



2020 Viewpoint

Never thought that lyrics from The Grateful Dead would make it into this newsletter, but really, "What a loooooong, strange trip it's been."

As we leave 2020 in the rear view window and begin a New Year, this time last year few could have predicted what was ahead of us as a country and for the world. A once in 100 year pandemic has humbled us as a society. We have lost loved ones, certain businesses have declined, a number of governments are in distress and for some of us, our lives and routines have changed dramatically. As with most catastrophic events, the strongest and those most willing to adapt, like a chameleon, survive best. The events of 2020 forced ingenuity upon us to work, socialize, educate, celebrate and essentially live differently. As a society, we see it as our moral responsibility to help those in need. During 2020, our humble firm gave a record amount of gifts to local charities in need. We encourage you to do the same.

In 2021 we celebrate our 35th year in practice. In those years we have helped a large number of individuals and businesses reach their financial goals.

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Goodbye Stretch

The SECURE Act, passed at the end of 2019, contained many important changes to inherited IRAs, that as a result of the 2020 pandemic, have been overlooked. The new basic rule is that once an individual reaches age 72 (formerly 70 ½) they must begin taking Required Minimum Distributions (RMDs) from their retirement plan. Such RMDs used to be allowed over the life expectancy of the account owner.

Old Rules – For retirement assets inherited before 2020, beneficiaries were allowed to “reset the clock” for RMDs to allow distributions over their presumably longer life expectancy. For example, an account owner age 75 was taking RMDs over an estimate life expectancy of 15 years. If account owner passes at age 75 leaving retirement account to beneficiary child, age 40, under old rules child could have resumed RMDs from the inherited account over their own much longer life expectancy. The result of a longer life expectancy is smaller annual distributions, smaller taxable income and a longer lasting tax deferred asset.

New Rules - If the original account owner died on or after January 1, 2020, most non-spouse beneficiaries are required to liquidate their account within 10 years of the owners death. Annual RMDs are not required during the 10 year period. Non-spouse beneficiaries have the flexibility in taking the distribution in any amount at any time, so long as the account is completely liquidated within the 10 years. Funds not liquidated after 10 years are subject to a 50% penalty.

There are some exceptions to these new rules as well as “Special Rules” for surviving spouses. A beneficiary may also disclaim the inherited funds. There are significant tax planning opportunities for both account owners and beneficiaries of all types of retirement plans.

2021 Tax and Retirement Changes

It's that time of the year where we encourage our clients to start thinking about year-end tax planning. There are many changes coming our way in 2021. The following is a quick rundown of recent inflation related tax changes that could affect individual taxpayer's in the upcoming tax year.

<u>Standard Deduction</u>	<u>2021</u>	<u>2020</u>
•Single/Married Filing Separately	\$12,550	\$12,400
•Married Filing Jointly	\$25,100	\$24,800
•Head of Household	\$18,800	\$18,650
 <u>Retirement Accounts Contribution Limits</u>	 <u>2021</u>	 <u>2020</u>
<u>IRAs</u>		
IRA Contribution Limit	\$6,000	\$6,000
IRA Catch-Up Contributions	\$1,000	\$1,000
<u>SEP</u>		
SEP Minimum Compensation	\$650	\$600
SEP Maximum Contribution	\$58,000	\$57,000
SEP Maximum Compensation	\$290,000	\$285,000
<u>SIMPLE Plans</u>		
SIMPLE Maximum Contributions	\$13,500	\$13,500
Catch-up Contributions	\$3,000	\$3,000
 <u>401(k), 403(b), Profit-Sharing Plans, etc.</u>		
Annual Eligible Compensation	\$290,000	\$285,000
Elective Deferrals	\$19,500	\$19,500
Catch-up Contributions	\$6,500	\$6,500
Defined Contribution Limits	\$58,000	\$57,000
 <u>Earnings Subject to Social Security Tax</u>	 \$142,800	 \$137,700

Tax Season Hours

In normal times (remember those) we always encouraged you to make your tax season appointments as early as possible to come in and visit with your favorite accountants. 2020 and the State of New York has changed all that. To protect you and us our preferred method of meeting will be virtual by Zoom, Webex, Facetime or by phone. Can you still visit us? Yes. You will just need to take all proper precautions. As usual, throughout the filing season we will have evening hours on selected nights and Saturday hours beginning January 23, 2021. Slight procedural change will be that we will ask you to submit your tax information to us by mail, overnight delivery, or our secure portal, and we will schedule your virtual meeting with us shortly after receipt of your information.