

SILVERPEAK WEALTH

Year-End Financial Planning Strategies & Deadlines

(Available on our website)

2020 Considerations

The **CARES Act** provides relief to individuals affected by the economic slowdown and hardships attributable to the COVID-19 pandemic. Here are some key details:

- **RMDs waived for tax year 2020.** If you are normally required to take a distribution and have not yet discussed a strategy with your SilverPeak advisor, now is the time.
- **Qualified Charitable Distributions (QCDs) may still be made.** Clients 70 ½ and older may direct up to \$100,000 tax-free from their IRAs to operating charities, even though RMDs are waived for 2020 (for more on this, see below).

Thinking of donating to a charity? 2020 may be an especially good year to give considering a global pandemic along with social concern and unrest in the US. New tax incentives for charitable giving came in March with passage of the CARES Act. The law gives donors who plan to take the *standard deduction* the option to claim an above-the-line deduction of up to \$300 for cash contributions to operating charities. It also gives donors who *itemize deductions* an option to elect a greater deduction limit for cash donations directly to operating charities (cannot go to donor-advised funds, supporting organizations, or private foundations). While extraordinary need will surely persist into 2021, the tax benefits could change after the election.

With the 2018 Tax Cuts and Jobs Act, some donors may now find that the total of their itemized deductions is just below the level of the standard deduction. They may find it beneficial to bunch contributions into one year.

[Click here to access the Schwab Charitable tax savings calculator](#) to help determine if a “bunching strategy” might benefit you.

Deadlines

Before December 31st

Charitable Giving

- ☐ Consider donating appreciated securities held for more than a year rather than cash. This can eliminate capital gains you would incur if you sold the assets and donated the

proceeds. Please follow these guidelines to help ensure that your charitable gift donations are processed by year-end:

- **Mutual funds: November 23**
 - **Stock transfers: December 7**
- Qualified Charitable Distributions (QCD): up to \$100,000 may still be distributed tax-free from your IRA to operating charities. QCDs have very specific requirements (some of which are listed below) so we recommend consulting your CPA to see if you qualify.
 - Taxpayer must be 70 ½ at the time of payment to charity
 - Can only come from an IRA, not a SEP or Simple IRA or from an employer plan
 - Must be made to public charity – private foundations and donor-advised funds are not eligible
- Consider creating a donor-advised fund. It can take 2-6 weeks to set up and transfer stock from a non-Charles Schwab financial institution. If you have been thinking about this, please let us know **as soon as possible**.

By December 31st

- Annual Gifting: The annual gift tax exclusion for 2020 is \$15,000 per recipient per year. In other words, you may gift as many people as you like up to \$15,000 each without having to file a gift tax return.
- Maximize contributions to employer-sponsored retirement accounts:
 - 401(k)s and other qualified plans
 - Turn 50 this year? You have until the end of the year to defer an additional \$6,500 in “catch-up” to a 401(k). This catch-up employee deferral can be made by anyone who is age 50 or older
- Spend Flexible Savings Account (“FSA”) dollars – including Health Care Spending Account (HCSA) and Dependent Care Spending Accounts (DCSA)
 - Some HCSA plans allow a rollover \$500 so check with your employer to confirm your plan’s deadlines
- Contribute to a 529 College Savings Plan

By April 15th, 2021

- Establish and/or contribute to an IRA.
 - You have until Tax Day next year to establish and/or contribute to a traditional or Roth IRA for 2020.
 - The maximum is \$6,000 or 100% of earned income, with an additional \$1,000 “catch-up” for anyone 50 or older by December 31 of the *contribution* year.

- There are income phase outs and limitations to these types of contributions so please check with us if you are unsure of your eligibility.
- Maximize Contributions to Health Savings Account (HSA) if you are eligible.

Other Things to Consider

- Update or confirm Beneficiary Designations
- Add a “Trusted Contact” to your Schwab accounts. This adds another layer to protect your accounts from fraud and elder exploitation. We can send you a description of what that a Trusted Contact entails and the paperwork to add one.
- Please let us know if you have experienced any major life events or changes to your financial situation. This can include family changes, employment status, inheritances, moving, sale of business, etc.
- Data security:
 - Change online passwords
 - Review your credit report
- Review estate documents