



2021 Considerations

Required Minimum Distributions (RMDs) are back in 2021 after having been optional in 2020.

SECURE Act: You may know that, as part of a larger government package signed into law in December 2019, Congress included provisions that could make saving for retirement more accessible. Key takeaways include:

- RMDs begin at age 72 for individuals who turned 70½ in 2020. If you had already begun taking RMDs, you should generally continue.
- As long as you are still working, you can now contribute to traditional IRAs past age 70½.
- 529 funds can be used to pay down student loan debt, up to \$10,000.

Thinking of donating to a charity? Some tax incentives from passage of the 2020 CARES Act have been extended through 2021. 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 (\$600 for married filing jointly). 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).

With the 2017 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 (2021), itemize deductions on 2021 tax return, and take the standard deduction on 2022 taxes. This strategy could produce a larger two-year deduction, depending on income level, tax filing status, and giving amounts.

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

Year-End Financial Planning Strategies & Deadlines

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, potentially increasing the amount available for charity by up to 20%. Please follow these guidelines to help ensure that your charitable gift donations are processed by year-end:
 - **Mutual funds: November 22, 2021**
 - **Stock transfers: December 13, 2021**
- ☐ Qualified Charitable Distributions (QCD): up to \$100,000 may 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 2021 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)

Year-End Financial Planning Strategies & Deadlines

- 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, 2022

- 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 2021.
 - 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 your 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 a Trusted Contact is 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:
 - Consider changing online passwords
 - Review your credit report
- Review estate documents