your 401(k) is funded with pre-tax dollars that, in turn, decrease your taxable income. But, be careful not to withdraw early from your account as the amount you withdraw will become part of your taxable income, and there could be additional taxes and penalties to pay if you withdraw early. At age 72, you are required to take minimum withdrawals (RMDs) from your IRAs each year.

### CHARITABLE GIVING STRATEGIES

If there's a charitable cause you feel strongly about, then you can gift your stock in the short or long-term. But first, make sure you check up on the charity's effectiveness to know what percentage of their revenues go to actual programming versus administrative and fundraising expenses. For the short-term, where you're holding the stock in question for less than a year, you can receive a full deductible credit for your cost basis, but you'll give up the ability to deduct your additional investment gains. Note that the holding period starts on the day after you buy a stock and ends on the day you sell it. However, if you hold for a full year, you can deduct the fair market value as of the date the gift was made. But you must be able to itemize deductions to use these giving strategies.



Another option is to consider using RMDs for charitable contributions. If you don't need the money and you take RMDs from your IRA, you can put up to \$100K from your RMD directly into a charity. This is known as a Qualified Charitable Distribution or QCD. This is beneficial because you won't owe taxes on the amount of the RMD you contributed to charity.

Or, another opportunity is to make a charity the beneficiary of your IRA if you want to make charitable giving part of your estate plan. The charity will receive the assets tax-free and your estate will also be eligible for a charitable deduction. If you plan on giving part of your estate to charity, the rest of your beneficiaries are probably better off inheriting non-IRA assets and letting the charity benefit from the IRA.

## TAX-LOSS HARVESTING

An investment typically only impacts your taxes once it is sold. Tax-loss harvesting allows you to take your losses earlier, delay payment on the gains, and - as a result - pay a similar total tax bill, but at a later date. The result is you can earn a return on the money you would have paid in tax as you keep it for longer. In essence, you delay paying your tax bill by making sure you realize your investment losses quickly but your gains more slowly.

With this approach, you can help reduce your income tax liability from your investment losses. If you have more capital losses than you have gains for a given year, then you can claim up to \$3,000 of those losses and deduct them against other types of income, such as wage or salary income. If you have more capital losses than that, then you're allowed to carry the excess forward for use in future years. There's no time limit for using the capital loss deductions that you've carried forward.<sup>13</sup>

## ESTATE TAX PLANNING

For 2022, the estate and gift tax exemption limits increase \$12.06 million per individual and \$24.12 million per couple. Keep in mind that these limits are set to expire in 2026 along with the Tax Cuts and Jobs Act and could expire sooner if that legislation is repealed. The annual gift exclusion amount is \$16,000.<sup>14</sup>

<sup>13</sup> <https://www.irs.gov/taxtopics/tc409>

<sup>14</sup> <https://www.irs.gov/instructions/i709#idm140535813510624>



# CONCLUSION

Consider managing your overall financial situation as if you are the CEO of “YOU Corporation.” This doesn’t mean that you will be acting as a financial advisor or CPA, but you should be active in the decision-making process. Solidifying your involvement in your own wealth is the first step in taking control over your financial situation.

In the end, one of the biggest expenses retirees face is taxes. No matter what lies ahead of you in retirement, make sure you discuss specific tax strategies with your financial professional. There may be serious implications for your financial health if are not understood or planned for properly.

At Moores Wealth Management, we know that taxes can be confusing. That’s why we’re ther to help you uncover long-term strategies for tax minimization in regard to your Social Security benefits, retirement, investments, and your overall financial plan.

***Click to Request Your Complimentary,  
No Obligation Review!***

We’ll work with you to help you better understand the new tax laws and how they may impact your individual situation. Call us today at **(770) 535-5000**.

**A BETTER TAX UNDERSTANDING**  
*Straight Ahead*





# DISCLOSURES AND SOURCES

## Additional IRS Website Links, Charts, Calculators, etc.

\* ***"IRS Withholding Calculator"*** <https://www.irs.gov/individuals/irs-withholding-calculator>

\* ***"2020 Federal Tax Rates, Personal Exemptions, & Standard Deductions"*** <https://www.irs.gov/newsroom/irs-provides-tax-inflation-adjustments-for-tax-year-2020>

\* ***"Retirement Topics - Required Minimum Distributions (RMDs)"*** <https://www.irs.gov/retirement-plans/plan-participant-employee/retirement-topics-required-minimum-distributions-rmds>

\* ***"Estate and Gift Tax FAQs"*** <https://www.irs.gov/newsroom/estate-and-gift-tax-faqs>

## Disclosure Statement(s)

Advisory services offered through Moore's Wealth Advisory, A Member of Advisory Services Network, LLC. Insurance products and services offered through Moore's Wealth Management. Advisory Services Network, LLC and Moore's Wealth Management are not affiliated.

Advisory Services Network, LLC does not provide tax advice. The tax information contained herein is general and is not exhaustive by nature. Federal and state laws are complex and constantly changing. You should always consult your own legal or tax professional for information concerning your individual situation.

A fixed, indexed or variable annuity is for retirement or other long-term financial needs. It is intended for a person who has sufficient cash or other liquid assets for living expenses and other unexpected emergencies, such as medical expenses. Guarantees provided by annuities are subject to the financial strength of the issuing company and not guaranteed by any bank or the FDIC.

This material is provided as a courtesy and for educational purposes only. Please consult your investment professional, legal or tax advisor for specific information pertaining to your situation.



MOORE'S  
WEALTH  
MANAGEMENT  
*"Protecting Your Future"*

GAINESVILLE OFFICE  
230 Main St SW  
Gainesville, GA 30501

CUMMING OFFICE  
410 Peachtree Pkwy  
Bldg. 400 Suite 4245  
Cumming, GA 30041

ATHENS OFFICE  
1551 Jennings Mill Road  
Suite 2600-D  
Watkinsville, GA 30677