

# Inheriting Debt from a Family Member

Thinking about a loved one's outstanding debt is the last thing on anyone's mind when a family member passes away. Unfortunately, many people find themselves dealing with creditors and figuring out how to pay their loved one's debts as they grieve. To avoid this situation, it makes good financial sense to consider these matters ahead of time.

## **Who's Responsible for Outstanding Debt?**

Generally, the deceased person's estate assets are used to satisfy creditor claims before being distributed to beneficiaries. If estate assets are insufficient to pay all outstanding debt, the estate is considered insolvent, and state law prioritizes the payment of the deceased person's bills with the available assets.

In some cases, however, outstanding debts may not fall to the estate:

- **Cosigned or joined debts.** If you've cosigned on a loan or credit card with the deceased person or owned the account jointly, you are financially responsible for that debt.
- **Guaranteed debts.** A similar situation to cosigning, if you are the guarantor of a loan for someone who has passed away, you will owe the lender payment of any remaining debt.
- **Community property.** If your spouse passes away, you may find yourself responsible for debts for which you weren't a cosigner or coapplicant. Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington, and Wisconsin are considered community property or quasi-community property states, meaning all property and debt acquired during a marriage is considered jointly owned. If you live in one of these states, you could be

held responsible for debts your spouse incurred.

### **How Are Different Types of Debt Handled?**

- Credit card debt. Again, family members are not responsible unless they cosigned on the credit card. Although debt collectors may be aggressive, they can only make a claim against the estate. If you did cosign, you will be held responsible for the debt, even if you didn't directly incur it. However, being an authorized user on the credit card account will not make you responsible for the credit card debt.
- Medical debt. If your parent qualified for Medicaid, the state may try to recover the payments made for their care. The state cannot ask you to pay, but it may be able to put a lien on your parent's home to recover the funds or seek recovery from your parent's estate. If a family member dies with other unpaid medical bills (unrelated to Medicaid), those bills become an estate debt. Keep in mind that many states have filial responsibility statutes that, under certain circumstances, hold adult children responsible for a deceased parent's medical debt. A spouse might also be responsible for a deceased spouse's medical debts under a state's family expense act. Be sure to understand how state law may apply in your situation.
- Mortgage debt. If you inherit a residence with a mortgage, you generally aren't required to pay it off immediately. If you fail to make the mortgage payments, however, or cannot sell the house for a price that will pay off the mortgage, the lender will likely foreclose (or possibly agree to a short sale). If you don't wish to own the real estate, you may disclaim it, at which point it would transfer to the next estate beneficiary.
- Student loan debt. Federal programs, such as Perkins and Stafford loans, usually offer cosigners forgiveness if the borrower passes away. However, private loans may be another story. Although some lenders have started to discharge the debt if a borrower dies or becomes disabled, many demand the money

owed from cosigners.

- Taxes. The estate is responsible for paying any property, income, or estate taxes. Tax authorities are usually given top priority as creditors.

### **Don't Be Bullied**

Family members of deceased debtors—and all consumers—are protected by the federal Fair Debt Collection Practices Act (FDCPA), which prohibits debt collectors from using abusive, unfair, or deceptive practices in attempting to satisfy a debt. Under the FDCPA, collectors can contact the deceased person's spouse, guardian, executor, or administrator to get their contact information, but they are not allowed to discuss the details of the debt. You have the right to control your interactions with these collectors. For more information, visit the Federal Trade Commission's website.

### **Know Where You Stand**

Inherited debt can be a complex issue. If you find yourself in this situation, seek advice from your financial advisor and an attorney who can guide you through the probate process and work with debt collectors. Although dealing with a loved one's death is never easy, getting your questions answered and protecting your inherited assets may make the situation a little less stressful.

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# 6 Money Conversations to Have in a Long-Term Relationship

All couples hope for a “happily ever after,” but it’s no secret that money issues can be primary reasons partners split up or divorce. To avoid future battles over finances, it’s smart to put all your cards—credit and otherwise—on the table. Of course, a conversation about salaries and student debt is probably premature on a first date. But once you decide to enter a long-term relationship, be sure that you and your partner are on the same page about handling current and future expenses. Even if you’re married, it’s never too late to talk about where you stand and where you’re headed financially.

Set yourself up for that happily ever after by having these important financial conversations.

## 1) What Do Each of You Bring to the Table?

It’s a good start to be honest about liabilities, such as student loans, credit card debt, medical expenses, and other financial obligations, as well as assets, such as salary and investments. Knowing these figures will help you plan for the future and understand how you’ll need to budget. It may also give you a bit of a reality check. Once you combine finances, your goals will be mutual—perhaps owning a house, paying off debt, starting a family, saving for retirement—and you’ll need to work together toward them.

Lying to your partner about money, or hiding debt or separate accounts, is often referred to as financial infidelity. This term alone gives you a sense of the trouble it can cause in a

relationship and why it's ideal to be honest about finances from the start.

## **2) What Are Your Credit Scores?**

Your credit scores will factor into your ability to buy a car or house—or even rent an apartment. Since these events will inevitably happen during a long-term relationship, revealing your scores early will help you determine whether you're in good standing as a couple or if you'll need to improve your scores before attempting a big purchase. You can start by getting a credit report from Equifax, Experian, or TransUnion (you're entitled to one free report from each company per year). Go to [AnnualCreditReport.com](http://AnnualCreditReport.com) to get started. Need help getting your score up? Check out Credit Karma or NerdWallet for tips.

## **3) How Will You Split Expenses?**

Drawing up a monthly budget is a huge step toward the goal of financial stability. Consider how much income you are bringing in, what your regular costs will be, and whether you will pay them from a joint account or split them up. There are many budgeting apps you can use to help you set up a plan and stick to it. You'll also want to have an emergency fund, which should cover three to six months of expenses. If you don't have enough to set those funds aside, factor a monthly contribution to your emergency fund into your budget plan.

## **4) What Is Your Risk Tolerance?**

Whether you're a risk taker or have a more conservative approach, it helps to agree with your partner when it comes to investing as a couple. Risk tolerance also comes into play regarding debt or divorce. Although signing a prenuptial agreement is often associated with protecting your assets in case of a separation, it can also protect one partner from another's debts—either personal or business related. Having a conversation about the value of such a document could help

prevent problems in the future.

### **5) Will You Have Kids?**

According to the Brookings Institute, the average cost of raising a child born in 2015 through the age of 17 is \$310,605. Needless to say, having a child—and certainly having multiple children—would be a major expense. Childcare (or living on one income if a parent is caring for the child) is another big cost to consider. Hospital expenses are often high before your child even arrives. In addition, adoption, IVF, surrogacy, and egg freezing and storage can be expensive, should you go through any of those processes.

### **6) What Are Your Plans for Retirement?**

Once you've had these important financial conversations, you'll be on track to eventually head into your golden years and retire together. You should start planning for that as soon as possible. The earlier you set up a retirement plan and start accumulating savings, the less you'll need to contribute on a regular basis. If your employer offers a 401(k) or another plan, decide if you can afford to start contributing now. If they offer to match a percentage of your contribution, that's even more incentive to enroll.

Discuss your retirement plans with your partner. At what age do you hope to retire? How much savings will you realistically need to support yourselves from that retirement age through the rest of your lives? Do you plan to travel? Relocate? Talking through these answers will help determine how much you need to save together to retire comfortably.

Although this isn't the most romantic list, a solid financial foundation is a critical aspect of a long-lasting partnership. If you need additional information about any of these discussion topics, please reach out to our office.

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## More on SECURE 2.0 Act of 2022



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Recently we shared information about the increase in the age for the Required Beginning Date (RBD) for taxpayers to begin taking annual Required Minimum Distributions (RMD's) from retirement assets like Individual Retirement Accounts (IRA's). This was a key part of SECURE 2.0 and there are several more provisions that impact taxpayers that are working or retired. To recap, the

RBD age for those born in the years including 1951 through 1959, is 73 and for those born in 1960 or later, the age is 75. This is potentially a greater period of time for these assets to grow tax-free until withdrawals must begin and income tax paid on those withdrawals.

For those who fail to take their RMD, there has historically been a penalty of 50% of the amount required to be taken but not distributed. This was a significant incentive for people to be sure to take the full amount of their RMD. SECURE 2.0 reduced the penalty to 25% and for those able to correct the underpayment "in a timely manner" the penalty is 10%.

The law also expanded the opportunity to put funds into retirement accounts on a pre-tax basis. For taxpayers aged 50 or older, the IRA "catch up" contribution of \$1,000 (on top of the contribution limit of \$6,500) will be adjusted annually for inflation starting in 2024.

Beginning in 2025, retirement plan participants (401(k) and 403(b) plans, for example) age 60-63 will have a catch-up limit of up to \$10,000 or 50% of the regular catch-up limit (currently \$7,500) whichever is greater. The 2023 contribution limit for these plans is \$22,500.

Currently those participants aged 50 or older have a catch-up limit of \$7,500 (\$3,500 for SIMPLE IRA's). In 2023 the SIMPLE Contribution limit is \$15,500 and catch-up amount for those 50 and over is \$3,500.

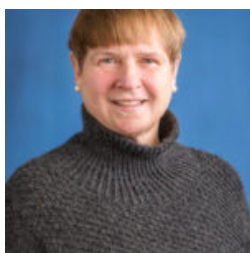
All of these provisions offer a greater opportunity for taxpayers to save more with pre-tax earnings toward their retirements. Many more provisions of the SECURE 2.0 Act involve new rules for qualified plans and their administration. If you are an employer with a plan, your plan administrators should be able to update you on the provisions that impact your plan and

employees.

Taxpayers should consult with their own tax advisors to understand the impact of these provisions on their particular financial situation.

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# **Diving into 2023: Retirement Legislation “SECURE 2.0” Passes House & Senate, President Biden to Sign into Law**



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There are not two, but three certain things in life: Death, taxes and change. This third element was brought home to us recently in the legislation that yet again would change the

landscape for retirement planning, saving and spending in potentially radical ways.

A few years ago, the SECURE act increased the age at which one was required to draw out tax-deferred retirement savings from age 70  $\frac{1}{2}$  to 72, causing a great deal of confusion initially, but simplifying the matter overall, since people have a hard time with half-year calculations. This allowed folks to wait a little longer before drawing out a required minimum distribution (RMD) and perhaps more significantly, paying income taxes on the withdrawal. It also allowed a bit more time for funds to grow tax free.

The IRS penalty for failure to make such withdrawal has been 50% of the RMD amount not withdrawn, a big incentive for making full timely withdrawals.

Now we are faced with the RMD age increasing again in 2023 to 73 (known as the RBD, or Required Beginning Date), and yet again in 2033 to age 75. Here's how this would work for 2023: If you were born after December 31, 1950 (in other words, not yet 72 by 12/31/2022) then your RMD age is 73. So if you turn 72 in 2023, your RMD does not start until 2024.

Here's an example of that. John's birthdate is January 5, 1951. Under the "old" provision, he would have to begin his RMD in 2023, because he turns 72 on January 5, 2023. However, under SECURE 2.0 having not reached the age of 72 by 12/31/22, his RMD age would be 73. Technically, he does not have to take a distribution in 2024 when he turns 73 but could delay until April 1, 2025. However, since he would have another RMD amount in 2025, taking the 2024 amount in the same year as 2025 could result in higher tax rates applying, so he might be smart to go ahead and start in 2024 with his first minimum distribution.

So RMD age is now 73, and your first distribution is not due

until April 1 of the year following your 73<sup>rd</sup> birthday, but it's often better to take it in the calendar year of your RBD so you don't have to take multiple distributions in the same tax year.

Also under SECURE 2.0 when we get to 2032, less than 10 years from now, RMD age will increase to 75 if you haven't turned 74 by the end of 2032. So, in 2033, the age for RMD's is 75.

Delaying the Required Beginning Date (RBD) for RMD's – increasing the age to 73, and then 75 – offers retirement savers the opportunity to continue to allow their tax-deferred savings to grow free of tax until RMD's begin and income taxes are paid on those withdrawals.

The original SECURE Act also eliminated the age limitation on making contributions to IRA's in recognition of people working later and later in life, just as the increase in the RMD age recognizes a tendency for people to continue to earn income beyond more a traditional retirement age of 65 and have less reliance on retirement income until much later in life.

So we could say we are starting 2023 with positive news on the retirement savings and planning front. There's much more to the legislation known as SECURE 2.0 but we'll save that for another time.

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## **Tax Changes You Need to Know**

# About for 2022

At the end of a year dominated by inflation, interest rate hikes, market turbulence, and recession fears, we can all use a break. Thankfully, the Internal Revenue Service (IRS) has offered a few new tax guidelines to try to account for the various economic factors affecting many Americans in 2022. While some rules will help you reduce your taxable income or increase your refund, others are reverting to pre-pandemic levels. As you prepare your paperwork for the April 18, 2023 deadline, use this overview to be sure that you're aware of the latest updates. If you have questions about filing your taxes, contact your tax specialist.

**The standard deduction increased.** Here's the first piece of good news: the IRS raised the standard deduction this year in response to growing inflation. To determine whether this increase will affect your taxes, you first need to determine whether it would be beneficial for you to take the standard deduction or itemize deductions on your tax returns. If your itemized deduction total would be lower than the standard deduction (which you can take without itemizing), your best and easiest bet would be to take the standard deduction. For married couples filing jointly, the standard deduction was bumped up \$800 to \$25,900. For single filers and married individuals filing separately, it is now \$12,950 (up \$400 from last year). There is currently no limitation on itemized deductions; that was eliminated by the Tax Cuts and Jobs Act. This unlimited itemized deduction rule will expire in 2025 unless a new law is passed.

**There are no longer above-the-line charitable deductions.** Last year, you could take a charitable donation deduction of up to \$300 for single donors or up to \$600 for married couples beyond

the standard deduction. In 2022, if you take the standard deduction, that is no longer an option. If you itemize deductions, however (meaning your itemized deductions would be greater than the standard deduction), you can include charitable donations.

**The Child Tax Credit reverted to 2019 levels.** Temporary changes made to the Child Tax Credit last year as part of the American Rescue Plan have not been extended through 2022. This means the credit is \$2,000 per child (a \$1,000–\$1,600 drop from last year), the maximum age children can qualify for it is 16 (17-year-olds qualified last year), and the early monthly installments we saw last year aren't being offered. The credit is refundable up to \$1,400 but is no longer fully refundable. The **Earned Income Tax Credit** and the **Dependent Care Credit** also reverted to 2019 amounts.

**Eligibility for the Premium Tax Credit remains expanded.** One tax credit expansion from 2021 that remains in effect for 2022 is eligibility for the premium tax credit (PTC), which covers premiums for health insurance purchased through the Health Insurance Marketplace. The temporary change included in the American Rescue Plan Act of 2021 eliminated the rule that said if your household income is more than 400 percent above the poverty line, you could not qualify for a PTC. Without this restriction, many more people can potentially qualify.

**There will be no additional stimulus payments.** Although many Americans were thrilled to see additions to their tax refunds in 2020 and 2021, there will be no stimulus payments for 2022. So, be sure that you don't count on that extra income when you budget for 2023. 2021 was also the last year to claim the **Recovery Rebate Credit** for a missed or lesser stimulus payment.

**The threshold that triggers a Form 1099-K decreased.** The IRS has

always required reporting of all taxable income, but up until this year, Form 1099-K was required only if you had more than 200 goods and services transactions via a third-party payment network in a year and exceeded \$20,000 in transactions. This year, the threshold is much lower at only \$600, with no minimum number of transactions. This means more small businesses will receive this form from third-party payment networks than in the past. If it is required, you should receive it by January 31, 2023.

This is just a brief overview of some of the IRS changes for the 2022 tax year. A tax professional can help you determine which rules apply to your specific finances and how you can maximize the benefits available to you. Please feel free to reach out to our office for additional guidance.

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**Making Lemonade From Lemons:  
Long-Term Capital Loss Stock  
Creates Another Type of Tax-**

# Efficient Charitable Gifting Opportunity



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For those of us working in the area of wealth management, 2022 will long be remembered as the year the stock market rolled gains back – way back – to pre pandemic levels. 2021 ended on a high note...the indices at or near all-time highs, after a climb from a downtick in early 2020 as the pandemic set in and the economy shut down. As 2021 came to a close, charitable gifts of long-term capital gain stock were the norm, and plentiful.

Then the markets began a slide as January slipped into February and valuations, including bond values as interest rates were raised by the Fed, walloping investors who have long relied upon a balanced portfolio to weather the storms of market volatility. As 2022 comes to a close, investors are seeing some signs of market value recovery, but it's feeling a like it could be a very slow, volatile, long climb ahead.

Donors may feel that what would have been a great, tax-efficient opportunity to use long-term appreciated stock has gone by...and it may have, for a while. But let's not forget the other side of that charitable gifting sword: using long-term capital losses to fund charitable gifts.

How could that work? A sale of stock that has been held more than 1 year that has declined in value below its basis or purchase price can generate a loss, and the proceeds of the sale can be used for a charitable gift.

Let's say you purchased or inherited stock with a basis of \$5,000 and held it for more than a year. The current value is \$1,000. If you sell it, your loss is \$4,000, which can be used to offset gains now or in future years as a carry-forward. What gains? Many mutual funds declare gains, even in years when the stock market has had an overall decline, so many investors will actually have realized gains within their portfolios, even if they haven't sold anything. Losses can be used to offset gains.

You can use the \$1,000 proceeds to make a gift of stock to charity and if you itemize, you can take an itemized deduction for that \$1,000. That's a lot of tax savings, now and in future years.

Consult with your tax or financial advisor to learn more about this opportunity and how it could apply to your situation before Dec. 31, 2022.

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# Increased Contribution Limits to Retirement Plans for 2023



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In late October, the IRS announced new limits increasing the amount that taxpayers may contribute to their retirement plans each year beginning in 2023: the amount individuals will be able to contribute to their 401(k), 403(b), most 457 plans, and the federal government's Thrift Savings Plan in 2023 increased to \$22,500, up from \$20,500 for 2022.

The catch-up contribution limit for employees aged 50 and over who participate in 401(k), 403(b), most 457 plans, and the federal government's Thrift Savings Plan is increased to \$7,500, up from \$6,500. Therefore, participants in 401(k), 403(b), most 457 plans, and the federal government's Thrift Savings Plan who are 50 and older can contribute up to \$30,000, starting in 2023.

The amount individuals can contribute to their SIMPLE retirement accounts is increased to \$15,500 from \$14,000. The catch-up contribution limit for employees aged 50 and over who participate in SIMPLE plans is increased to \$3,500, up from \$3,000. This translates into a contribution limit for those aged

50 and older of \$19,000.

Similarly, the \$6,000 contribution limit for IRAs is increasing to \$6,500. The catch-up amount remains the same at \$1,000.

These increased amounts expand the ability of workers to put into their tax-deferred qualified plans and IRAs amounts that are able to grow and earn income tax-free, until withdrawn, when income tax is usually due, unless the account is a ROTH, in which case it is not taxed upon withdrawal.

The income ranges for determining eligibility to make deductible contributions to traditional Individual Retirement Arrangements (IRAs), Roth IRAs, and to claim the Saver's Credit all increased for 2023. FMI, visit <https://www.irs.gov/newsroom/401k-limit-increases-to-22500-for-2023-ira-limit-rises-to-6500> and consult with your financial and tax advisors to the impact of all of these provisions and changes on your unique financial plans.

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# 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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**2023 Will Bring Greater Potential for Estate and Gift Tax Savings**



By [Sarah Ruef-Lindquist, JD, CTFA](#)  
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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.

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## **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.

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