Income Tax Planning

SALES KIT

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Income Tax Planning

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Income Tax Planning

Social Media Posts & Sharable Graphics

Text for Posts

Post this text with any of the images linked on the following 2 pages.

Did you get a tax refund this year? Use it to do something amazing for your loved ones - protect them with life insurance!

Tax regulations are ever-changing, but we keep track so you don't have to. Contact me today to learn how taxes might impact your estate and ability to cover future healthcare costs in retirement.

Preserve your legacy and protect your loved ones with life insurance! Think of what a guaranteed death benefit could mean to their future. Contact me today for a free life insurance quote to get started.

Thinking ahead to retirement? By having the necessary planning conversations now and putting a strategy into place, you may be able to eliminate your entire tax bill. I can help!

Over the past 2 decades, life insurance products have come to include benefits payable during your life, as well as after you pass away. But do those living benefits come with tax implications? Contact me today to find out more.

Are you paying more in taxes than you need to? Your 1040 form can be a tool to help you meet your financial needs – and I can help. Contact me today.

By looking at your completed 1040 form, I can find ways to help you plan for retirement, a child's college expenses, and more. Want a free consulation? Contact me today!

Thinking of ways to spend your tax refund? Think about using it to create a lasting legacy for your family with life insurance. It's a way to tell them you love them from beyond the grave.

Had a rough tax year? You're not alone. If paying tax now feels painful, imagine paying it when you're retired and trying to live on a fixed income. I can help you make a plan so that you don't outlive your income - and keep your tax obligations as low as possible. Call me to find out how!

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Using Your Client's Tax Returns to

Help Grow Your Business

Brighthouse Financial Advanced Sales Center

A great source of planning opportunities are the first two pages of your client's 1040 tax return and its associated schedules and forms. Here are some potential planning opportunities you can uncover with just a quick review of your client's 1040 tax form from this year or last year.

Review the planning opportunities inside. Get familiar with "What to Look For" and "What to Say." Your knowledge of the 1040 form may help ignite an interest in working with you. The goal is not just to achieve a simple product sale. The goal is to show your client how much you know and how much you may be able to help them if they work more closely with you.

Planning Opportunity

College Savings

Form(s)	Line(s)	What to Look For	What to Say
1040	Page 1 Sections 1-4	Dependents	"Have you made any plans to fund your children's education?"

Planning Opportunity

IRAs

Form(s)	Line(s)	What to Look For	What to Say
1040	4a	IRAs, Pensions, and Annuities	"Are you happy with your current IRA provider? Would you like to see how you can help generate guaranteed lifetime income from your IRA assets?"[1]

Planning Opportunity

Life Insurance

Form(s)	Line(s)	What to Look For	What to Say
1040	Page 1	Spouse and/or Dependents	"Are you certain you have enough life insurance to cover what your dependents may need in case something happened to you? What could happen if you die before you've fully funded your children's education?"

[1] Guarantees apply to certain insurance and annuity products (not securities, variable, or investment advisory products), including optional benefits, and are subject to product terms, exclusions, limitations, and the insurer's claims-paying ability and financial strength.

Planning Opportunity

Deferred Annuities (Non-Qualified)

Form(s)	Line(s)	What to Look For	What to Say
1040	1	Wages, Salaries, Tips, etc. (above $100,000)	"If you are maxing out your 401(k) at work, let me show you some ways to make additional investments in a tax-efficient manner – without many of the restrictions of a qualified plan."
1040	2a, 2b	Interest Income	"Are you spending all of this interest income? If not, perhaps we can invest it in a way that may save you taxes and make you more money. What is the real purpose of the money that is causing all of this taxable income? If it's long-term growth, there may be smarter ways to invest it. If your goal is to reduce taxes, let me show you some ways to possibly reduce your taxes and give you more growth potential."
1040	3a, 3b	Dividend Income	"Are you spending all of this dividend income? If not, maybe we can invest it in a way that may save you taxes and grow your money faster."
Schedule 1	13	Capital Gain or (Loss)	"There may be an opportunity to reduce your capital gains taxes by shifting some of your assets into a tax-deferred product."
Schedule 1	32	IRA Deduction	"Let me show you how to potentially reduce the taxes on your Social Security income. Did you know that if we shift some of your unspent taxable income into a tax-deferred program, we may be able to reduce the taxes on your Social Security income?" (This can also lead to conversations about claiming strategies.)

Planning Opportunity

Bonds or Bond Funds

Form(s)	Line(s)	What to Look For	What to Say
1040	2a, 2b	Interest Income	"Perhaps I can show you how to increase the yield or credit quality of your bond portfolio."

Planning Opportunity

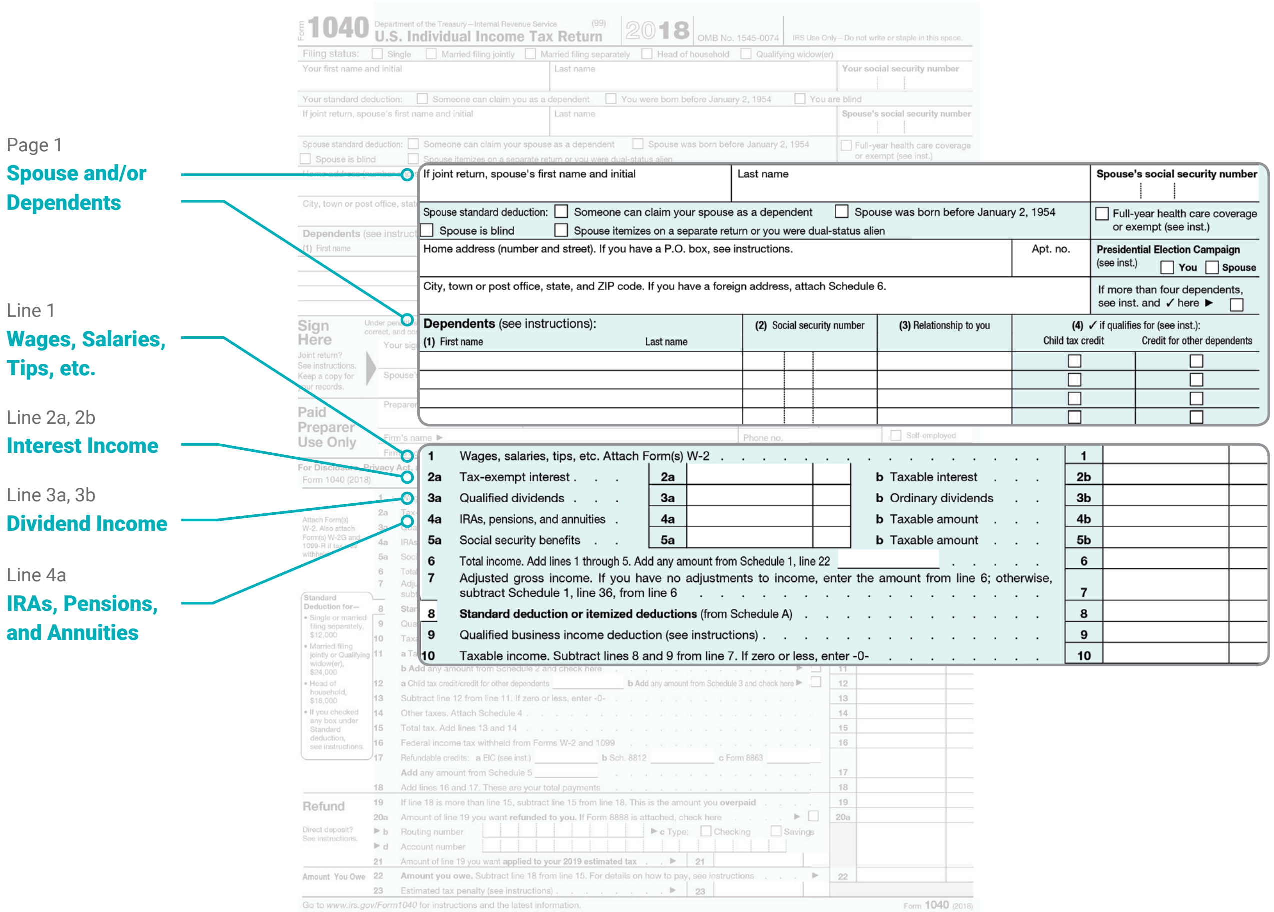
Stocks

Form(s)	Line(s)	What to Look For	What to Say
Schedule 1 Schedule D Schedule D	13 Part I Part II	Capital Gain or (Loss) Short-Term Gains & Losses Long-Term Gains & Losses	"When was the last time you rebalanced your portfolio? Is there one person who oversees your entire portfolio?"

Planning Opportunity

Qualified Plans, SEPs, and SIMPLE IRAs

Form(s)	Line(s)	What to Look For	What to Say
Schedule 1	27	Self-Employment Tax	"Do you have any qualified plans that you contribute to annually? If "no," then: "Would you like to learn more about how a qualified plan may reduce your current taxes and give you growth potential with long-term tax advantages? Can I show you how easy it is to set up a SEP or SIMPLE IRA qualified plan and the tax benefits of doing it today?"
Schedule C	Part II, Line 19	Pension and Profit-Sharing Plans	"Are you satisfied with the performance of your (Qualified, SIMPLE, SEP, etc.) plan? Would you like to consider other alternatives that may be more suitable to help meet the needs of your business?"
Schedule A	11	Gifts to Charity (Qualified Charitable Distributions)	"Are you making gifts to any charities? If you are older than age 70½, are you making those gifts directly from your IRAs or are you making those gifts with cash or checks?"



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Any discussion of taxes is for general informational purposes only, does not purport to be complete or cover every situation, and should not be construed as legal, tax, or accounting advice. Clients should confer with their qualified legal, tax, and accounting advisors as appropriate.

Withdrawals of taxable amounts are subject to ordinary income tax. Withdrawals made before age 59½ may also be subject to a 10% federal income tax penalty. Distributions of taxable amounts from a non-qualified annuity may also be subject to the 3.8% Unearned Income Medicare Contribution tax that is generally imposed on interest, dividends, and annuity income if the modified adjusted gross income exceeds the applicable threshold amount. Withdrawals will reduce the death benefit and account value. Withdrawals may be subject to withdrawal charges.

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PROFESSIONAL

ANNUITIES

Conversation Guide: The Tax Benefits of Annuities

How to explore a potential role for annuities in your clients' retirement tax strategies

People saving for retirement have many reasons to consider making annuities part of their plan. The promise of guaranteed income payments may be especially welcome, and when these guaranteed payments are secured for life, annuity owners can take comfort in knowing they will always have an income source to help cover essential expenses.

Beyond these core benefits, annuities can offer special tax advantages that could help people during both the pre-retirement accumulation phase as well as after retirement when income becomes a priority. To introduce clients to the tax benefits of annuities, financial professionals can pose the following three questions, each of which opens up a deeper discussion about why clients might consider annuities.

This conversation guide explores the tax advantages that annuities can offer during the pre-retirement accumulation phase as well as after retirement.

Conversation #1. Exploring additional tax-deferred saving options

Opening question:

"Could you use another tax-deferred vehicle for retirement?"

Discussion points: Tax-deferred investment accounts like 401(k)s and IRAs are powerful retirement savings tools, but there are limits to how much clients can contribute to them each year. In 2021, clients under age 50 can contribute up to $6,500 per year to an IRA or up to $19,500 to a 401(k). Clients 50 or older are also allowed $6,000 for IRAs, but they can contribute up to $25,500 for 401(k)s.[1]

Those limits essentially place a cap on the total amount of retirement savings that can benefit from tax-deferred growth – unless clients add another source to accumulate funds on a tax-deferred basis.

Non-qualified annuities, meaning those purchased with after-tax money, don't have contribution limits. This feature may make them a valuable additional source of retirement assets for clients who have maximized contributions to their employer-sponsored plan and employer matching program, and also after contributions to IRAs. Once made, annuity purchase payments can benefit from tax-deferred growth until the annuity holder begins making withdrawals.[2] Adding annuities alongside IRAs or 401(k)s could be attractive to clients who want to catch up on their retirement assets or create a potentially larger pool of money for future retirement income.

Conversation #2. Managing income taxes in retirement

Opening question:

"Are you concerned about managing your income tax once you start taking distributions from your retirement accounts and Social Security?"

Discussion points: Taxes are a critical consideration when developing a retirement income plan. Withdrawals from many of the most common retirement savings vehicles – including traditional IRAs and 401(k)s – are typically 100% taxable at regular income tax rates. What's more, even though Social Security benefits are tax-advantaged compared to 401(k) and IRA withdrawals, many people pay taxes on a portion of their Social Security benefits. Up to 50% of benefits may be taxable for joint filers with a combined income of $32,000 to $44,000, while up to 85% of benefits may be taxable for joint filers with a combined income of more than $44,000.[3]

Maintaining a diversified mix of retirement income sources with different tax treatments can help manage tax bills. For example, annuity income is taxed differently than retirement account withdrawals: For non-qualified annuities (meaning those purchased with after-tax dollars), only the portion of income that comes from earnings is subject to federal income tax, and in some cases, state income tax as well. The return of a client's original purchase payment, on the other hand, is not taxed.

Because of this tax treatment, a portion of annuity income may not be subject to taxes, versus withdrawals from pretax 401(k) and traditional IRA balances or other retirement accounts, which are typically fully taxable. So, blending some annuity income with income from these qualified retirement plans might help lower a client's overall tax bill.

Among other options, clients may choose to use a portion of their savings to purchase an annuity and annuitize the balance – to schedule regular payments for a set term or until the end of life. In the case of a non-qualified annuity, a portion of each payout is considered a tax-free return of the principal investment. In another common scenario, annuity distributions are taxable until the earnings are depleted. After that point, distributions are considered a tax-free return of principal.

The key is to maintain pools of assets in accounts with different tax treatments. That way, financial professionals and their clients can develop an income plan that balances withdrawals from these different sources to help manage their overall tax strategy.

Conversation #3. Preserving wealth for a long retirement

Opening question:

"Would you like more ways to preserve wealth after age 70?"

Discussion points: Traditional IRAs and both traditional and Roth 401(k)s require clients to start taking required minimum distributions (RMDs) at age 72. Not only do distributions from traditional IRAs and 401(k)s trigger income taxes, but failing to take RMDs from all these retirement plans results in a 50% penalty on the amount that was required but not taken. Roth 401(k) distributions are tax free, provided the distribution occurs:

- at least five years after the participant began making Roth deferrals to the plan, and
- after the participant reaches age 59½, or following the participant's death or disability

For retirees who have the bulk of their savings in qualified retirement accounts, RMDs make it more challenging to preserve wealth. Some annuities can provide a way to leave a portion of savings untouched after age 72. For example, a client might choose to purchase a deferred annuity at age 65 with a plan to take distributions at a future date that suits their retirement income needs – essentially putting pension-like income in place for later in retirement. Another option for clients with IRA assets is to use a portion of that money to purchase a deferred income annuity that's characterized as a Qualifying Longevity Annuity Contract (QLAC).[4] QLACs allow people to begin receiving income payments at an older age while avoiding payment of some RMDs until as late as age 85. Non-QLAC annuities held within qualified retirement plans are subject to the same RMD rules as other assets in qualified plans.

The ability to preserve wealth and secure a stream of income for later in retirement can make annuities one of the strongest forms of protections against the risk that clients will outlive their retirement savings. Annuities can also play a role in legacy planning, with some annuities providing a death benefit that can be passed to beneficiaries.

Include tax planning as part of a retirement income discussion

Discussing these questions can help financial professionals and clients incorporate tax planning into their overall retirement income strategy – and help explore potential roles for annuities in those plans. While the primary benefit of annuities remains their income features, annuities can also deliver important tax benefits. By offering another way to defer taxes when growing retirement assets, and then providing additional opportunities to defer taxes when it's time to turn those assets into income, annuities can help clients manage their tax bill in retirement and keep more money for themselves.

A comprehensive retirement income strategy that takes into account these important tax considerations can help clients decide what type of annuity may be right for them. And once that piece is in place, the benefits that an annuity provides can help them feel more confident about their ability to achieve the retirement lifestyle they've envisioned.

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[1] 2021 Annual Contribution Limits. FINRA, 2021.

[2] If the client is buying an annuity to fund a qualified retirement plan or IRA, they should do so for the annuity's features and benefits other than tax deferral. Tax deferral is generally a feature of a qualified retirement plan or IRA, so an annuity would not provide an additional tax deferral benefit. References throughout this material to tax advanta ges, such as tax deferral and tax-free transfers, are subject to this consideration. The product described in this material is not made available to employer-sponsored qualified retirement plans. For non-qualified annuities, tax deferral is not available to corporations and certain other entities.

[3] Benefits Planner: Income Taxes And Your Social Security Benefit. Social Security Administration, 2021.

[4] A QLAC does not make available any commutation benefit, cash surrender right, or other similar feature. Adhering to the purchase limit is the client's responsibility. Clients should consult with their own independent legal and tax professionals prior to establishing a QLAC. Brighthouse Financial cannot provide tax advice.

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2023 Quick tax reference

Federal Income Taxes

Taxable Income Over	Taxable Income Not over	Tax +	% on excess	of the amount over
Single Filers				
$0	$11,000	$0	10%	$0
$11,000	$44,725	$1,100	12%	$11,000
$44,725	$95,375	$5,147	22%	$44,725
$95,375	$182,100	$16,290	24%	$95,375
$182,100	$231,250	$37,104	32%	$182,100
$231,250	$578,125	$52,832	35%	$231,250
$578,125	∞	$174,238	37%	$578,125
Married Filing Jointly and Surviving Spouses				
$0	$22,000	$0	10%	$0
$22,000	$89,450	$2,200	12%	$22,000
$89,450	$190,750	$10,204	22%	$89,450
$190,750	$364,200	$32,580	24%	$190,750
$364,200	$462,500	$74,208	32%	$364,200
$462,500	$693,750	$105,664	35%	$462,500
$693,750	∞	$186,601.50	37%	$693,750
Married Filing Separately				
$0	$11,000	$0	10%	$0
$11,000	$44,725	$1,100	12%	$11,000
$44,725	$95,375	$5,147	22%	$44,725
$95,375	$182,100	$16,290	24%	$95,375
$182,100	$231,250	$37,104	32%	$182,100
$231,250	$346,875	$52,832	35%	$231,250
$346,875	∞	$93,300.75	37%	$346,875
Head of Household				
$0	$15,700	$0	10%	$0
$15,700	$59,850	$1,570	12%	$15,700
$59,850	$95,350	$6,868	22%	$59,850
$95,350	$182,100	$14,678	24%	$95,350
$182,100	$231,250	$35,498	32%	$182,100
$231,250	$578,100	$51,226	35%	$231,250
$578,100	∞	$172,623.50	37%	$578,100
Trusts & Estates				
$0	$2,900	$0	10%	$0
$2,900	$10,550	$290	24%	$2,900
$10,550	$14,450	$2,126	35%	$10,550
$14,450	∞	$2,491	37%	$14,450

Health Savings Accounts

	2022	2023
Contribution Limits		
Single/Family	$3,650/$7,300	$3,850/$7,750
Age 55+ Catch-up	$1,000	$1,000
High Deductible Health Plans		
Minimum HDHP Deductible Single/Family	$1,400/$2,800	$1,500/$3,000
Maximum out of Pocket Single/Family	$7,050/$14,100	$7,500/15,000

Sources: IRS Rev. Proc. 2021-25

Standard Deductions	2022	2023
Married Filing Jointly & Surviving Spouses	$25,900	$27,700
Head of Household	$19,400	$20,800
Single or Married Filing Separately	$12,950	$13,850
Additional Deduction for Blind or aged (over age 65)		
Single or Head or Household	$1,700	$1,750
Married Filing Jointly or Separately	$1,350	$1,400

Sources: IRS Rev. Proc. 2021-45

Traditional and Roth IRA

	2022	2023
IRA annual contribution limit		
Contribution limit	$6,000	$6,500
50+ Catch-up	$1,000	$1,000
Traditional IRA deductibility phase-out (based on MAGI)		
Participants in employer plans		
Married filing jointly or qualifying widow(er)	$109,000-$129,000	$116,000-$136,000
Married filing separately	$0-$10,000	$0-$10,000
Single or head of household	$68,000-$78,000	$73,000-$83,000
Nonparticipant married to a participant		
Married filing jointly	$204,000-$214,000	$218,000-$228,000
Married filing separately	$0-$10,000	$0-$10,000
Roth IRA phase-out (based on MAGI)		
Married filing jointly or qualifying widow(er)	$204,000-$214,000	$218,000-$228,000
Married filing separately and lived with your spouse	$0-$10,000	$0-$10,000
Single or Head of Household, or Married filing separately and lived apart from your spouse	$129,000-$144,000	$138,000-$153,000

Sources: IRS Notice 2021-61

Capital Gains/Qualified Dividends

Taxable Income Over	But Not over	Tax rate
Single Filers		
$0	$44,625	0%
$44,625	$492,300	15%
$492,300	∞	20%
Married Filing Jointly & Surviving Spouses		
$0	$89,250	0%
$89,250	$553,850	15%
$553,850	∞	20%
Married Filing Separately		
$0	$44,625	0%
$44,625	$276,900	15%
$276,900	∞	20%
Head of Household		
$0	$59,750	0%
$59,750	$523,050	15%
$523,050	∞	20%
Trusts & Estates		
$0	$3,000	0%
$3,000	$14,641	15%
$14,650	∞	20%

Sources: IRS Rev. Proc. 2021-45

Gift and Estate Tax

	2022	2023
Annual Gift exclusion	$16,000	$17,000
Unified credit amount	$12,060,000	$12,920,000
Gift to non-citizen spouse	$164,000	$175,000
Highest estate tax bracket	37%	40%

Sources: IRS Rev. Proc. 2021-45

Social Security

	2022	2023
Taxable wage base		
Social Security (OASDI)	$147,000	$160,200
Medicare (HI only)	No limit	No limit
Quarter of Coverage	$1,510	$1,510
Retirement earning test		
Under full retirement age	$19,560/yr. ($1,630/mo.)	$21,240/yr. ($1,770/mo.)
Note: One dollar in benefits will be withheld for every $2 in earnings above the limit		
Year reaching full retirement age	$51,960/yr. ($4,330/mo.)	$56,520/yr. ($4,710/mo.)
Note: Applies only to earnings for months prior to attaining full retirement age. One dollar in benefits will be withheld for every $3 in earnings above the limit.		
Taxability of benefits (Based on Provisional Income)		
	Individual	**Married filing jointly**
Not taxable	Less then $25,000	Less then $32,000
Up to 50%	$25,000-$34,000	$32,000-$44,000
Up to 85%	Greater than $34,000	Greater than $44,000
Married Filing Separately		
Up to 85% of benefits are taxable.		
Provisional Income = Adjusted Gross Income + Nontaxable Income + 1/2 Social Security Benefits		
Age to receive full benefits		
Year of birth	**Full retirement age**	**% reduced at age 62**
1943-1954	66	25.00%
1955	66 and 2 months	25.83%
1956	66 and 4 months	26.67%
1957	66 and 6 months	27.50%
1958	66 and 8 months	28.33%
1959	66 and 10 months	29.17%
1960 and later	67	30.00%
Delayed retirement credits		
Year of birth	**Yearly rate of increase**	
1943 or later	8.0%	
Accrues when you reach full retirement age until you start receiving benefits or reach age 70.		

Source: Social Security Administration website, SSA.gov.

SEP IRA and SIMPLE IRA contribution limits

	2022	2023
Maximum annual additions to a SEP IRA	$61,000	$66,000
Maximum compensation considered for a SEP IRA	$305,000	$330,000
SIMPLE IRA salary deferral amount	$14,000	$15,500
50+ Catch-up	$3,000	$3,500

Sources: IRS Notice 2022-55

Qualified Plans

	2022	2023
401(k), 403(b), 457(b) salary deferral[1]	$20,500	$22,500
50+ Catch-up	$6,500	$7,500
Simple Salary deferral	$14,000	$15,500
50+ Catch-up	$3,000	$3,500
Maximum annual additions in a defined contribution plan	$61,000	$66,000
Maximum Annual benefit in defined benefit plan	$245,000	$265,000
Maximum compensation considered	$305,000	$330,000
Highly compensated employee	$135,000	$150,000
Key employee - Officer	$200,000	$215,000

[1] Special catch-up rules applies to certain 403(b) contributors with 15 or more years of service and governmental 457(b) participants in the last 3 years before retirement. Source: IRS News Release IR-2015-118

Sources: IRS Notice 2022-55

Uniform Lifetime Table

Age	Divisor Balance	% Account
70	29.1	3.44
71	28.2	3.55
72	27.4	3.65
73	26.5	3.78
74	25.5	3.93
75	24.6	4.07
76	23.7	4.22
77	22.9	4.37
78	22	4.55
79	21.1	4.74
80	20.2	4.96
81	19.4	5.16
82	18.5	5.41
83	17.7	5.65
84	16.8	5.96
85	16	6.25
86	15.2	6.58
87	14.4	6.95
88	13.7	7.3
89	12.9	7.76
90	12.2	8.2
91	11.5	8.7
92	10.8	9.26
93	10.1	9.91
94	9.5	10.53
95	8.9	11.24
96	8.4	11.91
97	7.8	12.83
98	7.3	13.7
99	6.8	14.71
100	6.4	15.63
101	6	16.67

Sources: IRS Pub. 590-B

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TAX GUIDE

2022 and 2023

QUICK LINKS:

2022 INCOME AND PAYROLL TAX RATES

SINGLE TAXPAYER RATES

Taxable Income: Over	But not over	Tax Before Credits: Flat amount	+%	Of excess over
$ 0	$ 10,275	$ 0	10%	$ 0
10,275	41,775	1,027.50	12%	10,275
41,775	89,075	4,807.50	22%	41,775
89,075	170,050	15,213.50	24%	89,075
170,050	215,950	34,647.50	32%	170,050
215,950	539,900	49,335.50	35%	215,950
539,900	----------	162,718.00	37%	539,900

MARRIED FILING JOINTLY RATES

Taxable Income: Over	But not over	Tax Before Credits: Flat amount	+%	Of excess over
$ 0	$ 20,550	$ 0	10%	$ 0
20,550	83,550	2,055.00	12%	20,550
83,550	178,150	9,615.00	22%	83,550
178,150	340,100	30,427.00	24%	178,150
340,100	431,900	69,295.00	32%	340,100
431,900	647,850	98,671.00	35%	431,900
647,850	----------	174,253.50	37%	647,850

HEAD OF HOUSEHOLD RATES

Taxable Income: Over	But not over	Tax Before Credits: Flat amount	+%	Of excess over
$ 0	$ 14,650	$ 0	10%	$ 0
14,650	55,900	1,465.00	12%	14,650
55,900	89,050	6,415.00	22%	55,900
89,050	170,050	13,708.00	24%	89,050
170,050	215,950	33,148.00	32%	170,050
215,950	539,900	47,836.00	35%	215,950
539,900	----------	161,218.50	37%	539,900

MARRIED FILING SEPARATELY RATES

Taxable Income: Over	But not over	Tax Before Credits: Flat amount	+%	Of excess over
$ 0	$ 10,275	$ 0	10%	$ 0
10,275	41,775	1,027.50	12%	10,275
41,775	89,075	4,807.50	22%	41,775
89,075	170,050	15,213.50	24%	89,075
170,050	215,950	34,647.50	32%	170,050
215,950	323,925	49,335.50	35%	215,950
323,925	----------	87,126.75	37%	323,925

TRUSTS AND ESTATES RATES

Taxable Income: Over	But not over	Tax Before Credits: Flat amount	+%	Of excess over
$ 0	$ 2,750	$ 0	10%	$ 0
2,750	9,850	275	24%	2,750
9,850	13,450	1,979	35%	9,850
13,450	----------	3,239	37%	13,450

SOCIAL SECURITY PAYROLL TAX

	Minimum Taxable Wage Base	Tax Rate	Maximum Tax
Employee	$147,000	6.2%	$9,114
Self-Employed	$147,000	12.4%	$18,228

MEDICARE PART A PAYROLL TAX

	Taxable Wage Base	Tax Rate	Maximum Tax
Employee	Initial $250,000 (joint filers)	1.45%	$3,625.00
	Initial $125,000 (married filing separately)	1.45%	$1,812.50
	Initial $200,000 (all others)	1.45%	$2,900.00
	Wages over $250,000 (joint filers)	2.35%	(no maximum)
	Wages over $125,000 (married filing separately)	2.35%	(no maximum)
	Wages over $200,000 (all others)	2.35%	(no maximum)
Employer	All wages	1.45%	
Self-Employed	Initial $250,000 (joint filers)	2.9%	$7,250.00
	Initial $125,000 (married filing separately)	2.9%	$3,625.00
	Initial $200,000 (all others)	2.9%	$5,800.00
	Wages over $250,000 (joint filers)	3.8%	(no maximum)
	Wages over $125,000 (married filing separately)	3.8%	(no maximum)
	Wages over $200,000 (all others)	3.8%	(no maximum)

2023 INCOME AND PAYROLL TAX RATES

SINGLE TAXPAYER RATES

Taxable Income		Tax Before Credits		
Over	But not over	Flat amount	+%	Of excess over
$ 0	$ 11,000	$ 0	10%	$ 0
11,000	44,725	1,100.00	12%	11,000
44,725	95,375	5,147.00	22%	44,725
95,375	182,100	16,290.00	24%	95,375
182,100	231,250	37,104.00	32%	182,100
231,250	578,125	52,832.00	35%	231,250
578,125	----------	174,238.25	37%	578,125

MARRIED FILING JOINTLY RATES

Taxable Income		Tax Before Credits		
Over	But not over	Flat amount	+%	Of excess over
$ 0	$ 22,000	$ 0	10%	$ 0
22,000	89,450	2,200.00	12%	22,000
89,450	190,750	10,294.00	22%	89,450
190,750	364,200	32,580.00	24%	190,750
364,200	462,500	74,208.00	32%	364,200
462,500	693,750	105,664.00	35%	462,500
693,750	----------	186,601.50	37%	693,750

HEAD OF HOUSEHOLD RATES

Taxable Income		Tax Before Credits		
Over	But not over	Flat amount	+%	Of excess over
$ 0	$ 15,700	$ 0	10%	$ 0
15,700	59,850	1,570.00	12%	15,700
59,850	95,350	6,868.00	22%	59,850
95,350	182,100	14,678.00	24%	95,350
182,100	231,250	35,498.00	32%	182,100
231,250	578,100	51,226.00	35%	231,250
578,100	----------	172,623.50	37%	578,100

MARRIED FILING SEPARATELY RATES

Taxable Income		Tax Before Credits		
Over	But not over	Flat amount	+%	Of excess over
$ 0	$ 11,000	$ 0	10%	$ 0
11,000	44,725	1,100.00	12%	11,000
44,725	95,375	5,147.00	22%	44,725
95,375	182,100	16,290.00	24%	95,375
182,100	231,250	37,104.00	32%	182,100
231,250	346,875	52,832.00	35%	231,250
346,875	----------	93,300.75	37%	346,875

TRUSTS AND ESTATES RATES

Taxable Income		Tax Before Credits		
Over	But not over	Flat amount	+%	Of excess over
$ 0	$ 2,900	$ 0	10%	$ 0
2,900	10,550	290	24%	2,900
10,550	14,450	2,126	35%	10,550
14,450	----------	3,491	37%	14,450

SOCIAL SECURITY PAYROLL TAX

	Minimum Taxable Wage Base	Tax Rate	Maximum Tax
Employee	$160,200	6.2%	$9,932.40
Self-Employed	$160,200	12.4%	$19,864.80

MEDICARE PART A PAYROLL TAX

	Taxable Wage Base	Tax Rate	Maximum Tax
Employee	Initial $250,000 (joint filers)	1.45%	$3,625.00
	Initial $125,000 (married filing separately)	1.45%	$1,812.50
	Initial $200,000 (all others)	1.45%	$2,900.00
	Wages over $250,000 (joint filers)	2.35%	(no maximum)
	Wages over $125,000 (married filing separately)	2.35%	(no maximum)
	Wages over $200,000 (all others)	2.35%	(no maximum)
Employer	All wages	1.45%	
Self-Employed	Initial $250,000 (joint filers)	2.9%	$7,250.00
	Initial $125,000 (married filing separately)	2.9%	$3,625.00
	Initial $200,000 (all others)	2.9%	$5,800.00
	Wages over $250,000 (joint filers)	3.8%	(no maximum)
	Wages over $125,000 (married filing separately)	3.8%	(no maximum)
	Wages over $200,000 (all others)	3.8%	(no maximum)

CORPORATE TAX RATE

Taxable income is taxed at a flat rate of 21%.

ALTERNATIVE MINIMUM TAX

Taxpayers are subject to an "alternative minimum tax" (AMT) instead of the regular income tax when they have substantial "preference income." This is income that is treated favorably under the regular income tax. Basically, the taxpayer must pay whichever tax is higher—the regular tax or the AMT.

Filing Status	2022 Exemption	2023 Exemption
Single or head of household	$75,900	$81,300
Married filing jointly	$118,100	$126,500
Married filing separately	$59,050	$63,250

The exemption amounts are phased out for higher-income taxpayers. The income thresholds are:

2022	Married filing jointly - $1,079,800	All other taxpayers - $539,900
2023	Married filing jointly - $1,156,300	All other taxpayers - $578,150

AMT Income in Excess of Exemption 2022 / 2023	AMT Rate
First $206,100 / $220,700	26%
Above $206,100 / $220,700	28%

($103,050 / $110,350 for married persons filing separately)

KIDDIE TAX ON UNEARNED INCOME

	2022	2023	Income Tax Bracket
First	$1,150	$1,250	No Tax
Next	$1,150	$1,250	Child's Bracket
Amounts Over	$2,300	$2,500	Parent's Bracket

The "kiddie tax" applies to: a) a child under age 18; b) a child age 18 whose earned income does not exceed one-half of his or her support; or c) a child age 19-23 whose earned income does not exceed one-half of his or her support, and who is a full-time student. Furthermore, the child does not file a joint income tax return and has at least one living parent at the end of the tax year.

INCOME TAXATION OF SOCIAL SECURITY BENEFITS

Retired taxpayers with incomes over certain threshold amounts are subject to income tax on their Social Security retirement benefits. The special tax base for determining whether a taxpayer's benefits are subject to tax equals one-half of Social Security benefits plus all other income (including tax-exempt income).

Filing Status	Tax Base	% of Benefits Taxed
Single or head of household	$25,000 - $34,000	50%
	Over $34,000	85%
Married filing jointly	$32,000 - $44,000	50%
	Over $44,000	85%
Married filing separately	Depends on whether the spouses live together during the tax year	

For example, a married couple filing jointly has an adjusted gross income of $30,000, tax-exempt interest of $3,000, and receives $24,000 in Social Security benefits. The special tax base for the couple equals $45,000, and $6,850 of the Social Security benefits are taxable (.50 x $12,000 = $6,000; .85 x $1,000 = $850; total $6,850).

STANDARD DEDUCTION

Amount - The standard deduction is a flat amount that a taxpayer may deduct in lieu of itemizing deductions. The standard deduction amount for each taxpayer category is:

Taxpayer Status	2022	2023
Single	$12,950	$13,850
Married filing jointly	$25,900	$27,700
Head of household	$19,400	$20,800
Married filing separately	$12,950	$13,850

Age 65 or Blind - Taxpayers who are age 65 or over, or who are blind, may take an additional standard deduction (provided they do not itemize). For 2022, the additional standard deduction amount is $1,400 if married or $1,750 if the person is unmarried and not a surviving spouse. For 2023, the additional standard deduction amount is $1,500 if married or $1,850 if the person is unmarried and not a surviving spouse.

ITEMIZED DEDUCTIONS

Interest Expense - Most personal interest paid is not deductible, with certain important exceptions:

Deductible

1. Mortgage interest on one or two residences up to $750,000 of indebtedness (applies only to new mortgages taken out after December 15, 2017; older mortgages remain tied to the $1,000,000 cap)
2. Points on home mortgages
3. Business interest
4. Investment interest up to net investment income

Not Deductible

1. Auto loan interest
2. Credit card interest
3. Home equity loan interest
4. Most other consumer loan interest
5. Prepaid interest other than points on home mortgages

State and Local Taxes - Itemizers may deduct either state and local income taxes, or state and local sales taxes. Also, itemizers may deduct state and local real property taxes and personal property taxes. The combined deduction for state property and income taxes is capped at $10,000. Taxpayers may not deduct state and local taxes in calculating the AMT unless they are deductible in computing adjusted gross income ("above-the-line" deductions, not itemized).

Medical and Dental Expenses - Expenses paid for nearly all medical, dental and vision care during the year, and not reimbursed by insurance or other means, are deductible by itemizers to the extent that the total of such expenses exceeds 7.5% of AGI.

Losses - Individuals can deduct two basic types of losses: 1) business losses incurred in the taxpayer's unincorporated business, or 2) investment losses if the investment was originally motivated by profit. Casualty and theft losses are not deductible except for declared national disasters.

DEDUCTION FOR QUALIFIED BUSINESS INCOME

Owners of pass-through entities are taxed on business income at their individual income tax rates, but may claim a 20% deduction of their share of the business income—even if they elect to use the standard deduction instead of itemizing.

A number of "specified service trades or businesses" do not qualify for the deduction, subject to the following thresholds on qualified business income:

	2022	2023
Married filing jointly	$340,100	$364,200
Married filing separately	$170,050	$182,100
Single/Head of Household	$170,050	$182,100

These business owners face a deduction limitation phase-in equal to $100,000 for married filing jointly and $50,000 for all other filers.

CAPITAL GAINS AND DIVIDENDS

2022 Maximum Tax Rate on Long-Term Capital Gains and Most Corporate Dividends

Tax Rate	Single	Married (Joint)	Married (Separate)	Head of Household	Estate or Trust
0%	$0 - $41,675	$0 - $83,350	$0 - $41,675	$0 - $55,800	$0 - $2,800
15%	$41,676 - $459,750	$83,351 - $517,200	$41,676 - $258,600	$55,801 - $488,500	$2,801 - $13,700
20%	over $459,750	over $517,200	over $258,600	over $488,500	over $13,700

2023 Maximum Tax Rate on Long-Term Capital Gains and Most Corporate Dividends

Tax Rate	Single	Married (Joint)	Married (Separate)	Head of Household	Estate or Trust
0%	$0 - $44,625	$0 - $89,250	$0 - $44,625	$0 - $59,750	$0 - $3,000
15%	$44,626 - $492,300	$89,251 - $553,850	$44,626 - $276,900	$59,751 - $523,050	$3,001 - $14,650
20%	over $492,300	over $553,850	over $276,900	over $523,050	over $14,650

Holding Period - The long-term rate generally applies to gains on the sale of capital assets held for more than one year.

Short-Term Capital Gains - Net short-term capital gains (on sales of capital assets held for one year or less) are taxed at ordinary income rates.

Collectibles - Long-term capital gain from the sale of collectibles is taxed at a top rate of 28%.

Capital Losses - After capital gains and losses are netted against one another, any remaining net capital loss may be used to offset ordinary income up to $3,000 per year. Any excess net capital loss may be carried over and used in future years.

Sale of a Principal Residence - A seller of any age who has owned and used real property as a principal residence for at least two of the last five years can exclude from gross income up to $250,000 ($500,000 if married filing jointly) of gain realized on a sale.

Additional Tax on High-Income Taxpayers - Individuals with more than $200,000 in income ($250,000 for a married couple filing jointly), who also have investment income, will pay an additional tax of 3.8% on net investment income or the excess of modified adjusted gross income over the threshold amount (whichever amount is less). Investment income is defined as the sum of gross income from items such as interest, dividends, annuities, royalties, and rents, as well as net gain attributable to the disposition of property (i.e., capital gains).

LONG-TERM CARE INSURANCE PREMIUMS - Deductibility Limits

Age	2022	Age	2023
40 and under	$450	40 and under	$480
41-50	$850	41-50	$890
51-60	$1,690	51-60	$1,790
61 - 70	$4,510	61 - 70	$4,770
71 and over	$5,640	71 and over	$5,960

Benefits received under a qualified long-term care insurance policy generally are excludable from gross income as amounts received for personal injuries and sickness, subject to a per diem limit. The per diem limit was $390 for 2022 and $420 for 2023.

DEDUCTIONS FOR CONTRIBUTIONS TO PUBLIC CHARITIES

Type of Property Contributed	Deemed Amount of Contribution	Percentage Limitation[1] 2022 and 2023
Cash	Actual dollar amount	60%
Appreciated ordinary income property[2] or appreciated short-term capital gain property[3]	Donor's tax basis	50%
Appreciated long-term capital gain property[4]		
(a) General rule	Fair market value	30%
(b) Election made to reduce amount of contribution	Donor's tax basis	50%
(b) Tangible personal property put to unrelated use by donee charity	Donor's tax basis	50%

1 The applicable "percentage limitation'' applies to the donor's contribution base, which is the donor's adjusted gross income (AGI) determined without regard to any net operating loss carryback. The limitation is applied on an annual basis. Any deductible contributions that exceed the current year's limitations may be carried over and deducted in the five succeeding tax years, subject to the percentage limitations in those years.

2 "Ordinary income property" is property that would produce ordinary income if sold by the individual.

3 "Short-term capital gain property" is property that would produce short-term capital gain if sold by the individual.

4 "Long-term capital gain property" is property that would produce long-term capital gain if sold by the individual.

INDIVIDUAL RETIREMENT ACCOUNTS

Traditional IRA

Contribution Limit - $6,000 ($7,000 for taxpayers age 50+) in 2022 and $6,500 ($7,500 for taxpayers age 50+) in 2023. Note: For tax years beginning in 2020, the age 70½ limit on making traditional IRA contributions is eliminated.

Deduction Limit on Qualified Retirement Plan Participants -

- Taxpayers who do not participate in qualified retirement plans can deduct contributions to an IRA.
- Taxpayers who do participate in qualified retirement plans are subject to a reduced deduction based on modified adjusted gross income (MAGI).
- In 2022, the MAGI phase-out of the deduction for single taxpayers begins at $68,000 and the deduction is lost at $78,000. The MAGI phase-out of the deduction for married taxpayers filing jointly begins at $109,000 and the deduction is lost at $129,000.
- In 2023, the MAGI phase-out of the deduction for single taxpayers begins at $73,000 and the deduction is lost at $83,000. The MAGI phase-out of the deduction for married taxpayers filing jointly begins at $116,000 and the deduction is lost at $136,000.

INDIVIDUAL RETIREMENT ACCOUNTS (continued)

Roth IRA

Contribution Limit - $6,000 ($7,000 for taxpayers age 50+) in 2022 and $6,500 ($7,500 for taxpayers age 50+) in 2023.

Contribution Limit Based on Modified Adjusted Gross Income - The amount taxpayers can contribute to a Roth IRA is subject to a MAGI phase-out.

- In 2022, the MAGI phase-out on Roth IRA contributions by single taxpayers begins at $129,000 and no contribution is permitted if MAGI is $144,000 or more. The MAGI phase-out on Roth IRA contributions for married taxpayers filing jointly begins at $204,000 and no contribution is permitted if MAGI is $214,000 or more.
- In 2023, the MAGI phase-out on Roth IRA contributions by single taxpayers begins at $138,000 and no contribution is permitted if MAGI is $153,000 or more. The MAGI phaseout on Roth IRA contributions for married taxpayers filing jointly begins at $218,000 and no contribution is permitted if MAGI is $228,000 or more.

Deduction Limit - There is no deduction for a contribution to a Roth IRA.

DOLLAR LIMITS FOR QUALIFIED RETIREMENT PLANS

	2022	2023
Defined Contribution Plans - Annual additions limit for defined contribution plans [IRC Sec. 415(c)]	$61,000	$66,000
Defined Benefit Plans - Annual benefit limit for defined benefit plans [IRC Sec. 415(b)]	$245,000	$265,000
401(k) - Annual limit on deferrals [IRC Sec. 402(g)]	$20,500	$22,500
Plus: age 50+ catch-up	$6,500	$7,500
403(b) - Annual limit on deferrals [IRC Sec. 402(g)]	$20,500	$22,500
Plus: age 50+ catch-up	$6,500	$7,500
Salary Reduction SEPs (SARSEPs) - Annual limit on elective deferral [IRC Sec. 402(g)]	$20,500	$22,500
Plus: age 50+ catch-up	$6,500	$7,500
Annual Limit on Elective Deferrals to 457 Plans [IRC Sec. 457(b)(2)(c)(1)]	$20,500	$22,500
Plus: age 50+ catch-up	$6,500	$7,500
Maximum Annual Compensation - Amount of employee compensation that may be taken into account by plan formula (QRPs, 403(b), SEPs) [IRC Sec. 401(a)(17)]	$305,000	$330,000

DOLLAR LIMITS FOR QUALIFIED RETIREMENT PLANS (continued)

	2022	2023
Nondiscrimination Rules - For “highly compensated employees” [IRC Sec. 414(q)(1)]	$135,000	$150,000
Annual Compensation Subject to SEP Discrimination Rules [IRC Sec. 408(k)(3)(c)]	$305,000	$330,000
Compensation Threshold for SEP Participation [IRC Sec. 408(k)(2)(c)]	$650	$750
Annual Limit on Elective Deferrals to SIMPLE Plans [IRC Sec. 408(p)]	$14,000	$15,500
Plus: age 50+ catch-up	$3,000	$3,500

REQUIRED MINIMUM DISTRIBUTIONS (RMDs)

Starting in 2023, the required beginning date for RMDs is age 73 (up from age 72). This change to the RMD rules did not affect the rules for making Qualified Charitable Distributions—donors may still make QCDs directly from an IRA to charity starting at age 70½. This includes a new QCD option beginning in 2023—a one-time QCD up to $50,000 to fund a new charitable remainder trust or charitable gift annuity.

An individual who inherits retirement account assets must distribute those assets within 10 years of the account owner’s death, with no RMDs required during those 10 years. However, the following “Eligible Designated Beneficiaries” are excluded from this change and remain subject to the previous rules, which allow them to “stretch” payments over their life expectancy:

- Surviving spouses
- Minor children (until they reach the age of majority)
- Disabled or chronically ill individuals
- Individuals less than 10 years younger than the decedent

ESTATE & GIFT TAXES

2022 and 2023 Gift and Estate Tax Rates:

Over	But not over	Flat Amount	+%	Of excess over
$0	$10,000	$0	18%	$0
$10,000	$20,000	$1,800	20%	$10,000
$20,000	$40,000	$3,800	22%	$20,000
$40,000	$60,000	$8,200	24%	$40,000
$60,000	$80,000	$13,000	26%	$60,000
$80,000	$100,000	$18,200	28%	$80,000
$100,000	$150,000	$23,800	30%	$100,000
$150,000	$250,000	$38,800	32%	$150,000
$250,000	$500,000	$70,800	34%	$250,000
$500,000	$750,000	$155,800	37%	$500,000
$750,000	$1,000,000	$248,300	39%	$750,000
$1,000,000	————	$345,800	40%	$1,000,000

Estate Tax	2022	2023
Top Estate Tax Rate	40%	40%
Estate Tax Applicable Exclusion Rate	$12,060,000	$12,920,000

Portability: The estate executor can elect to allocate the unused portion of a decedent's estate tax applicable exclusion amount to the surviving spouse.

Gift Tax	2022	2023
Top Gift Tax Rate	40%	40%
Annual Gift Tax Exclusion	$16,000 per donee	$17,000 per donee
Annual Gift Tax Exclusion for a Noncitizen Spouse	$164,000	$175,000
Lifetime Gift Tax Applicable Exclusion Amount	$12,060,000	$12,920,000

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2022 and 2023

2023 Retirement Plan Contribution Limits

The Internal Revenue Service has issued the new benefit and contribution limits for qualified retirement plans for plan years beginning in 2023. Below are some of the key limitation amounts for the upcoming year.

LIMITATION	2022	2023
Maximum elective deferral contribution	$20,500	$22,500
Maximum annual addition under a defined contribution plan	$61,000	$66,000
Maximum catch up contribution	$6,500	$7,500
Maximum annual benefit from a defined benefit pension plan	$245,000	$265,000
Maximum considered compensation	$305,000	$330,000
Compensation for determining highly compensated employee	$135,000	$150,000
Taxable wage base	$147,000	$160,200

If you have any questions about the new contribution and benefit limits for 2023 please contact us at 1-888-909-6504 or e-mail pensionproposals@americannational.com.

Qualified plans have minimum distribution rules that govern the timing and amount of distributions. You should refer to your retirement plan, adoption agreement, or consult a tax advisor for more information about these distribution rules. Neither American National Insurance Company nor its affiliates give tax advice.

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The Do's and Don'ts of Partnering With CPAs

Ed Slott, Jeffrey Levine and other CPAs and advisors give advice for making this critical relationship work.

By Jeff Berman | February 22, 2021

CPAs could use some help from advisors, too, Ed Slott says.

It has always made sense for financial advisors to partner with certified public accountants to help clients.

But with the COVID-19 pandemic, the tax implications of relief packages and potential tax changes with the new presidential administration, it makes more sense than ever for advisors and CPAs to team up, according to experts in both fields interviewed by ThinkAdvisor.

They also provided some critical do's and don'ts for advisors working with CPAs.

Why CPAs and FAs Should Be Partners

"The pandemic has led to unique planning opportunities that have both tax and financial planning applications," according to Jeffrey Levine, chief planning officer at Buckingham Wealth Partners and a CPA. One example is the waiver of required minimum distributions in 2020 and the ability for individuals to roll back distributions previously taken to satisfy that requirement, he noted.

"Everyone is overwhelmed and stressed," Levine said. "And those two things make it more likely for mistakes to occur. Working together, as a team, collectively for a client's benefit, makes it less likely that such mistakes will occur."

(https://www.thinkadvisor.com/2020/12/28/10-tax-changes-in-new-covid-relief-package/)

10 Tax Changes in New COVID Relief Package (https://www.thinkadvisor.com/2020/12/28/10-tax-changes-in-new-covid-relief-package/)

● IRS Updates (/financial-planning/tax-planning/irs-updates)

While advisors should strive to become educated on tax issues, they don't always know as much about tax law as a good accountant. Conversely, "CPAs tend to be history teachers: We tell you what already happened on a tax return," Ed Slott, CEO and founder of Ed Slott and Co. and a CPA, pointed out.

"Right now, I would bring in attorneys, too," to talk about estate planning with advisory clients, Slott said, noting the increased demand for estate planning due to the pandemic.

Recent legislation "added new opportunities that will only be available for a few years," noted David Stolz, chair of the American Institute of CPAs' Personal Financial Specialist Credential Committee.

For example, it is now possible to make a deductible charitable contribution for up to 100% of adjusted gross income, Stolz said. "Maybe the advisor would like to suggest a large Roth conversion, and the CPA could suggest a large charitable contribution from other funds to offset some of all of the income from the conversion," he noted. "You need to communicate to take advantage of opportunities like this."

Other Good Reasons to Team Up

"If advisors are looking to grow their practice and move up market and work with higher-net-worth and more complex clients, in our opinion, there's no better way to do that than with partnering with a CPA because the CPA has access to those clients," according to Andree Peterson, chief implementation officer at the financial planning firm Integrated Partners.

Meanwhile, "from a CPA perspective, especially with what happened last year, everybody's looking for advice and CPAs are starting to recognize that they need to offer more advice and services within their practice," she noted.

Another key reason for an CPA-FA partnership, according to Stolz: “The last thing an advisor wants is for their client’s CPA to tell them that your investments have caused a big tax bill. And the last thing a CPA wants” is to say “why didn’t you call me before you made this decision?”

Here are some best practices for advisors looking to partner with CPAs:

The Do’s

1. “Have — at a minimum — a working knowledge of the tax rules,” Levine said.

2. “Look for somebody [you] can connect with because you’re building a relationship with the CPA and it’s just like building a relationship with your client,” according to Peterson.

3. Make sure to “work with a CPA that is a good communicator, and also can discuss investment topics with a good level of understanding,” Stolz said.

4. “Start with the client’s tax returns,” Slott said. “Any good financial advisor is probably looking at their client’s tax return and on every tax return it has the name of the accountant.” You should contact that accountant and request a meeting to discuss the client and ask: “What can we do better?”

5. Say the “magic words” when you call your client’s CPA: ‘We have a mutual client.’”

6. Consider inviting a CPA to speak at a conference or seminar on a topic in which they are an expert. “CPAs love education. They love going to” continuing education seminars, where they can get free CE credits, Slott said. A lot of these are conducted online now, so you can invite CPAs from across the U.S., he noted, suggesting you hold such events regularly.

7. CPAs like it if an advisor shares resources and new info they learn that may be of interest to them. “They’ll remember you sent it to them,” Slott said.

8. Consider visiting CPAs’ offices around tax season and provide bags of goodies including food because it’s often hard for accountants to get away for lunch as the tax deadline approaches, Slott noted.

9. During tax season, CPAs often need info from advisors on certain investments in a limited amount of time. As an advisor, “the faster you can respond when they need you” the better, and CPAs will remember that, Slott said, noting: “Clients are always missing something and it’s usually some investment-related item that the financial advisor has access to.”

10. “Focus on providing the CPA value, not on getting referrals,” Levine noted. “If you do the former, the latter will happen naturally.”

11. Ask CPAs “how they would prefer to work with advisors, and if they haven’t/don’t ask why such partnerships haven’t materialized/worked out in the past,” Levine added.

The Don’ts

1. During tax season, if a CPA calls you and says he or she needs investment info for a mutual client, don’t wait a week or more to call back. By then, the CPA “could have done a hundred more returns [and may not] even remember what the question was,” Slott said.

2. Don’t invite a CPA to speak at a seminar who is “really a salesman in disguise,” Slott said.

3. Don't do anything not mutually beneficial to you, the CPA and the client. "If it's not good for everybody, it's not good for anybody," Slott said. "It has to be good for the accountant, for the advisor and most importantly the client."

4. Avoid CPAs who are tough to work with. Don't continue working with an accountant is if he or she "shoots down every good planning idea … As an advisor, you only want to work with accountants that are open to new planning ideas," Slott said.

5. Don't reach out to CPAs for the first time during tax season. "It's just annoying" to try to make an appointment in March, Slott said. But Levine added: "For a lot of tax pros — especially those who cater to high-net-worth and/or high income clients who are more likely to have K-1s — the periods of time leading up to the September 15 and October 15 extended filing deadlines can be just as busy. Other busier times can include the weeks leading up to quarterly estimates and around year-end."

6. Don't tell a client their CPA is wrong or otherwise disparage the CPA, Levine said. "Differences of opinion … are possible, but bad-mouthing the CPA to your client — and having it get back to the CPA — is a quick way to get on their persona non grata list."

7. Don't expect an "instant flood of referrals," Levine said.

8. Don't think that getting a CPA to partner with you will be an easy or quick process. "It takes time, but the rewards are well worth the effort," Levine said. "Keep the door open long enough, and eventually you get the chance to walk through."

IMPORTANT WAYS TO PLAN FOR YOUR TAX BILL

5 key tax-planning strategies

Taxes may immediately cause a sense of dread in some people. That dread is justified, as many fear the complexity of the tax code, paying too much in taxes, or simply the pain of paying prior and future tax bills. Taxes can also be, in a word, confusing and are always subject to change.

This may also be because the United States tax code can seem overcomplicated or worrisome if you don't completely understand it and its intricacies. Much like mechanics for cars, we hire tax professionals to help us with the upkeep of our tax obligations. Sometimes, the difficulty lies in not knowing where to start. Tax professionals have several key tax strategies that remain at the forefront of investors' minds. **Let's look at these five:**

1. Asset location
2. Maximizing qualified contributions
3. Qualified charitable distributions (QCDs)
4. Tax-free exchanges
5. Tax planning within trusts

We know that taxes are not always pleasant, and we often have to pay them regardless, but there may be strategies to help reduce your overall tax bill. So, let's look at these strategies one by one.

What is a variable annuity?
Variable annuities are long-term, tax-deferred investments designed for retirement, involve investment risks, and may lose value. Standard earnings are taxable as ordinary income. Individuals may be subject to a 10% additional tax if withdrawn before age 59½ unless an exception to the tax is met.

Add-on living benefits are available for an extra charge in addition to the ongoing fees and expenses of the variable annuity.

The IRS issued a private letter ruling ("PLR") holding that a non-grantor trust cannot use the IRC 72(q) exceptions for (1) reaching age 59½, (2) disability, or (3) substantially equal periodic payments. The ruling recognized a non-grantor trust may use the IRC 72(q) exception for death. (See PLR 202031008).

1. Asset Location

Asset location is the practice of determining which of your investments are best held in taxable and tax-deferred* accounts. There are a few key strategies for attempting to attain tax efficiency through asset location.

Employer-sponsored plans

Contributing to employer-sponsored plans is one aspect of tax-deferred asset location. However, employer-sponsored retirement accounts have contribution limits and may have limited investment options.

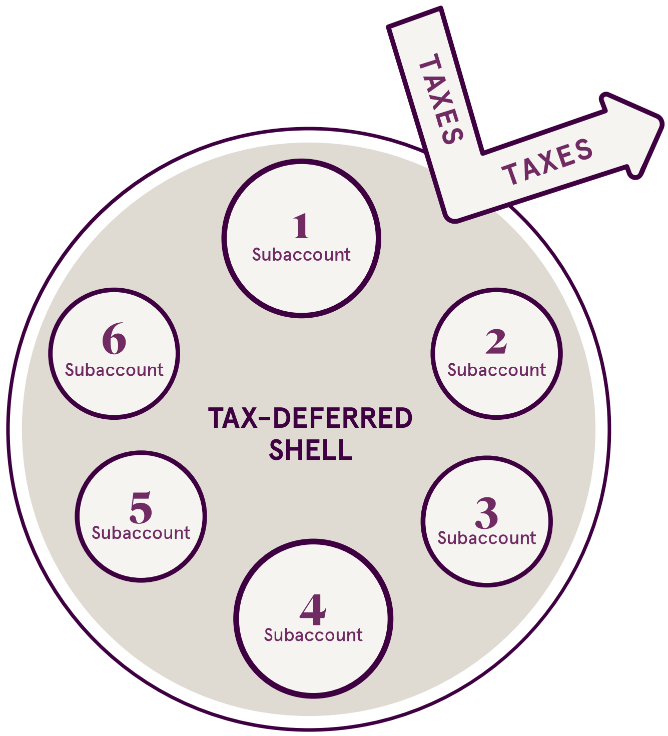
Individual Retirement Accounts (IRAs)

Earnings on investments within an IRA accumulate tax deferred and may provide access to a wider array of investment options with a potentially lower cost than an employer-sponsored plan.

Nonqualified variable annuities

Contributions to nonqualified annuities are made with money that has been taxed, whereas contributions to qualified annuities are often made with pretax money. Nonqualified annuities offer tax deferral, do not have annual contribution limits, do not have required minimum distribution (RMD) requirements, and may offer more investment options than an employer-sponsored retirement account. They can also act as a supplement to retirement plans.

One of the easiest ways to understand a nonqualified variable annuity for asset location purposes is to think of an investment portfolio enveloped by a tax-deferral shell, as seen in the illustration to the right. The investments in the variable annuity (referred to as subaccounts) may grow or shrink, but growth is not taxable until withdrawals are taken. Of course, there are ongoing expenses and charges involved in tax-deferred investing with variable annuities.



For illustrative purposes only

* Tax deferral offers no additional value if an annuity is used to fund a qualified plan, such as a 401(k) or IRA, and may be found at a lower cost in other investment products. It also may not be available if the annuity is owned by a legal entity such as a corporation or certain types of trusts.

Tax inefficiency

Tax inefficiencies within your investments may include:

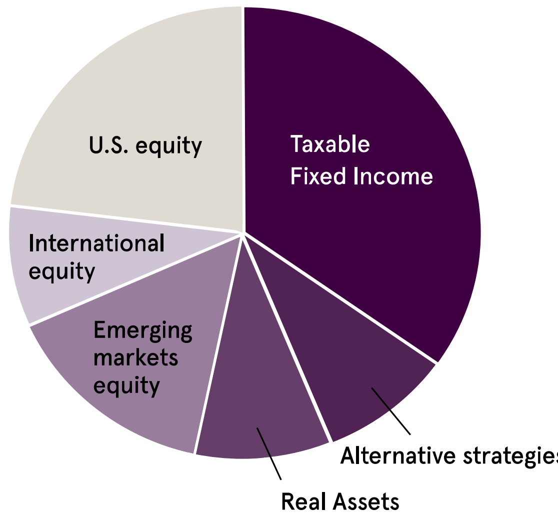
- Investment assets taxed annually at ordinary income rates
- Investments that send out frequent, taxable capital gains distributions
- Investments that send out dividends, which may be taxed as ordinary income
- Funds that have high portfolio turnover

Once these inefficiencies are located in your portfolio, you may choose to allocate them to a tax-deferred account, such as a nonqualified variable annuity. Some variable annuities may also offer add-on living or death benefits that can help convert your retirement investments into a stream of income that you cannot outlive or help guarantee* a legacy to your loved ones. Add-on benefits are available for an extra charge in addition to the ongoing fees and expenses of the variable annuity.

Tax inefficiency within portfolios

A traditional portfolio often comprises 60% equities and 40% bonds. Some equities within that 60% can be tax inefficient, meaning they could be more likely to frequently pay out taxable capital gains and dividend distributions. A nonqualified annuity may be a tax-efficient strategy to consider for your asset location purposes.

TAX TREATMENT BY ASSET TYPE



Equities average turnover: 52.18%
Taxable Fixed income average turnover: 124.66%
Real assets† average turnover: 70.62%
Alternatives average turnover: 172.55%

Taxed at long-term capital gains rate

Some or all gains may be taxed as ordinary income

Source: Morningstar Direct, turnover since inception through November 2022.

* Guarantees are backed by the claims-paying ability of the issuing insurance company.
† Real assets are defined as commodities, energy, global and domestic real estate, infrastructure, and natural resources.

2. Maximizing qualified contributions

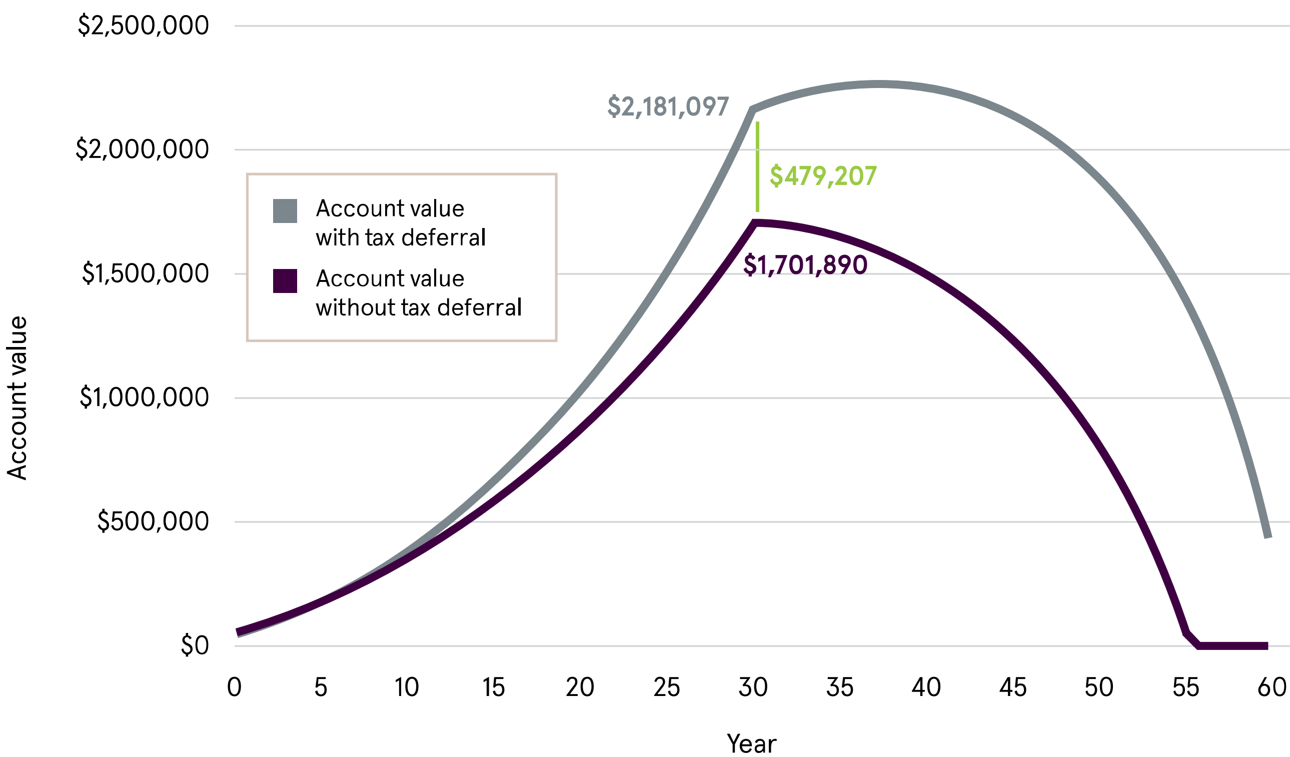
Retirement plans come in many varieties, with their own rules and contribution limits. Some are simple, and others are more complex. Some offer a wide variety of investment options, while others can be somewhat limited. Some may offer the ability to reduce your taxable income by the amount that you contribute to the plan.

Qualified retirement plans

Qualified retirement plans may allow you to grow your retirement assets on a tax-deferred basis, meaning you do not pay taxes on the growth of these assets unless you withdraw money. Your money may grow more quickly than it would in an account where you had to pay taxes on investment gains every year.

The chart below reflects an individual contributing $22,500 a year to their 401(k). Assuming the account grows at 6% annually, after 30 years, this individual's 401(k) account is worth $2,181,097. If this individual made the same contributions to an account that was not tax-deferred and assuming a tax rate of 20%, after 30 years, it would be worth $1,701,890. They earned an additional $479,207 through tax deferral.

401(K) CONTRIBUTIONS: TAXABLE VS. TAX-DEFERRED SAVINGS



This hypothetical example is for illustrative purposes only and is not representative of the past or future performance of any product. Past performance is no guarantee of future results. This example assumes hypothetical contributions to a 401(k) account of $22,500 annually, a 6% annual return and an effective 20% tax rate. The after-tax amount of $1,454,426 is available in the form of a lump-sum distribution after the deduction of taxes at a 33.32% tax rate from the tax-deferred account after 30 years. (The actual tax results of any distribution will depend on an individual's personal tax circumstances.) In the example above, years 1-30 represent the accumulation phase where withdrawals do not take place. Years 31-60 represent the distribution phase with an annual 5% withdrawal calculated using the year 30 account value with tax deferral that is adjusted 3% for inflation. This hypothetical example illustrates tax deferral and **does not represent the past or future performance of any particular product**. Investors should consider their individual investment time horizon and income tax brackets, both current and anticipated, when making an investment decision, as these may further impact the results of the comparison. All calculations performed by Jackson.

Employer match and profit sharing

Employer match is essentially free money your employer contributes to your retirement account. Currently in a 401(k), your max deferral as an employee is $22,500/year if you are under 50, and $30,000 if you're over 50. With employer matching, maximum salary deferrals, and profit sharing, the maximum contribution to your 401(k) for 2023 is $66,000 and $73,500 if you're over 50.[1] In the best case scenario, if you are making full $66,000 contributions every year with and without tax deferral, assuming the account grows at 6% annually and the individual is subject to the 20% tax rate, the result after 30 years is $6,397,887 versus $4,992,213.*

Traditional IRAs

Traditional IRAs are retirement plans designed for individuals who do not have access to an employer plan, or who may want to supplement their retirement plan. They have contribution limits—$6,500 if you're under 50 and $7,500 if you're over 50.[2] In addition, any growth is tax deferred and withdrawals are taxed as ordinary income. If your income is below a certain threshold, you may be able to reduce your income by a portion, or all, of your contribution. Traditional IRAs also require you to begin taking required minimum distributions at a specified age, depending on your date of birth.†

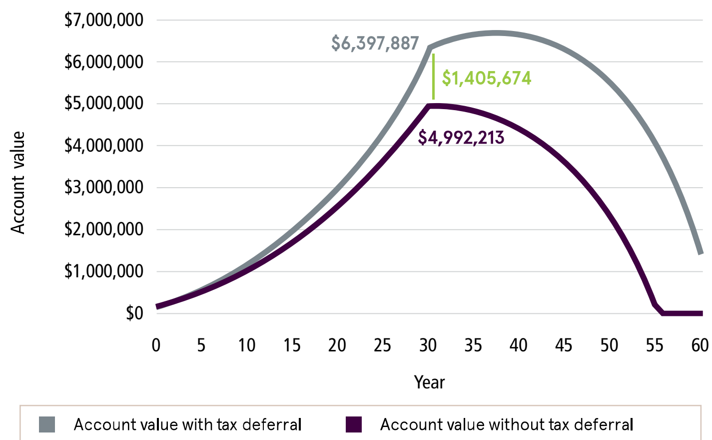
Roth IRAs

Earnings in a Roth IRA also grow tax deferred, but funds contributed are made up of after-tax dollars. Since the funds have already been taxed, you and your beneficiaries can make tax-free withdrawals, if your account has been open for more than five years and you are over 59½.‡ Roth IRAs are not subject to RMD requirements.

Rollovers from qualified plans

Rollovers entail transferring funds from one type of qualified account to another, usually when an employee changes jobs or retires. By electing a direct rollover from one account to another, you avoid paying taxes on the funds, and all the money you earned is moved into your new account.

EMPLOYER MATCH AND PROFIT SHARING: TAXABLE VS. TAX DEFERRED SAVINGS



This hypothetical example is for illustrative purposes only and is not representative of the past or future performance of any product. Past performance is no guarantee of future results. This example assumes hypothetical maximum contributions to a 401(k) account of $66,000 annually, a 6% annual return and an effective 20% tax rate. The after-tax amount of $4,111,004 is available in the form of a lump-sum distribution after the deduction of taxes at a 35.74% tax rate from the tax-deferred account after 30 years. (The actual tax results of any distribution will depend on an individual's personal tax circumstances.) In the example above, years 1-30 represent the accumulation phase where withdrawals do not take place. Years 31-60 represent the distribution phase with an annual 5% withdrawal calculated using the year 30 account value with tax deferral that is adjusted 3% for inflation. This hypothetical example illustrates tax deferral and does not represent the past or future performance of any particular product. Investors should consider their individual investment time horizon and income tax brackets, both current and anticipated, when making an investment decision, as these may further impact the results of the comparison. All calculations performed by Jackson.

Employer-sponsored plan annuities

Lastly, some employer-sponsored plans allow you to open an annuity in your retirement plan account. An annuity with a living benefit may allow you to convert your retirement account into an income stream that you cannot outlive, or add a death benefit to secure or increase your legacy to beneficiaries.

* Contribution limits are subject to change on an annual basis.

† The SECURE 2.0 Act changed the required beginning date for RMDs to age 73 for individuals attaining age 72 after December 31, 2022, and age 73 before January 1, 2033. Custodians are awaiting clarification, but SECURE 2.0 also appears to indicate that the required beginning date for RMD age is pushed back to 75 effective after December 31, 2032.

‡ Separate rules exist for contributions to Roth IRAs and amounts converted to a Roth IRA.

[1] Internal Revenue Service, "COLA Increases for Dollar Limitations on Benefits and Contributions," October 24, 2022.

[2] Ibid.

3. Qualified charitable distributions (QCDs)

Account owners of many employer-sponsored plans and all traditional IRAs must begin taking RMDs at a specified age, depending on your date of birth.* If you do not want or need the income—and associated tax bill—from your RMD, you can make a QCD, which is unique to IRAs. A QCD is sent directly from your IRA to the charity of your choice, though some restrictions apply.

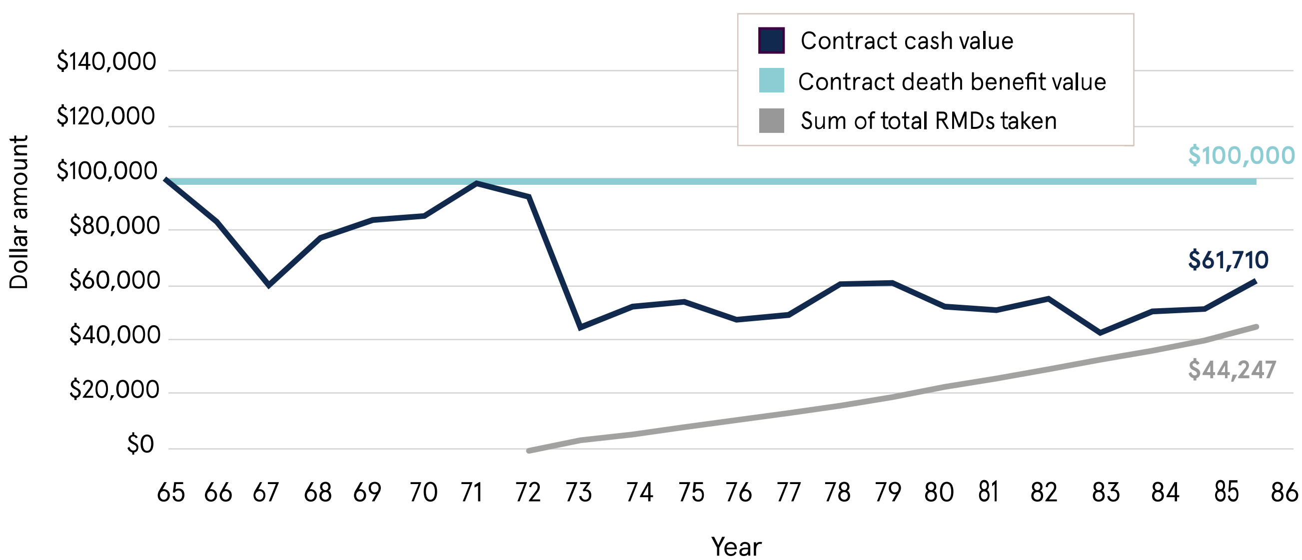
RMDs and QCDs

A QCD can satisfy your required distribution without increasing your tax liability, while also benefiting the charity of your choice. There are certain annuity products with a return-of-premium death benefit rider that does not reduce for allowable withdrawals, which may allow you to take your RMDs and also provide a death benefit equal to your premium payments to your beneficiaries upon your death. As seen in the chart below, the account owner contributed $100,000; took RMDs totaling $44,247 without any additional tax liability through the use of QCDs; and left a death benefit of $100,000 to their heirs, even though the contract value upon their passing was $61,710.

Further QCD observations

With the SECURE Act and the current RMD rules, you may still make QCDs at the original starting age of 70½, however, deductible IRA contributions made after 70½ may reduce your ability to make a QCD.[3] Contributions to other types of retirement accounts such as employer-sponsored accounts (including SIMPLE IRAs and SEP IRAs), Roth IRAs, and nonqualified annuities do not affect your ability to make QCDs. If an RMD is due, the funds must be distributed by the RMD deadline to count for the current year and must be sent directly from the IRA to the charity. In some instances, Jackson can make the check payable to the charity and can send it to you for delivery to the charity. The maximum amount that can qualify for a QCD is $100,000. However, starting in 2024, this maximum amount will be tied to inflation.[4] In the case of married couples, each spouse can make $100,000 in QCDs from their own IRAs.

BENEFIT OF RMDs TAKEN THROUGH QCDs



This hypothetical example is for illustrative purposes only and is not representative of the past or future performance of any product. Past performance is no guarantee of future results. Performance shown is based on the S&P 500 Index from 2001–2021. Indexes are unmanaged and are not available for direct investment. This example assumes a hypothetical, one-time contribution of $100,000, a 6% annual return and an effective 20% tax rate. All calculations performed by Jackson using S&P 500 returns from 2001–2021 and has an assumed total fees of 2.85%. Death benefits may be eliminated in some circumstances if the cash value of the annuity falls to zero.

* The SECURE 2.0 Act changed the required beginning date for RMDs to age 73 for individuals attaining age 72 after December 31, 2022, and age 73 before January 1, 2033. Custodians are awaiting clarification, but SECURE 2.0 also appears to indicate that the required beginning date for RMD age is pushed back to 75 effective after December 31, 2032.

[3] U.S. Congress, Public Law 116-94, "Setting Every Community Up for Retirement Enhancement," December 20, 2019.

[4] U.S. Congress, "The SECURE 2.0 Act of 2022," December 29, 2022.

4. Tax-free exchanges

If you and your financial professional determine that you have certain tax-deferred investments that no longer fit your needs and goals, it may be possible to exchange them for more beneficial tax-deferred investments without generating any tax liability to you.

1035 exchanges

A 1035 exchange trades one nonqualified annuity, or life insurance policy, for a life insurance policy or nonqualified annuity. This means you can trade a nonqualified annuity for another nonqualified annuity or you can trade a life insurance policy for either another life insurance policy or nonqualified annuity. The exchange must go directly from one carrier to another, and you cannot receive the funds directly without tax consequences. The ownership and annuitant designations must remain the same from the original contract to the subsequent contract. A 1035 exchange's advantages may include access to lower embedded fees, a higher interest rate, a wider array of options, and the addition of a living or death benefit. The suitability of an annuity in your unique situation is something that should be discussed with your financial professional.

If you have a life insurance policy that you no longer need or want to pay premiums on, you can exchange the policy's cash value for a nonqualified annuity. If you have a loan on the life insurance policy, the exchange may trigger a taxable event. A living or death benefit can be added to a nonqualified annuity in a 1035 exchange from a life insurance policy.

ROLL FROM \ ROLL TO	Roth IRA	Traditional IRA	Simple IRA	SEP-IRA	Governmental 457(b)	Qualified plan[*] (pre-tax)	403(b) (pre-tax)	Designated Roth account (401(k), 403(b), or 457(b)
Roth IRA	Yes[†]	No	No	No	No	No	No	No
Traditional IRA	Yes[‡]	Yes[†]	Yes, after two years[†, ‡‡]	Yes[†]	Yes[§]	Yes	Yes	No
Simple IRA	Yes, after two years[‡]	Yes, after two years[†]	Yes[†]	Yes, after two years[†]	Yes, after two years[§]	Yes, after two years	Yes, after two years	No
SEP-IRA	Yes[‡]	Yes[†]	Yes, after two years[†, ‡‡]	Yes[†]	Yes[§]	Yes	Yes	No
Governmental 457(b)	Yes[‡]	Yes	Yes, after two years[‡‡]	Yes	Yes	Yes	Yes	Yes[‡, **]
Qualified plan[*] (pre-tax)	Yes[‡]	Yes	Yes, after two years[‡‡]	Yes	Yes[§]	Yes	Yes	Yes[‡, **]
403(b) (pre-tax)	Yes[‡]	Yes	Yes, after two years[‡‡]	Yes	Yes[§]	Yes	Yes	Yes[‡, **]
Designated Roth account (401(k), 403(b), or 457(b)	Yes	No	No	No	No	No	No	Yes[††]

[*] Qualified plans include, for example: profit sharing, 401(k), money purchase, and defined benefit plans.
[†] Only one rollover in any 12-month period.
[‡] Must include income, and the converted amount is generally subject to income taxation.
[§] Must have separate accounts.
[**] Must be an in-plan rollover.
[††] Must be direct trustee-to-trustee transfer.
[‡‡] Applies to rollover contributions after December 18, 2015.

Qualified tax-free exchanges

Qualified plan transfers can also be tax-free. Direct transfers can be done, with some restrictions, from retirement plans to IRAs, from IRAs to retirement plans, from IRAs to IRAs, and from retirement plans to other retirement plans. The IRS rollover chart indicates permitted rollovers between different types of plans.[5]

Tax-free rollovers may also be valuable when adding a living or death benefit to an existing annuity in a qualified account or when moving assets from one plan type that has expensive or restrictive investment options, such an employer plan, to one that may have more varied or lower-cost investment options, like an IRA. This may allow you to convert your retirement assets to a stream of income that you cannot outlive.

Inherited account tax-free transfers

If you inherit a retirement account or a nonqualified annuity, you can transfer it to another annuity carrier to possibly access lower fees and/or additional investment options. A post-death 1035 applies to nonqualified assets, as opposed to a tax-free exchange of a qualified account, which is referred to as a qualified transfer.

Nonqualified stretch

A nonqualified stretch allows inherited, nonqualified assets to stay invested and tax deferred while the beneficiary takes RMDs each year. Jackson® pioneered this option in 2001 with our Private Letter Ruling.[6] To use the nonqualified stretch program, a designated beneficiary must be a living person. Since this is a death benefit distribution, there are no IRS premature distribution penalties. If there are multiple beneficiaries listed on the contract at the owner's death, each beneficiary is able to use their own respective life expectancy to determine the maximum stretch period. If a beneficiary dies before the end of their stretch period, the remaining account balance is paid to their beneficiary in a lump sum. You can take more than the RMD without penalty, and the basis is withdrawn tax free, but all gains are withdrawn before basis and taxable to the account owner.

Inherited qualified and nonqualified annuities must be transferred via direct transfer, but special exceptions exist for spouses who inherit qualified funds from their deceased spouse. Although the SECURE Act eliminated stretch for most beneficiaries,[7] tax-free exchanges of inherited qualified assets may still be an option.

POST-DEATH 1035 TRANSFER

Dad owns an annuity at **Carrier A** ($100k death benefit with cost basis of $80k, gains of $20k)

→ Dad passes away

Daughter (age 45) inherits the annuity

→ Post-death 1035 exchange to Carrier B

Results in **$280k** after-tax withdrawals over daughter's lifetime, assuming 5% growth and an effective tax rate of 20%.

[5] Internal Revenue Service, "Rollover Chart," accessed November 17, 2021.

[6] Internal Revenue Service, PLR 200151038, December 21, 2001.

[7] U.S. Congress, Public Law 116-94, "Setting Every Community Up for Retirement Enhancement," December 20, 2019.

5. Tax planning within trusts

Trusts are drafted for a variety of asset protection, estate/legacy planning, and asset control purposes. You may currently have a revocable trust. Or you may be the grantor of an irrevocable trust, beneficiary of a trust, or perhaps even the trustee of a trust. The highly compressed tax rates imposed on certain trusts make tax-planning for trusts particularly important. Some trusts are taxed as highly as 40.8% when they earn just $14,451 of income. A married couple would have to earn more than $693,750 to be taxed at that same rate.[8]

Grantor trusts

If you are the grantor of a "grantor-type trust," the taxation of the trust income flows back to you. In some cases, positioning an annuity in that trust may reduce your tax liability because the trust-owned annuity can grow tax-deferred.

Non-grantor trusts

Non-grantor trusts are taxed at the rates below. Often, trustees will invest in municipal bonds or perhaps exchange-traded funds (ETFs) to grow trust assets as tax efficiently as possible. Other trustees may push all income out of the trust to the trust beneficiaries to avoid those compressed rates.

Trust-owned annuities

You can open an annuity within a trust. Trust-owned annuities properly titled can be a powerful tool against severe tax drag through tax deferral. They may even be titled such that they can be passed in kind to beneficiaries, allowing for tax deferral and mitigation for multiple generations.

INCOME TAX BRACKETS: 2023 TAX YEAR		
Tax rate	Single	Married
10%	$0 - $11,000	$0 - $22,000
12%	$11,001 - $44,725	$22,001 - $89,450
22%	$44,726 - $95,375	$89,451 - $190,750
24%	$95,376 - $182,100	$190,751 - $364,200
32%	$182,101 - $231,250	$364,201 - $462,500
35%	$231,251 - $578,125	$462,501 - $693,750
37%	Over $578,125	Over $693,750

ESTATE AND TRUST TAX BRACKETS: 2023 TAX YEAR	
10%	$0 - $2,900
24%	$2,901 - $10,550
35%	$10,551 - $14,450
37%	Over $14,450

The IRS issued a private letter ruling ("PLR") holding that a non-grantor trust cannot use the IRC 72(q) exceptions for (1) reaching age 59½, (2) disability, or (3) substantially equal periodic payments (SEPP). The ruling recognized a non-grantor trusts may use the IRC 72(q) exception for death. (See PLR 202031008).

[8] Internal Revenue Service, Revenue Procedure 2022-38.

With the help of your trusted tax professionals, the upkeep of your tax obligations may be less unpleasant through five key tax strategies.

1. Asset location
2. Maximizing qualified contributions
3. Qualified charitable distributions (QCDs)
4. Tax-free exchanges
5. Tax planning within trusts

Now that we've looked at these tax strategies one by one, hopefully this clears up any confusion and gives you more confidence around your potential tax bill. Again, knowledgeable tax professionals can help you get through the complexities of the United States tax code.

This material is provided in an effort to help you keep more of what you make.

Talk to your financial planner about these simple strategies to guide your assets through the complicated tax code.

Contact your financial professional for more information on how these tax-planning strategies can be used to potentially help reduce your tax burden or visit Jackson.com/TaxDeferral.

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This communication is intended only to alert you to strategies that may be appropriate for the circumstances described. You should consult with a lawyer and/or tax specialist before adopting or rejecting any of the strategies discussed. Only a lawyer and/or tax specialist, after thorough consultation, can recommend a strategy suited to anyone's unique needs.

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Top tax changes for 2023 | MassMutual

By Amy Fontinelle
Amy Fontinelle is a personal finance writer focusing on budgeting, credit cards, mortgages, real estate, investing, and other topics.
Posted on Dec 28, 2022

This article will ...

Tell you how much you can **save for retirement** and claim as a standard deduction in 2023.

Illustrate how marginal **tax bracket changes** might affect your take-home pay.

Highlight the importance of doing some **tax planning early** in the year.
Each year, the IRS reevaluates various dollar amounts in the tax code and considers adjusting them for inflation. While higher prices may continue to sting when you pay your electric bill or check out at the grocery store, at least the IRS isn't piling on by keeping retirement account contribution limits and standard deductions the same.

You'll be able to contribute about 7 percent more to your retirement accounts in 2023. You'll also see a bump in your standard deduction and higher income limits for each tax bracket.

"The increases are not enormous, but anything helps during these tough financial times," said Abby Eisenkraft, an IRS enrolled agent and the CEO of Choice Tax Solutions in New York City.

Here are the details you'll want to know as you think about your financial plan for the coming year.

Standard deductions

Everyone gets a higher standard deduction in 2023 than in 2022. Your standard deduction is the amount of income you don't owe any federal income tax on. With a higher standard deduction, you may owe less tax in 2023 if your income doesn't increase by 7 percent or more.

- For single people and married couples filing separate returns, it increases from $12,950 to $13,850.
- For heads of household, it increases from $19,400 to $20,800.
- For married people filing jointly, it increases from $25,900 to $27,700.

If you're 65 or older, your additional standard deduction increases from $1,400 to $1,500 if you're married and from $1,750 to $1,850 if you're single or the head of household.

Tax brackets

Marginal tax rates are the same in 2023 as in 2022. The lowest rate is still 10 percent and the highest is still 37 percent. However, you'll be able to earn more in 2023 before getting bumped into the next bracket.

Let's say you were a single filer in 2022 and you earned $89,000, which put you near the top of the 22 percent federal tax bracket. In 2023, that bracket tops out at $95,375. None of your income will fall into the next tax bracket in 2023 unless you get a raise of $6,376 (about 7.2 percent) or more. This simplified example assumes you have no investment or other income.

Remember that your marginal rate only applies to the last dollars you earn, not to your entire income. (**Related:** How to reduce taxable income and avoid a higher tax bracket)

IRA contribution limits

Most people do not have enough saved for retirement, so increasing the retirement account contribution limits will help, Eisenkraft said.

Of course, you'll need to max out your contributions to take full advantage of the higher limits.

In 2023, the most you can contribute to a Roth or traditional IRA (or a combination of the two) is 100 percent of your taxable compensation or $6,500 — whichever is lower. That's an increase of $500 from 2022.

Consider setting up automatic contributions from your checking account to your IRA to save as much as possible for your future. If you get paid every two weeks, you'd want to transfer $250 per pay period to contribute $6,500 by year-end.

If you're 50 or older, you can save even more by making an annual catch-up contribution of up to $1,000. Doing so would increase your biweekly automatic contributions to $288.46.

Roth IRA eligibility income limits

The IRS makes it easier to contribute the full amount to a Roth if your income isn't too high.

- If you file as single or head of household, you can't contribute directly to a Roth IRA if your modified adjusted gross income exceeds $153,000 in 2023 (up from $144,000 in 2022). You'll only be allowed to directly contribute a reduced amount (less than the maximum) once your income hits $138,000 (up from $129,000).
- If you're married and file jointly, the phaseout range is $218,000 to $228,000 in 2023 (up from $204,000 to $214,000).
- If you're married and file separately and you lived with your spouse at any time during the year, the phaseout range doesn't adjust for inflation. It remains unchanged at $0 to $10,000. If you did not live with your spouse, the phaseout range is the same as if you filed as single or head of household.

You can still contribute indirectly to a Roth once your income exceeds the phaseout limit, however. You'll just need to follow a few extra steps to take advantage of a technique colloquially called the backdoor Roth IRA. It's actually a Roth IRA conversion using after-tax contributions to a traditional IRA.

Many people aren't aware of strategies like this or don't feel confident about executing them.

"Even if you prepare your own taxes, it's a good idea to invest in an hour or two with a tax pro to discuss what financial moves you can make to hang on to more of your money and legally reduce your taxes," Eisenkraft said. (**Related:** How a 401(k), Roth combo can help younger savers)

Traditional IRA deductible contribution income limits

If you or your spouse can contribute to a workplace retirement plan, the IRS limits how much pretax money you can put in a traditional IRA.

- If you're a single filer, the phaseout range in 2023 is $73,000 to $83,000 (up from $68,000 to $78,000 in 2022).
- If you're married and file jointly, the range is $116,000 to $136,000 (up from $109,000 to $129,000) if you can contribute to a workplace retirement plan.
- If you're married to someone who can contribute to a workplace retirement plan but you can't contribute yourself, the phaseout range is $218,000 to $228,000 (up from $204,000 to $214,000 in 2022).
- If you're married filing separately and covered by a workplace retirement plan, the phaseout range remains at $0 to $10,000.

401(k), 403(b), most 457 and Thrift Savings Plan contribution limits

In 2023, you'll be able to contribute as much as $22,500 to whichever of these workplace retirement accounts (if any) you have access to. That's $2,000 more than you could save in 2022.

If you get paid every two weeks and want to max out your contributions, you'll want to have an additional $76.92 withheld from each paycheck, for a total of $865.38 per pay period.

As with IRAs, workers 50 and older can make catch-up contributions. For 2023, that amount increases to $7,500, up from $6,500 in 2022.

If you're in this age group, can you set aside $1,153.84 from each paycheck to max out your retirement savings? It may require some sacrifice now, but with 10-plus years of investing those contributions in the stock market, you could see a significant return and enjoy a higher standard of living when you're done working.

Solo 401(k) contribution limits

If you earn money as an independent contractor, a solo 401(k) can help you sock away a fortune for retirement — if your business income is high enough.

Not only can you contribute up to $22,500 as an employee — even though you're the only one your business has — your company can also make a profit-sharing contribution of up to $43,500. That's a maximum annual contribution of as much as $66,000 (up from $61,000 in 2022) — plus a $7,500 catch-up contribution if you're 50 or older. However, you can't contribute more than you earn. These limits also apply if you're employed by someone else.

Long-term capital gains taxes

When you sell an investment that you've held longer than one year and it's gone up in value since you bought it, you have a long-term capital gain. The tax rate you'll pay on these gains depends on your income.

For 2023, you'll pay a 15 percent tax on long-term capital gains once your income hits $44,625 if you're single, $59,750 if you're head of household, and $89,250 if you're married and file jointly. The respective income thresholds in 2022 were $41,675, $55,800, and $83,350.

If your income falls below those limits, you don't owe any long-term capital gains tax. When your income gets into the mid-six figures, the tax rate hits 20 percent.

Conclusion

Finally, as you get ready to file your 2022 income tax return, keep in mind that many pandemic-related tax benefits have ended. As a result, you may owe more or have a smaller refund.

Taxes are just one component of a solid financial plan. For investment, retirement, and insurance planning that can help you enjoy a comfortable future, connect with a MassMutual financial professional for personalized guidance.

Discover more from MassMutual …

THE TAX ADVANTAGES OF LIFE INSURANCE

PREPARING FOR RETIREMENT

As you accumulate assets for retirement, consider how to protect those assets as well as the people you'd like to leave them to. A life insurance policy with cash value can be an important component of a financial strategy for your retirement years by:

- Providing financial protection for those who rely on you.
- Allowing you to reap tax advantages.

Its death benefit, cash value accumulation, and access to that cash value are either tax-free or tax-deferred.

Investment and Insurance Products:

Not Insured by FDIC, NCUSIF, or Any Federal Government Agency.

May Lose Value. Not a Deposit of or Guaranteed by Any Bank, Credit Union, Bank Affiliate, or Credit Union Affiliate.

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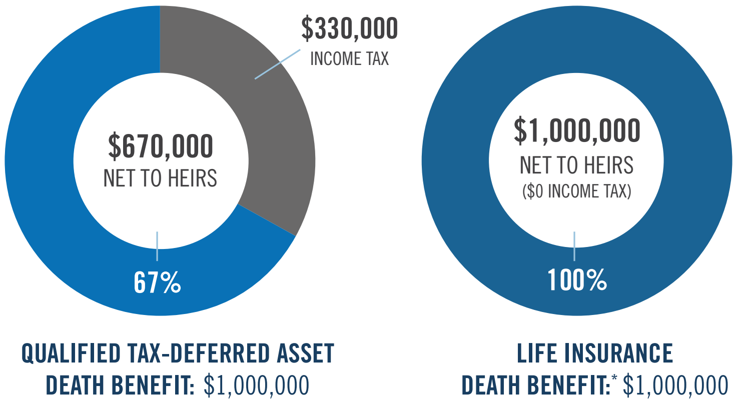
TAKE CONTROL OF TAXES

Since many retirement assets generate a tax bill, taxes can undermine your plans and leave you with less than you expect. And with more and more potential changes in the tax code, no one can predict what you will face when you retire. Fortunately, in addition to a typically federal income tax-free death benefit for your loved ones[1], life insurance can also help by providing supplemental income that is usually income tax-free.

Life insurance with cash value growth potential can be a valuable tool for taking more control of your taxes in retirement in three ways.

1 A GENERALLY FEDERAL INCOME TAX-FREE DEATH BENEFIT

While most financial vehicles create taxable income, life insurance generally does not. So, instead of receiving the "after-tax" amount, your loved ones can receive the full death benefit amount that you've intended for them.

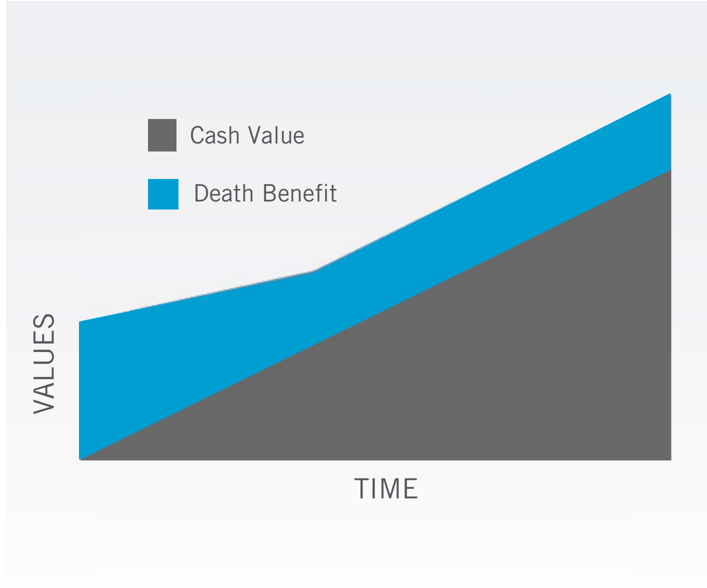


*Life insurance policies are purchased with after-tax dollars.

Prudential

2 INCOME TAX-FREE GROWTH

Any cash value that accumulates in a life insurance policy grows tax-free.[4] In some policies, you can choose a death benefit option that enables the death benefit to increase if the cash value does. This can help you leave even more to your heirs. (If the cash value grows beyond a certain point, the death benefit will be increased. This is to ensure that your policy continues to qualify as life insurance under tax law, and this will also ensure that the tax advantages still apply.)



3 TAX-FREE "LIVING BENEFITS"

Living benefits are benefits paid out to you (while you are alive, of course). These are also generally tax-free and can include:

- **Accessing the death benefit** early—accelerating it—because of a chronic illness. This can be helpful, especially since 6 out of 10 adults have a chronic disease.[2] It is estimated that the average lifetime cost of formal long-term care is $172,000.[3] If family members provide most of your care, you might still like to reimburse them for their lost wages and travel or other costs associated with helping you.
- **Accessing cash value accumulation.** You can access any cash value that builds in your policy for any reason you choose.[4] And you can do so regardless of your age; there is no age 59½ threshold or other limitations. You can access the money in two ways:
  - **Withdrawals** from the policy can generally be taken tax-free up to the amount of premiums you've paid.
  - **Loans** can be taken from the policy tax-free as long as the policy is still in force.

DID YOU KNOW?

YOU CAN USE CASH VALUE IN A POLICY TO HELP SUPPLEMENT RETIREMENT INCOME

It's true! If your policy accumulates enough cash value, you could take a one-time or regular loans or withdrawals from it after you retire.

Since you likely have other assets to pass to your heirs, you might not need the highest death benefit possible. If so, consider choosing a lower face amount, to ensure your family is protected, and paying higher premiums than what's required. This will help to enhance the policy's tax-deferred cash value growth potential.

Please note that federal tax law limits the amount of premium contributions that can be made to a policy for it to keep its tax advantages, so you'll need to stay within certain limits.[5]

Learn more about how you can benefit from the tax advantages of life insurance.
Talk with your financial professional today.

[1]According to IRC §101(a).

[2]Centers for Disease Control and Prevention, Chronic Diseases in America, Assessed 12/2020.

[3]PwC, The Formal Cost of Long-Term Care Services: How Can Society Meet a Growing Need?, Accessed 12/2020.

[4]Life insurance policy cash values grow tax-deferred and are potentially income tax-free. Cash values are accessed through withdrawals and policy loans. Withdrawals are generally taxable to the extent they exceed premiums paid into the policy. Any loans that remain unpaid when the policy lapses or is surrendered while the insured is alive will be taxed immediately to the extent of gain in the policy. Unpaid loans and withdrawals will reduce cash values and death benefits.

[5]When premium contributions exceed this limit, the policy is classified as a modified endowment contract (MEC). Distributions from MECs (such as loans, withdrawals, and collateral assignments) are taxed less favorably than distributions from policies that are not MECs to the extent there is gain in the policy. For distributions from a MEC before age 59½, a federal income tax penalty may apply to the extent there is gain in the policy. Please consult a tax advisor.

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Life insurance policies contain exclusions, limitations, reductions of benefits, and terms for keeping them in force. A financial professional can provide you with costs and complete details.

Prudential does not provide tax or legal advice, please consult an independent tax advisor regarding your personal tax situation.

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Providing All the Tools for Your Success SM

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