Your Guide to Year-End Financial Planning for 2022

As 2022 comes to a close, you'll want to reassess your financial goals, examine any life changes that will affect your saving or spending, and learn about recent developments in the world of taxes and finance that might benefit you. So, before you head to your annual meeting with your financial advisor, read over these questions and use them as a helpful guide for your conversation.

1. Can I Contribute More to Retirement Funds?

While the state of the economy might make you hesitant about setting additional income aside, consider whether you're financially able to maximize (or increase) contributions to your workplace retirement plan. At the very least, find out if you're contributing the minimum to take full advantage of any employer match benefit. Increasing your contributions to a traditional IRA is another option, though you should be mindful that those with higher incomes may not qualify for a tax deduction.

2. Do I Have FSA Dollars to Spend or Carry Over?

Use what you can from your flexible spending account (FSA), and check your employer's plan to see how much of any unused funds you can carry over to the next plan year. Although the rollover option applies to your employer's plan year rather than the calendar year, this year-end assessment is a good reminder to make sure you're on track. If permitted, the maximum FSA carryover amount is $570. If you have a dependent care FSA, you can save as much as $5,000 (family limit) or 2,500 (married filing separately) in 2022.

Now is also a great time to discuss with your advisor maximum health savings account (HSA) contributions if you have a high-deductible health plan (HDHP). This can be a fairly complex topic in general, so it's a great idea to tap into your advisor's knowledge to learn more.

3. Should I Consider Roth Conversions?

If you have some room in your current tax bracket before reaching a higher federal income tax rate, you may want to consider doing a Roth Conversion. This would involve converting some of your pre-tax retirement savings, like in a traditional IRA, into a post-tax account, like a Roth IRA, so you'd never have to pay taxes on future earnings. Taxes would be paid up front on the conversion amount, and you'd enjoy tax-free growth in the future. If this interests you, discuss this strategy with your advisor, who can help determine if it's an ideal time to do a conversion. He or she can also run projections to see if you would end up paying less in taxes overtime with this strategy.

4. What Is Tax-Loss Harvesting?

If some investments in your portfolio have suffered a loss, the end of the year is a common time to consider if it would make sense to "harvest losses" by selling them. Doing so can offset gains you have realized in your portfolio, as well as up to $3,000 of your earned income. Tax-loss harvesting can get complex, so this is a great topic about which to seek professional help. Be aware: Investments can only be rebought after a certain period, as selling a security for a loss and buying back within 30 days does not qualify.

5. Do My Charitable Donations Qualify for a Tax Deduction?

Charitable contributions donated directly to a qualified charity or to a donor-advised fund can help you get a federal tax deduction. Keep in mind, however, that this will often only be beneficial if you're itemizing. It's worthwhile to discuss with your tax professional if your charitable contributions, in addition to other deductions, will surpass your standard deduction.

6. What Should My Strategy for Stock Options Be?

If you have vested stock options included in your compensation package from your employer, now may be a good time to consider whether it would be more beneficial to sell them in January of 2023 as opposed to this year. Review your stock option statement and plan document with your tax professional and discuss which year may provide you the best opportunity from an income tax perspective.

7. Do I Need to Think About RMDs?

Some retirement accounts are subject to required minimum distributions (RMDs). This means once you are nearing approximately age 72, you may be required to start taking distributions from your retirement accounts, owing taxes on the way out. It's not uncommon for people to forget to take RMDs. What's more, recent legislation has made them a bit more complex, so RMDs for retirees and their beneficiaries are best planned with your advisor to be sure you're following the rules.

8. When Do I Need to Resume Repaying Student Loans, and Do I Qualify for Student Debt Relief?

Student loan payments are set to restart at the commencement of 2023. Under the Biden administration's one-time student loan debt relief plan, payments could be reduced to 5 percent of discretionary income for most undergraduate loans. More information on this plan will be announced in the coming days and weeks. To get the latest, consult this helpful fact sheet and sign up for updates on the U.S. Department of Education website.

9. Should I Update My Estate Plans?

It’s always a good idea to review estate plans as part of year-end financial planning. As life events happen, such as marriage or the birth of a child, your estate plan should be updated accordingly with your attorney. At the end of each year, discuss with your family how the life events you’ve experience over the last year might affect your estate planning. When you meet with your advisor, be sure to update and review beneficiary designations, trustee appointments, power of attorney provisions, and health care directives.

Take Advantage of Your Advisor’s Knowledge
Although this year-end financial planning checklist covers a lot of ground, it’s intended to serve just as a springboard for your planning conversations with your financial advisor. You’ll have a great starting point to talk through issues and deadlines that are most relevant to you, and you should be sure to add anything else you want to know to this list so you don’t forget to inquire. An annual planning meeting is a great time to ask any questions you need answered regarding your financial plans for the coming year.

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This material has been provided for general informational purposes only and does not constitute either tax or legal advice. Although we go to great lengths to make sure our information is accurate and useful, we recommend you consult a tax preparer, professional tax advisor, or lawyer.

Welcoming Susan Howland as Director of Human Resources

Susan Howland of Camden has joined Allen Insurance and Financial as director of human resources.

"Susan's diverse business background and extensive leadership experience make her a tremendous asset for our company," said Michael Pierce, company president. "We are looking forward to the contributions she will bring to our team and our employee ownership culture."

A native of Manchester, Maine, Howland has both a bachelor's degree (international affairs and economics) and a master's degree (economics) from the University of Maine.

She has held senior executive leadership positions at credit card company MBNA; at Wayfarer Marine in Camden; at the Penobscot Bay YMCA and at Maine Sport in Rockport.

"Now more than ever, I love working with people, to help them advance their career and realize their full potential. Creating a positive environment where people are empowered to provide outstanding customer service is exciting work. To have the opportunity to work here at Allen with this fantastic team of employee-owners is truly remarkable. I am absolutely thrilled," Susan said.

Howland lives in Camden with her husband, their two children and two dogs. Outside of work, she enjoys attending her children's sporting events. She is a runner and an avid basketball fan.

2023 Will Bring Greater Potential for Estate and Gift Tax Savings

By [Sarah Ruef-Lindquist, JD, CTFA]
For [Pen Bay Pilot]

U.S. Taxpayers enjoy a lifetime gift and estate tax exemption. This is the amount a person can transfer at death or during life without triggering a transfer tax.

The exemption amount for 2023 is set to rise $860,000 to $12,920,000 per person ($25,840,000 per married couple) from the 2022 figure ($12,060,000 per person, $24,120,000 for a married couple).

Moreover, taxpayers can use an “annual exclusion amount:” This is the amount one can give away to any number of people each year without triggering the need to file a gift tax return or eat into one’s lifetime exemption. Each year, these amounts are adjusted for inflation.

The annual exclusion amount is set to rise to $17,000 per donee, from $16,000. This can translate into increased flexibility for transferring wealth without incurring taxes on these transfers. Families find this an excellent way for grandparents to help fund education expenses for grandchildren, often using 529 Education Savings Plans that can grow tax-free and be withdrawn tax free for qualifying expenses.

These annually determined, inflation-adjusted exemption amounts are scheduled to ‘sunset’ at the end of 2025, reverting to levels around $6,000,000, unless Congress takes action to extend them. The annual gifting exclusion amount is not currently slated to revert to lower levels.

Consult with your wealth, estate and tax advisors to understand the impact these changes could have on your particular situation.

Underinsurance Headache – for October 2022 WorkBoat Magazine

By Dan Bookham
For October 2022 WorkBoat Magazine

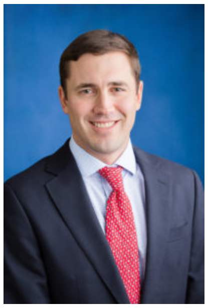
You cannot escape the headlines: Almost everything is getting more expensive. Supply chain issues, increased demand, workforce shortages and other pressures are driving inflation at a sharp clip, and every industry is affected. And while an uptick in prices might be a boost to one's top line profits, there's obviously a negative impact on the cost of doing business. Insurance is not immune to inflationary pressures either, and most insurance and reinsurance companies continue to look warily at the cost of materials, the time it takes to replace or rebuild property, legal expenses and other factors as they review their books of business. The indications are that American businesses have a large (and self-inflicted) underinsurance headache.

Think about your own operations. How much money would you need to replace a string of damaged or destroyed barges? To repair or replace systems or deck machinery on a tug? To build a new ferry? To bring in replacement containers, reefer points or gensets? To source and replace a dock crane, a warehouse, or even something as basic as bollards? Is the insurance limit you have in place going to cut it?

Additionally, scarcity of materials, labor shortages and transportation & logistics problems have lengthened the time needed to repair or replace damaged property. Under these conditions, it might take two to three times as long to rebuild and reequip a facility or vessel than it took prior to the pandemic. Think about your key assets. How quickly can you get the replacement part or unit from the factory to your facility? How congested is the shipyard orderbook or the construction pipeline in your state? Do you have the relationships that could help you bump your project to the top of the list, or do you have to resign yourself to waiting in line? And at the end of the day, have you factored that into your business income insurance limit?

With all of this in mind, if you aren't talking to your insurance agent about the ongoing inflation in construction and materials costs and longer time horizons on projects you could well find yourself underinsured. The point of your policy is to protect your assets and make you whole in the event of a loss. Proper valuations of the cost to replace or rebuild your assets (including your lost income resulting from a loss) are at the core of making sure your insurance is working for you.

Insurance Trends for 2022 and Beyond



By Cale Pickford
For Fall 2022 Maine REALTOR Magazine

The insurance market, like the real estate market, can serve as a window from which to view society and the economy. Insurance companies look to strike a balance between their tolerance for risk and their mandate to generate profits. The push and pull of these two competing factors are further complicated by the rapid rate of change in today’s world. Insurers look to predict the future with data from the past, and in this changing world, they are having trouble keeping up. Here are three trends that will dominate the insurance marketplace for the coming year.

Inflation is on everyone’s minds these days – for good reason. Across the economy, the cost of just about everything has gone up at rates not seen for more than 40 years. This means that insurance companies, too, must pay more to adjust a loss.

In addition to increased costs, shortages of labor, materials and parts has meant that it takes far longer to fix damages and get people back into their homes and cars. Many insurance policies pay for the insured to rent a car or home until repairs are completed, this time element increases the total cost of the loss significantly. Industry data suggests that claims costs are up as much as 50% to 100% over pre-pandemic levels. Because of state regulations, increasing insurance rates can be a slow process, but there is no question that over the next few years insurers may increase their rates to reflect the rising costs of insurance claims.

In the context of this inflationary environment, having the right insurance has never been more important. Look for auto insurance policies offering higher limits for temporary rental car coverage, and policies which allow the client to select both the repair shop and original equipment instead of aftermarket parts. For homeowners' policies, look for carriers providing guaranteed replacement cost coverage (which means they will rebuild the home to the same standards, regardless of the limit of coverage on the policy) and high or uncapped coverage for loss of use (the coverage that will pay to rent a home if you're displaced).

Another trend which cannot be understated is the impact of **climate change** on the insurance industry. Extreme weather events generating billions of dollars in damaged property and often loss of life seem to be weekly occurrences. The impact of climate change is no longer hypothetical, and the private insurance industry is reeling from its impact. In particularly hard-hit states such as California and Florida, the private insurance industry is only offering homeowners policies which exclude the primary regional cause of loss such as fire and wind. These policies usually need to be complimented by a separate wind or fire policy underwritten by a state-sponsored insurance pool. While Maine seems more protected from extreme weather events, that trend could change. Regardless, insurers are motivated to spread out the burden of higher rates across a national customer base. In this context, consumers should work with an independent agent to identify regional insurers who do not have as much exposure to catastrophic loss prone regions or who identify Maine and Northern New England as a market for focused growth or hedge against more loss prone areas.

Cyber security and cyber insurance rounds out this list of top trends. The COVID-19 pandemic forced organizations to shift their workforce to remote work and surveys suggest that a high percentage of workers continue to work remotely. Remote working, accelerated digitization, and an increase in reliance on cloud-based services has created new opportunities for ransomware attackers. The frequency and sophistication of these cyber-attacks are on the rise. Hackers are also becoming more sophisticated by using social engineering attacks, whereby an individual is targeted and enticed to click a link to download malware providing access to a computer or network.

An important tool for preventing hackers from gaining access to computer system is multi-factor authentication (MFA). Though MFA is regarded as the gold standard of authentication, malicious attackers are finding ways to get around it – specifically, authentication carried out via SMS or phone calls. App-based authenticators and security keys are seen as the best option today, but we can be sure that hackers will be looking for ways to exploit vulnerabilities in these systems, too.

Cyber liabilities are here to stay. Every business and household is at risk and having a plan for cyber security complimented by cyber liability insurance is a must for 2022 and beyond.

Insurance continues to be a critically important aspect of the economy as it provides individuals and businesses with a tool to offset risk. Working with an independent insurance advisor who understands the evolving nature of risk along with the associated loss control strategies and insurance solutions is a critical element of financial security and well-being.

Jennifer Coffin Earns Safeco Insurance® Award of Excellence for Superior Underwriting Skill

Jennifer Coffin, ACSR, CPRM, a personal insurance account executive with Allen Insurance and Financial, been honored with the Safeco Insurance Award of Excellence, an honor recognizing superior underwriting skill.

This recognition is achieved only by a select group of agents across the country who sell Safeco Insurance. This is the second consecutive year Coffin has earned this recognition.

“Excellence in underwriting means bringing exceptional customer service together with a deep understanding of the complexities of insurance coverage to create great outcomes for our customers,” said Scott Carlson, manager of the personal insurance division at Allen Insurance and Financial. “Jen and our personal insurance team do that daily by ensuring customers get the insurance coverage that works best for them. This recognition is well deserved and we’re especially proud of the number of consecutive awards Jen has earned.”

The Safeco Award of Excellence recognizes outstanding agents who have developed a solid underwriting relationship with Safeco and whose agencies have qualified for the Safeco Insurance Premier Partner Award, the company’s top recognition program. Fewer than

10 percent of agencies who sell Safeco have agents who receive this award.

Coffin, of Nobleboro, has been with Allen Insurance and Financial since 2004. She holds both the Accredited Customer Service representative (ACSR) and Certified Personal Risk Manager (CPRM) designations.

Allen Insurance and Financial is a multi-year President’s Award and Premier Partner agency, recognition given only to the best independent insurance agencies that sell Safeco. Safeco is a Liberty Mutual Insurance company.

Budgeting for the Holiday Season

As the winter gifting holidays approach, current economic conditions might cause you to be more cautious than usual about how much you spend on friends and family this year. If rising costs, a declining stock market, and high interest rates are making you take a second look at your capacity for spending this holiday season, use these tips as a guide to stretch your dollar a little more and help your spirit of giving thrive.

Write a budget. The headlines and discussions around the pain at the pump might have created a perception that the additional cost would majorly prohibit consumers from spending on other necessities or luxuries, like holiday gifts. Instead of letting the headlines guide your budget, write out an actual breakdown of your income and expenses to see what you can afford.

Pay with cash. Inflation is making it more difficult to afford necessary goods and services, so Americans are increasingly relying on credit cards. But interest rates are also going up. So, unless you pay off your balance in full, you'll ultimately be spending way more on your holiday gifts than the sticker price. To keep your spending in check, and to avoid tacking interest payments on to the cost of your purchases, pay with cash—or be sure you can pay off your entire credit card balance. While using a debit card is an alternative option, be warned that this method puts you at greater risk for cybercrime. If your account number is somehow stolen, it's much easier for a scammer to quickly access your money, and there are fewer consumer protections with a debit card than there are with a credit card.

Shop sales. During the Covid-19 pandemic, many industries were affected by delays or cancellations in product deliveries from overseas. Now that production and transport have mostly resumed, stores have been saddled with excess inventory that they need to clear from their shelves and storage facilities so they can make room for new products. The result? Sharp price slashing. Keep an eye out for sales, coupon codes, and free shipping perks before making a purchase, especially at big box stores.

Overstocked products will also find their way to off-price retailers as larger stores sell off their excess and delayed shipments that arrived late. You'll likely see products and brand names—and possibly new discounts—in these types of stores that you've never encountered there before. If you're looking for a specific gift, compare that item at various retailers to make sure you're getting the best deal available.

Buy off-season. While most people are focusing on pumpkin spice and sweater season, stores are hoping to get rid of whatever swimsuits, beach towels, and pool floats they still have in stock. If you can suspend your summer mindset for a few more weeks, you could score significant deals on gear for next year. Remember this tip at the end of winter, too, when prices of cold-weather attire are similarly slashed.

Holiday products may be causing stores the same issues as seasonal products. If Halloween, Thanksgiving, or Christmas inventory was delayed last year, stores had to hold these items for months until those holidays came around again this year. So, if you’re seeing those products in stores early, there’s a good chance they might be on sale or show up at an off-price retailer.

Support small businesses. If you have a bit of wiggle room in your budget, purchasing gifts from a small business just might help keep that company in the black during a tough year. Inflation has boosted operational and material costs, causing many small businesses to raise their prices or cut their staff. Buying small helps stimulate the local economy and keep jobs in your community. While the state of the economy might not be ideal for holiday gifting, be assured that there are ways to use current economic conditions to your advantage—and spread some holiday cheer and generosity to everyone on your list.

Marine Professional Liability

Coverage

Chris
Richmond, CIC,
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By Chris Richmond
For August 2022 WorkBoat Magazine.

A very long time ago when I was captain of an old wooden sailing vessel, I was bringing the boat in to the harbor to tie up to the dock, something that I had done countless times. Except this time when I put the engine in reverse to stop forward movement the boat went ahead. Quickly losing room in the congested harbor, I tried again to engage reverse propulsion, to no avail. A wooden tour boat tied up ahead of me finally stopped my movement. There was season-ending damage.

While my vessel's Hull and P&I policy took care of the damage claim, the Coast Guard felt that I had been derelict in duties as captain and wanted to conduct an admiralty hearing against my license. I now needed professional liability insurance coverage.

Typically used by attorneys, accountants, consultants and real estate brokers, professional liability provides coverage against claims made against professionals who have not performed up to the standards of their profession. This type of liability coverage is also available to licensed mariners. Should a claim occur, and the captain be deemed negligent, he or she could be sued in addition to the vessel.

Coverage can include defense costs (both against your license, civil legal defense as well as criminal acts defense), coverage for fines and penalties as well as a daily subsistence allowance. It is important to note that professional equipment, such as a personal GPS or similar navigational device, can also be included. Loss of income can be added to compensate for lost wages due to down time resulting from a claim.

Whether you are driving a 6 pack harbor taxi or a blue water tanker, your livelihood requires you to hold a valid USCG license. When you are involved in a claim involving your license, having professional liability coverage to fall back on can both help alleviate the headache of defending yourself and help take care of some defense costs. Have a talk with your marine insurance agent before you need this kind of protection.

Employer Sponsored Retirement Plans

By Abraham Dugal, CFP®

Employers play a crucial role in helping their employees save for retirement by offering them an employer sponsored retirement plan that the employees can contribute to, and the employers may even offer a matching contribution to incentivize them to save. The most well-known of these plans are known as 401(k) plans, which allow for employees to contribute money from their earnings on a pre-tax or post-tax basis. The employer can decide whether they would like to make an employer contribution or matching contribution, but they are not required to do so. 401(k) plans offer several different options and are the most customizable retirement plans available.

Savings Incentive Match Plan for Employees, more commonly known as SIMPLE IRA plan, have fewer features but also cost less to the employer to implement and on an ongoing basis. The biggest difference between SIMPLE IRA plans and 401(k) plans are that SIMPLE IRA Plans require that the employer provide a matching contribution to eligible employees. This can be achieved in one of two ways: 1) contribute 2% of all eligible employees' wages whether the employees contribute their own funds or not, or 2) match all eligible employees up to 3% of the employees' contributed earnings to the plan. The SIMPLE IRA is available to all employers with fewer than 100 employees.

In June 2021, Maine signed into law the Maine Retirement Savings program, which will require that all businesses with 25 or more employees will have to offer a retirement savings plan to their employees by April 1, 2023. Those with 15-24 employees will need to offer a plan by October 1, 2023, and finally employers with 5-14 employees will need to make offer a plan by April 1, 2024. Allen Financial Group is here to help!

Read Abraham Dugal at 236-4311 or by email at adugal@allenfg.com

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ACA Pay or Play Rules: Penalties Updated

This month’s Benefits Buzz discusses updated penalties under the ACA’s pay or play rules, as well as the health reforms that are included in the Inflation Reduction Act.

On Aug. 16, 2022, the IRS updated its FAQs on the Affordable Care Act’s (ACA) employer shared responsibility (pay or play) rules to include updated penalty amounts for 2023. The adjusted

$2,000 penalty amount is $2,880 and the adjusted $3,000 penalty amount is $4,320.

You can read more on this PDF.