

# AWM Financial Planning

## The 5 Year Checklist



**Steve Giacobbe, CFA, CFP®**  
**Accredited Wealth Management**  
6010 Brownsboro Park Blvd. • Louisville • KY • 40207  
502-290-1905  
sgiacobbe@accreditedwm.com • www.accreditedwm.com



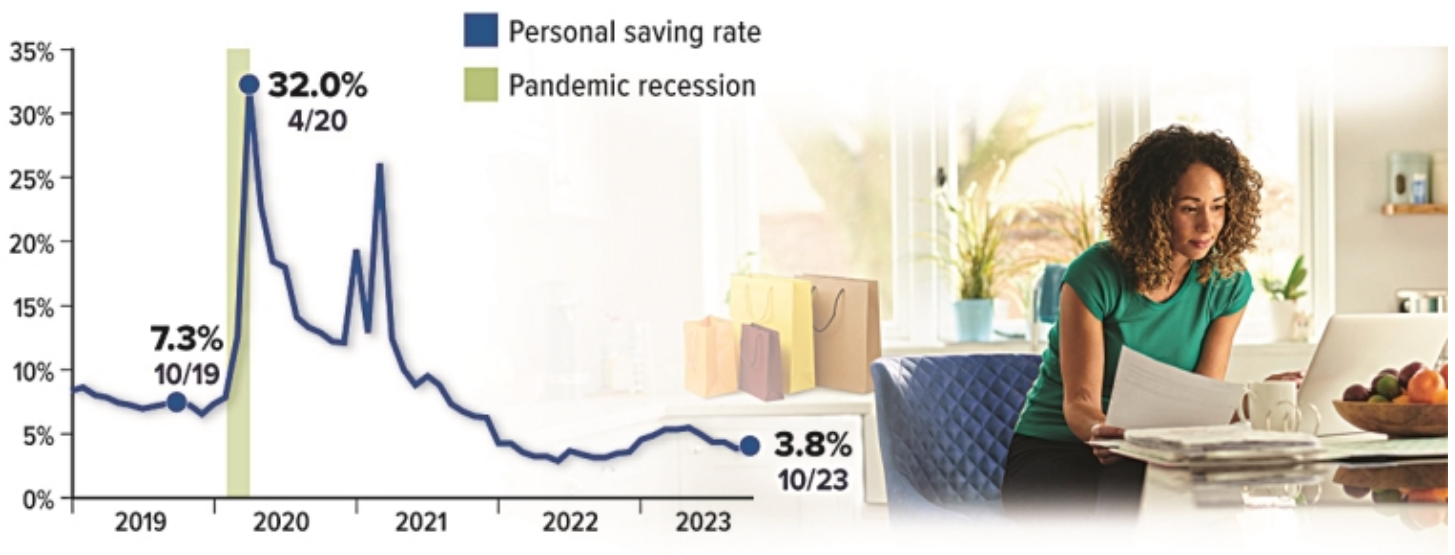
Is retirement on the horizon in the next 5 years? Here are a few things to consider as you begin to plan.

- \* If married, discuss your retirement plans with your spouse
- \* Prepare a realistic budget
- \* Collect information about pension and benefits
- \* Determine what additional health or long-term care insurance you will need
- \* Compare projected income with your projected expenses
- \* Assess the adequacy of your investment portfolio and increase savings if necessary
- \* Review annually and make any necessary adjustments

## Saving Less? You're Not Alone

The U.S. personal saving rate — the percentage of personal income that remains after taxes and spending — was 3.8% in October 2023. The saving rate spiked to an all-time high during the pandemic, when consumers received government stimulus money with little opportunity to spend, but fell quickly as stimulus payments ended and high inflation ate into disposable income. The current level is well below pre-pandemic saving rates.

A low personal saving rate means there is less money available on a monthly basis for saving and investment. However, many households still have pandemic-era savings, and the low rate indicates consumers are willing to spend, which is good for the economy. The question is how long this spending can be sustained.



Sources: U.S. Bureau of Economic Analysis, 2023; Bloomberg, October 10, 2023

# Key Retirement and Tax Numbers for 2024

Every year, the Internal Revenue Service announces cost-of-living adjustments that affect contribution limits for retirement plans and various tax deduction, exclusion, exemption, and threshold amounts. Here are a few of the key adjustments for 2024.

## Estate, gift, and generation-skipping transfer tax

- The annual gift tax exclusion (and annual generation-skipping transfer tax exclusion) for 2024 is \$18,000, up from \$17,000 in 2023.
- The gift and estate tax basic exclusion amount (and generation-skipping transfer tax exemption) for 2024 is \$13,610,000, up from \$12,920,000 in 2023.

## Standard deduction

A taxpayer can generally choose to itemize certain deductions or claim a standard deduction on the federal income tax return. In 2024, the standard deduction is:

- \$14,600 (up from \$13,850 in 2023) for single filers or married individuals filing separate returns
- \$29,200 (up from \$27,700 in 2023) for married joint filers
- \$21,900 (up from \$20,800 in 2023) for heads of households

The additional standard deduction amount for the blind and those age 65 or older in 2024 is:

- \$1,950 (up from \$1,850 in 2023) for single filers and heads of households
- \$1,550 (up from \$1,500 in 2023) for all other filing statuses

Special rules apply for an individual who can be claimed as a dependent by another taxpayer.

## IRAs

The combined annual limit on contributions to traditional and Roth IRAs is \$7,000 in 2024 (up from \$6,500 in 2023), with individuals age 50 or older able to contribute an additional \$1,000. The limit on contributions to a Roth IRA phases out for certain modified adjusted gross income (MAGI) ranges (see *table*). For individuals who are active participants in an employer-sponsored retirement plan, the deduction for contributions to a traditional IRA also phases out for certain MAGI ranges (see *table*). The limit on nondeductible contributions to a traditional IRA is not subject to phaseout based on MAGI.

### MAGI Ranges: Contributions to a Roth IRA

	2023	2024
Single/Head of household	\$138,000–\$153,000	\$146,000–\$161,000
Married filing jointly	\$218,000–\$228,000	\$230,000–\$240,000
Married filing separately	\$0–\$10,000	\$0–\$10,000

### MAGI Ranges: Deductible Contributions to a Traditional IRA

	2023	2024
Single/Head of household	\$73,000–\$83,000	\$77,000–\$87,000
Married filing jointly	\$116,000–\$136,000	\$123,000–\$143,000

Note: The 2024 phaseout range is \$230,000–\$240,000 (up from \$218,000–\$228,000 in 2023) when the individual making the IRA contribution is not covered by a workplace retirement plan but is filing jointly with a spouse who is covered. The phaseout range is \$0–\$10,000 when the individual is married filing separately and either spouse is covered by a workplace plan.

## Employer-sponsored retirement plans

- Employees who participate in 401(k), 403(b), and most 457 plans can defer up to \$23,000 in compensation in 2024 (up from \$22,500 in 2023); employees age 50 or older can defer up to an additional \$7,500 in 2024 (the same as in 2023).
- Employees participating in a SIMPLE retirement plan can defer up to \$16,000 in 2024 (up from \$15,500 in 2023), and employees age 50 or older can defer up to an additional \$3,500 in 2024 (the same as in 2023).

## Kiddie tax: child's unearned income

Under the kiddie tax, a child's unearned income above \$2,600 in 2024 (up from \$2,500 in 2023) is taxed using the parents' tax rates.

# Do You Have These Key Estate Planning Documents?

Estate planning is the process of managing and preserving your assets while you are alive, and conserving and controlling their distribution after your death. There are four key estate planning documents almost everyone should have regardless of age, health, or wealth. They are: a durable power of attorney, advance medical directive(s), a will, and a letter of instruction.

## Durable power of attorney

Incapacity can happen to anyone at any time, but your risk generally increases as you grow older. Consider what would happen if, for example, you were unable to make decisions or conduct your own affairs. Failing to plan may mean a court would have to appoint a guardian, and the guardian might make decisions that would be different from what you would have wanted.

A durable power of attorney (DPOA) enables you to authorize a family member or other trusted individual to make financial decisions or transact business on your behalf, even if you become incapacitated. The designated individual can do things like pay everyday expenses, collect benefits, watch over your investments, and file taxes.

There are two types of DPOAs: (1) an *immediate* DPOA, which is effective at once (this may be appropriate, for example, if you face a serious operation or illness), and (2) a *springing* DPOA, which is not effective unless you become incapacitated.

## Advance medical directive(s)

An advance medical directive lets others know what forms of medical treatment you prefer and enables you to designate someone to make medical decisions for you in the event you can't express your own wishes. If you don't have an advance medical directive, health-care providers could use unwanted treatments and procedures to prolong your life at any cost.

There are three types of advance medical directives. Each state allows only a certain type (or types). You may find that one, two, or all three types are necessary to carry out all of your wishes for medical treatment.

- A living will is a document that specifies the types of medical treatment you would want, or not want, in a particular situation. In most states, a living will takes effect only under certain circumstances, such as a terminal illness or injury. Generally, one can be used solely to decline medical treatment that "serves only to postpone the moment of death."
- A health-care proxy lets one or more family members or other trusted individuals make medical decisions for you. You decide how much power your representative will or won't have.
- A do-not-resuscitate (DNR) order is a legal form, signed by both you and your doctor, that gives

health-care professionals permission to carry out your wishes.

## Will

A will is quite often the cornerstone of an estate plan. It is a formal, legal document that directs how your property is to be distributed when you die. Your will should generally be written, signed by you, and witnessed. If you don't leave a will, disbursements will be made according to state law, which might not be what you would want.

There are a couple of other important purposes for a will. It allows you to name an executor to carry out your wishes, as specified in the will, and a guardian for your minor children.

Most wills have to be filed with the probate court. The executor collects assets, pays debts and taxes owed, and distributes any remaining property to the rightful heirs. The rules vary from state to state, but in some states smaller estates are exempt from probate or qualify for an expedited process.

## Letter of instruction

A letter of instruction is an informal, nonlegal document that generally accompanies a will and is used to express your personal thoughts and directions regarding what is in the will (or about other things, such as your burial wishes or where to locate other documents). This can be the most helpful document you leave for your family members and your executor.

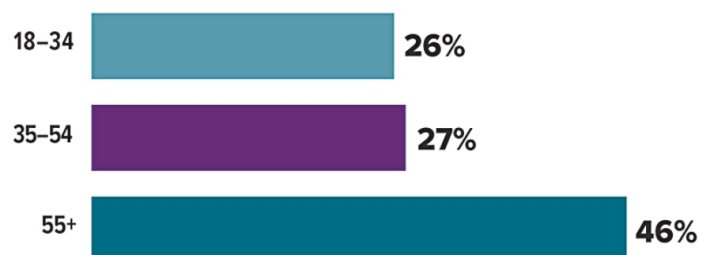
Unlike your will, a letter of instruction remains private. Therefore, it is an opportunity to say the things you would rather not make public.

A letter of instruction is not a substitute for a will. Any directions you include in the letter are only suggestions and are not binding. The people to whom you address the letter may follow or disregard any instructions.

## Take steps now

Life is unpredictable. So take steps now, while you can, to have the proper documents in place to ensure that your wishes are carried out.

## Percentage of Americans with a will, by age group



Source: Caring.com, 2023

# Small Businesses Could Face Borrowing Challenges

According to an October 2023 survey, higher interest rates impacted more than half of small businesses, and over 20% reported that higher rates and tighter lending standards influenced their hiring decisions.<sup>1</sup>

Small businesses paid an average rate of 9.1% for short-term loans in October 2023, the highest rate since 2006, and nearly twice as much as they were paying just two years ago (4.6% in August 2021).<sup>2</sup>

Despite these hurdles, many people who need working capital or want to start, invest in, or expand a business may need to borrow money. Here's a rundown of some common financing options.

**Bank loans.** National and regional banks cater to the most creditworthy businesses, as they generally require significant collateral and documentation of stable profits. New or fast-growing small businesses (even healthy ones with good prospects) are often rejected. Small banks, however, tend to have higher approval rates than large banks.<sup>3</sup>

**SBA programs.** In fiscal year 2022, the U.S. Small Business Administration (SBA) provided more than \$43 billion in financing, in many cases to guarantee loans issued by participating banks.<sup>4</sup> The program often makes it easier to qualify for financing and may offer more competitive terms and longer repayment periods. However, traditional SBA loans also require "worthwhile" collateral, and it can take several months for qualified borrowers to complete the application

process (through a local bank or online).

**Other lenders.** Online lenders that use digital technology to approve smaller, short-term loans can sometimes make it easier to access cash quickly, but they often charge higher interest rates and fees. Some loans may need to be backed by business assets such as securities, equipment, inventory, and accounts receivable.

**HELOCs.** Homeowners may have an extra source of funds to tap into for business needs. A home equity line of credit, or HELOC, is a secured loan that may offer more flexible repayment periods and competitive interest rates than many other types of business financing. But there is one major disadvantage to consider: if the business struggles and the owner can't make loan payments, the lender could take the home.

**Credit cards.** Business accounts tend to charge higher interest rates — which could now be north of 20% — and offer fewer protections than personal credit cards. Using a business credit card responsibly, however, is one way that a new business can establish the positive credit history necessary to obtain bank loans at better rates in the future.

1) *The Wall Street Journal*, November 14, 2023

2) National Federation of Independent Business, October 2023

3) 2022 Small Business Credit Survey, Federal Reserve, 2023

4) U.S. Small Business Administration, 2022

---

## IMPORTANT DISCLOSURES

Accredited Wealth Management provides this information for educational purposes only; it is not intended to be specific to any individual's personal circumstances.

To the extent that this material concerns tax matters, it is not intended or written to be used, and cannot be used, by a taxpayer for the purpose of avoiding penalties that may be imposed by law. Each taxpayer should seek independent advice from a tax professional based on his or her individual circumstances. To the extent that this material concerns legal matters, individuals should consult the appropriate legal counsel given their particular situation.

These materials are provided for general information and educational purposes based upon publicly available information from sources believed to be reliable—we cannot assure the accuracy or completeness of these materials. The information in these materials may change at any time and without notice.