Bennett Associates Wealth Management

January 2024

START THE OFF YEAR RIGHT!

1ST QUARTER DATES TO REMEMBER:

New Year's Day **(markets closed)**	JAN 1
2024 Tax Season Begins	JAN 1
2024 Social Security Changes	JAN 1
Medicare Changes	JAN 1
Martin Luther King Day **(markets closed)**	JAN 15
4th Quarter Estimated Tax Payment Due	JAN 16
President's Day **(markets closed)**	FEB 19
Good Friday **(markets closed)**	MAR 29

These newsletter articles are authored and brought to you by

Bennett Associates

Wealth Management.

Know Your Limits...

Did you know the contributions and retirement benefits for qualified retirement plans and Individual Retirement Arrangements (IRAs) are subject to certain limits that are adjusted by the Secretary of Treasury annually for cost-of-living (COLA) increases? To see if you might want to increase your contributions for 2024, we have provided various 2023 and 2024 limits that impact IRAs and retirement plans.

Limit	2023	2024
401(k), 403(b), 457(b) Plan Deferral Limit	$22,500	$23,000
401(k), 403(b), 457(b) Catch-up Limit	$7,500	$7,500
SIMPLE Plan Deferral Limit	$15,500	$16,000
SIMPLE Plan Catch-up Limit	$3,500	$3,500
Traditional and Roth IRA Contribution Limit	$6,500	$7,000
Traditional and Roth IRA Catch-up Limit	$1,000	$1,000

Although not a formal retirement plan, health savings accounts (HSA) often factor into retirement savings. These accounts apply to individuals under a high deductible health plan (HDHP). The minimum deductibles and maximum out-of-pocket expenses the IRS uses to define HDHPs are outlined below along with the HSA contribution limits.

Limit	Individual		Family	
	2023	2024	2023	2024
HSA Contribution Limits	$3,850	$4,150	$7,750	$8,300
Minimum Deductible for HDHPs	$1,500	$1,600	$3,000	$3,200
Maximum Out-of-Pocket Expenses	$7,500	$8,050	$15,000	$16,100

Other noteworthy increases for 2024 come from the Social Security Administration (SSA). The SSA announced an increase in the taxable wage base (TWB) from $160,200 in 2023 to $168,600 in 2024. Workers pay Social Security tax on wages up to the TWB. And for those of you already collecting your social security benefit, the SSA announced a 3.2% increase to your benefit beginning in 2024.

Questions & Answers ...

Q&A..

Q: What is the due date for Form 1099-R for my IRA distributions?

A: Form 1099-R must be sent to recipients by January 31 of the year following the tax year. Therefore, Form 1099-R must be sent by January 31, 2024.

Q: When should I expect to receive Form 1099-B for my investment accounts?

A: Form 1099-B reports proceeds from the sale of securities or property, such as stocks, bonds, mutual funds, commodities, and collectibles. The form is filed by the broker facilitating your transaction and it helps you determine capital gains and/or losses for tax purposes. To avoid excessive updates and amendments, this form is due by February 15th, not the end of January like many other tax forms. You may want to keep this in mind when setting an appointment for your 2023 tax preparation.

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We're on the web!
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It All Begins With a Plan!

Our Services …

Retirement Planning

- *Retirement Goal Setting*
- *Cash Flow Analysis*
- *RMD and Withdrawal Strategies*
- *Roth Conversions*
- *Socials Security and Pension Analysis*

Investment Planning

- *Asset Allocation*
- *Withdrawal Strategies*
- *Account Consolidation*

Tax Planning

- *Tax Sensitive Investing*
- *Review of Realized and Unrealized Gains*
- *Tax Loss Harvesting*
- *Roth Conversion Opportunities*
- *Tax Return Review*

Trust & Estate Planning

- *Minimize Estate Taxes*
- *Analyze Trust Needs*
- *Analyze stepped up cost-basis for highly appreciated assets*

Assistance to Others

- *Charitable giving through Qualified Charitable Distributions (QCDs)*
- *Charitable giving of appreciated assets*
- *529 College Saving Plans*
- *Donor-Advised Funds*

Financial Freedom Through Roth IRA Conversion

Roth conversions have gained popularity in recent years due to their remarkable benefits and potential to significantly enhance one's lifetime wealth. This powerful strategy allows individuals to convert traditional retirement savings, such as a 401(k) or Traditional IRA, into a Roth IRA. What makes Roth conversion so amazing is their ability to provide tax-free growth and withdrawals in retirement. By paying taxes upfront on the converted amount, individuals can gain several advantages including tax diversification, flexibility in retirement planning, potential tax savings over several years, and the ability to leave an income-tax-free inheritance for future generations.

To fully analyze the viability of a Roth conversion, consideration must be given to multiple levels of taxes including: current taxes, maximization of lifetime after-tax wealth, tax burden upon the passing of one's spouse, tax impact on beneficiaries, and tax bracket arbitrage (meaning the complexities relating to differences that arise from the ways various types of income, capital gains, and transactions are taxed). Everybody is different, and conversion strategies should align with your personal goals. For example, you may want to pursue Roth conversions even if you are in a high tax bracket if you anticipate increased wealth or income in the future or if you plan to make tax-free gifts to the next generation. Estate taxes and gifting are also important considerations for you as well as your beneficiaries.

Performing Roth conversion analysis is challenging but rewarding. It requires a different mindset that is very long-term focused. Please let us know if you have questions or concerns about how to make the best decisions for your financial future and how Roth conversions may play a role.

Utilizing 529 Plans to Fund a Roth IRA

529 plans are an excellent way to help families save for college but these accounts sometimes can create uncertainty about what happens to any unused funds. After all, the beneficiary may opt to not attend college, choose a lower-cost school, or receive a scholarship. However, starting next year there will be another option for using the remaining funds. Beginning in 2024, savers can roll unused 529 funds (up to a lifetime limit of $35,000) into the beneficiary's Roth IRA without incurring the normal 10% penalty for nonqualified withdrawals or generating taxable income. There are limitations to this type of rollover:

- Holding periods: You need to have owned the 529 for at least 15 years before you can execute a rollover. Contributions made to the 529 plan in the last five years before distributions start—including the associated earnings—are ineligible for a tax-free rollover.
- Annual limits: Your rollover can't exceed the annual Roth contribution limit, which in 2024 is $7,000. So, if you wanted to roll over the entire $35,000 lifetime limit amount, you would have to do so over five years under the current contribution limits. However, the Roth contribution limit could rise in the future, allowing you to do larger rollovers. Additionally, if you do the 529 to Roth IRA and fill up your contribution amount, you can't also make a regular contribution to a Roth IRA or a traditional IRA.
- Ownership: The beneficiary of the 529 plan must also be the owner of the Roth IRA and they must have earned income at least equal to the amount of the rollover. However, unlike regular Roth IRA contributions which have income limitations, conversions to a Roth IRA from a 529 aren't similarly restricted at this time.

It is very important to note that these are just the rules included in the legislation. As is often the case, it is possible the IRS could interpret the law differently once it is implemented. There are still a lot of uncertainties. For instance, although 529s allow you to change beneficiaries whenever you want, it is not clear whether such a change will be permitted before a rollover, or if changing beneficiaries could trigger a new 15 year holding period. Regardless, starting next year the beneficiary of your 529 account will have more options, whether that is paying for school or increasing their retirement savings.

Investing involves risk, including the possible loss of a principal investment. Investment decisions made by Bennett Associates Wealth Management may result in a profit or a loss. Bennett Associates will act solely in our capacity as a registered investment adviser and does not provide any legal, accounting or tax advice. You should seek the counsel of a qualified accountant and/or attorney when necessary.