DECEMBER 2021 WEBINAR

Financial Guidance

ROUND TABLE DISCUSSION: FINANCIAL GUIDANCE WEBINAR RECAP

FinDec hosted the Round Table Discussion: Financial Guidance webinar in December to discuss important financial updates and deadlines you want on your radar in preparation for the end of the year. In the webinar, three thought leaders from FinDec—Chief Investment Officer Tolen Teigen, Retirement Plan Advisor Chris Diniz, and President & CEO Michael Lee— covered the recent provisions to the Build Back Better Act year-end planning items and an overview of the current market conditions. If you are looking for clarification on some of the recent changes or are interested in hearing what these experts have to say about starting the new year on the right foot financially, this is the recap for you:

REVIEW OF THE BUILD BACK BETTER PROVISIONS

Before diving into what exactly the Build Back Better plan entails, Tolen noted that there have been a lot of twists and turns regarding the provisions and many modifications made along the way. Essentially, the Build Back Better tax provisions were created by the White House and lawmakers to figure out how we, as a country, are going to pay for the stimulus packages that went out at the start of the pandemic, changing the tax code going forward.

While the words tax and changes in the same sentence tend to cause worry, there is very little to worry about. From the initial proposal of the plan, there have been a lot of negotiations to get an infrastructure bill passed. Lawmakers had to remove many of the "jaw-dropping" changes to get moderate Democrats to sign on to the bill. As a result, the act has been approved by the House of Representatives and is currently under review in the Senate, which will revise it and re-group with the House to form a final decision. Here are the changes to look out for should the Build Back Better act be passed:

- The amount of state and local taxes (SALT) that households could deduct from their federal tax bills is capped at $10,000 per tax year. The Build Back Better act would raise this deduction to $80,000 through 2030
- The Build Back Better plan will end Backdoor Roth conversions by prohibiting voluntary after-tax dollars (non-Roth) contributions from being converted to Roth after-tax contributions effective December 31, 2021. So, you need to be prepared to execute the conversion before January 1, 2022, pending the legislation adoption

No changes will be made to an individual or estate tax as it stands right now. It is important to note that just because something is on the act currently doesn't necessarily mean it will be if or when it is passed. However, it is best to be prepared for these changes.

YEAR-END PLANNING ITEMS

Chris began the end-of-year retirement planning items with arguably the most important one, have you been able to maximize your employer-sponsored retirement account? This year, you can contribute up to $19,500. The catch-up contribution limit for employees aged 50 and over who participate in these plans is $6,500. In 2022, the contribution will be raised another $1,000 to $20,500.

The goal of contributing to your employer-sponsored retirement account is to maximize the amount you're able to save. One way to do this is to make sure you are putting what your employer is matching into the account. Whether that's 3, 4, or 5 percent, you want to be at least contributing that amount to your account to maximize the money going in. Another great way to grow your account is to contribute a percent of your salary you are comfortable with, then increase the amount by one or two percent each year. This way, in a couple of years down the road, you will be making a significant contribution to your retirement without really feeling it in your take-home pay.

OTHER END-OF-THE-YEAR ITEMS TO LOOK OUT FOR:

For Business Owners

Profit-sharing programs are a great way to distribute profits and boost retirement savings for both you and your employees if it is available to you and something you've arranged. There is no strict end-of-the-year deadline so that you can contribute after the year's over.

Backdoor Roth Conversions

Due to the potential removal of Backdoor Roth conversions in the Build Back Better bill, you want to ensure these are done before the end of the year.

Required Minimum Distribution

Anyone over the age of 72 is required to annually withdraw from their retirement account before the end of the year (12/31). If you are over the age of 72 but do not need the money you are required to withdraw, there is an opportunity to make a charitable distribution (503(c) organization) with the RMD amount. That way, you can satisfy your RMD, and it's excluded from your taxable income. If you're interested in this, reach out to a financial professional to help guide you through that process.

Charitable Contributions

As a special charitable tax deduction in 2021, individuals can make a cash contribution to a qualified charity and get a $300 tax credit in return that doesn't have to be itemized. Married couples receive $600. This is set to expire this year so make sure you take advantage of it if you're interested.

Tax Harvesting

Tax harvesting is when you recognize losses on your tax returns to offset some gains. This is done by selling stock as a loss, and with that, you might recognize that loss on your tax return and reinvest in other stocks. It is important to note that you cannot buy back into that same stock in the next 30 days, or the IRS might disregard your loss.

Remember that planning for retirement is much more than just putting money into the stock market. It's a marathon, not a sprint, so make sure to pace yourself and set goals that you can reach. Maybe you put your holiday bonus toward your retirement. Perhaps you begin using a budgeting tool in the new year. Whatever it is, just make sure you maximize your contributions to the best of your ability.

REVIEW MARKET CONDITIONS

It's hard to get a read on the current climate of the stock market when there are so many different headlines floating around on the internet. The younger generations want things quickly and efficiently, which is why many of them turn to social media for the news. The issue with this is that they are constantly being bombarded with headlines rather than the whole story, making things seem a lot worse than they are. If you're only reading headlines about Omicron, inflation, and political uprise, things look like a disaster. But with the actual numbers and research, the stock market is doing fine and heading in the right direction.

Everyone is wondering how the market has made gains when everything else may seem like it is bursting at the seams? Tolen noted that when you take a more institutionalized approach to the stock market, rather than a get-rich-quick approach, it is easier to scrape off the noise and see the global market for what it is.

Black Friday and Omicron are both events that have caused volatility in the market due to people reading snippets of headlines and reacting. People think that the stock market is about to crash because we are experiencing the highest inflation rates we have ever had. However, they don't realize that inflation affects the stock market since companies can increase prices, absorb them, and push them on the consumer. The key is to have a diverse portfolio and a plan for volatility.

There will always be events every year that cause dips and peaks in the stock market, but even with the current economic factors, things are moving forward in an upward motion. We had two of the best ten days in the stock market this past year since 1923!

If you have any questions about the materials presented in our webinar, need clarification on any of the changes in the new year, or just want to start financial planning but don't know where to begin, reach out to a FinDec representative today, and we would be happy to help.