

# 2020 VIRTUAL WEALTH MANAGEMENT FORUM

October 15, 2020

# ECONOMIC AND MARKET OUTLOOK

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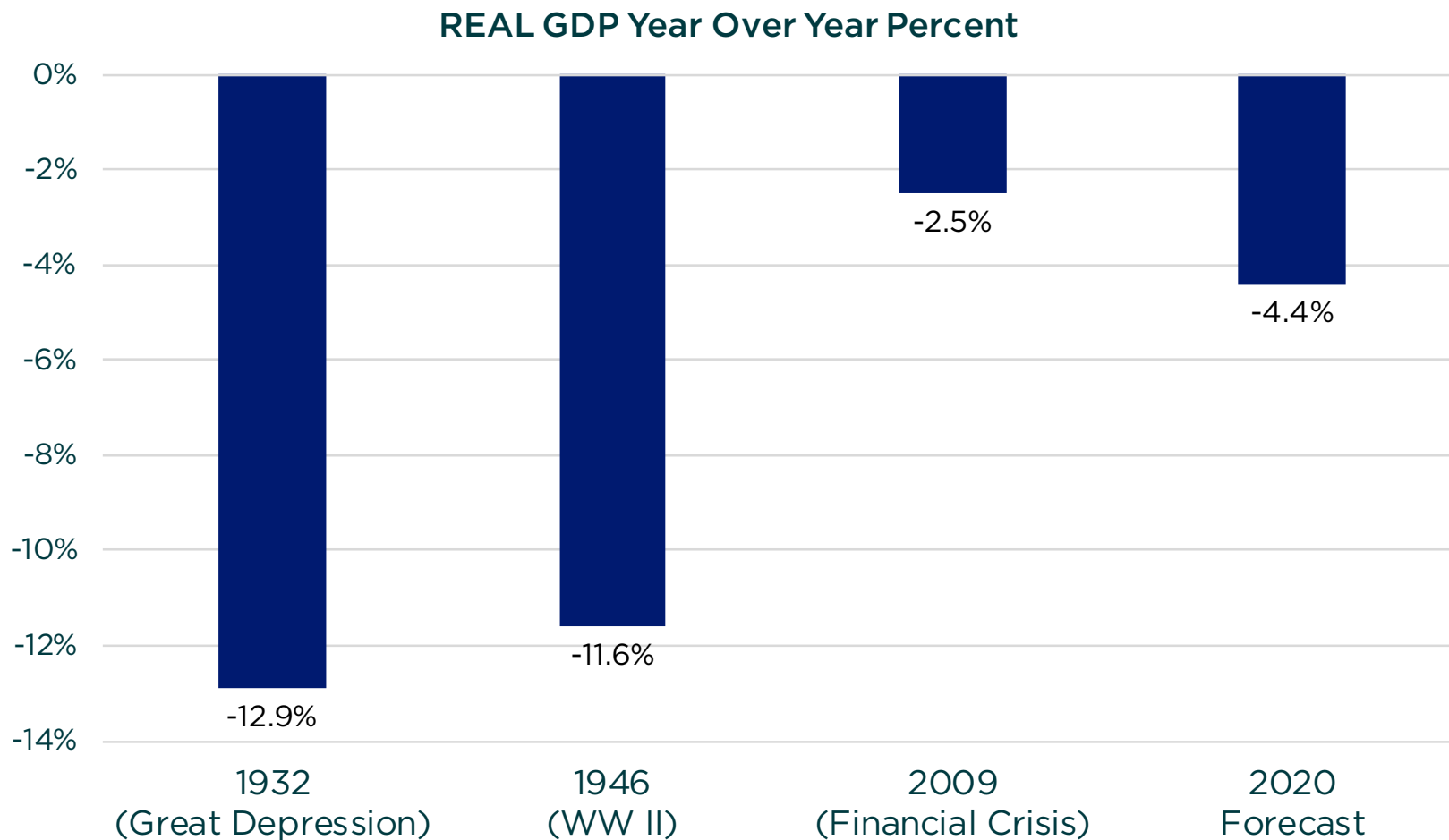
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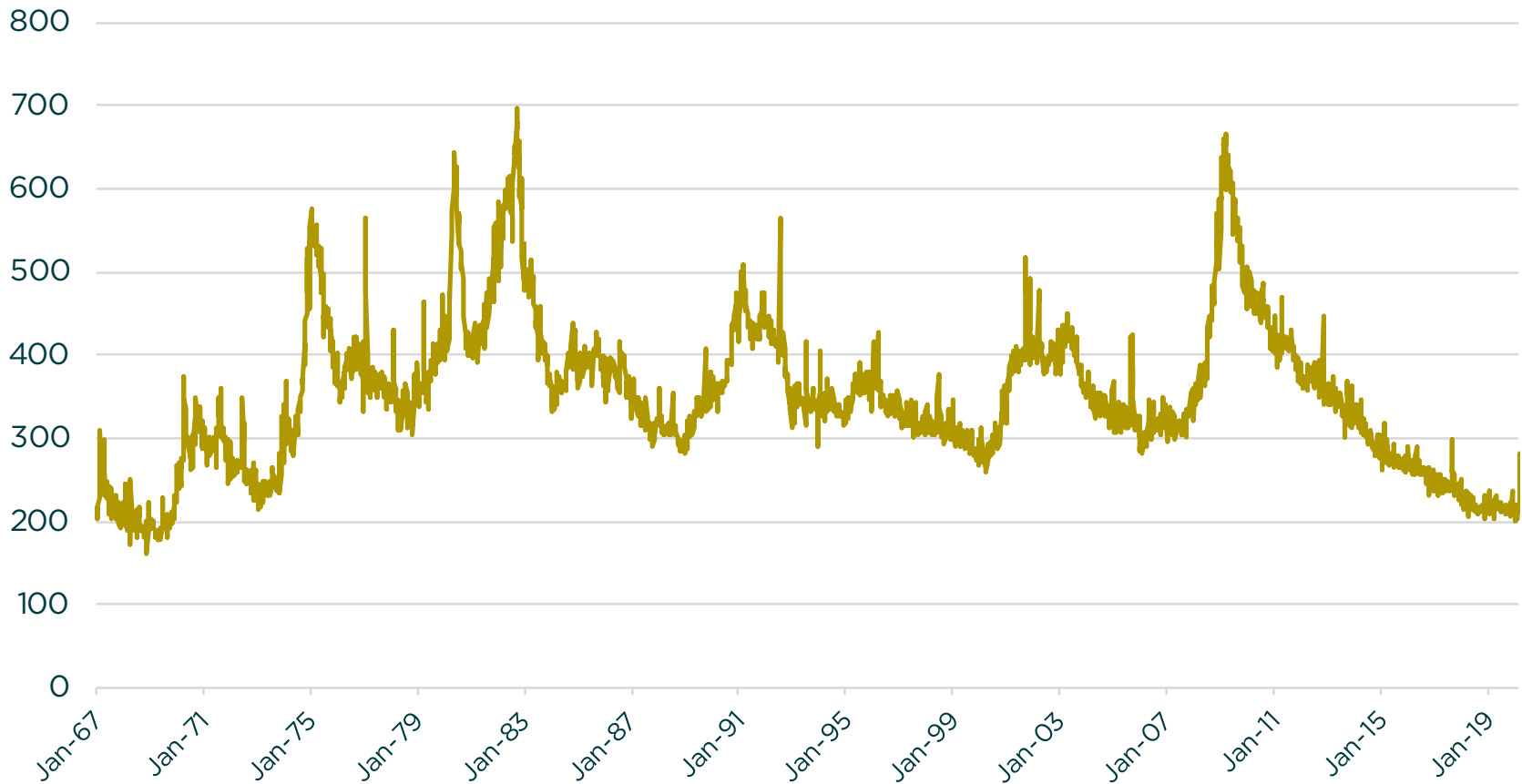
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INVESTMENT COUNSEL

## 2020 RECESSION IN CONTEXT



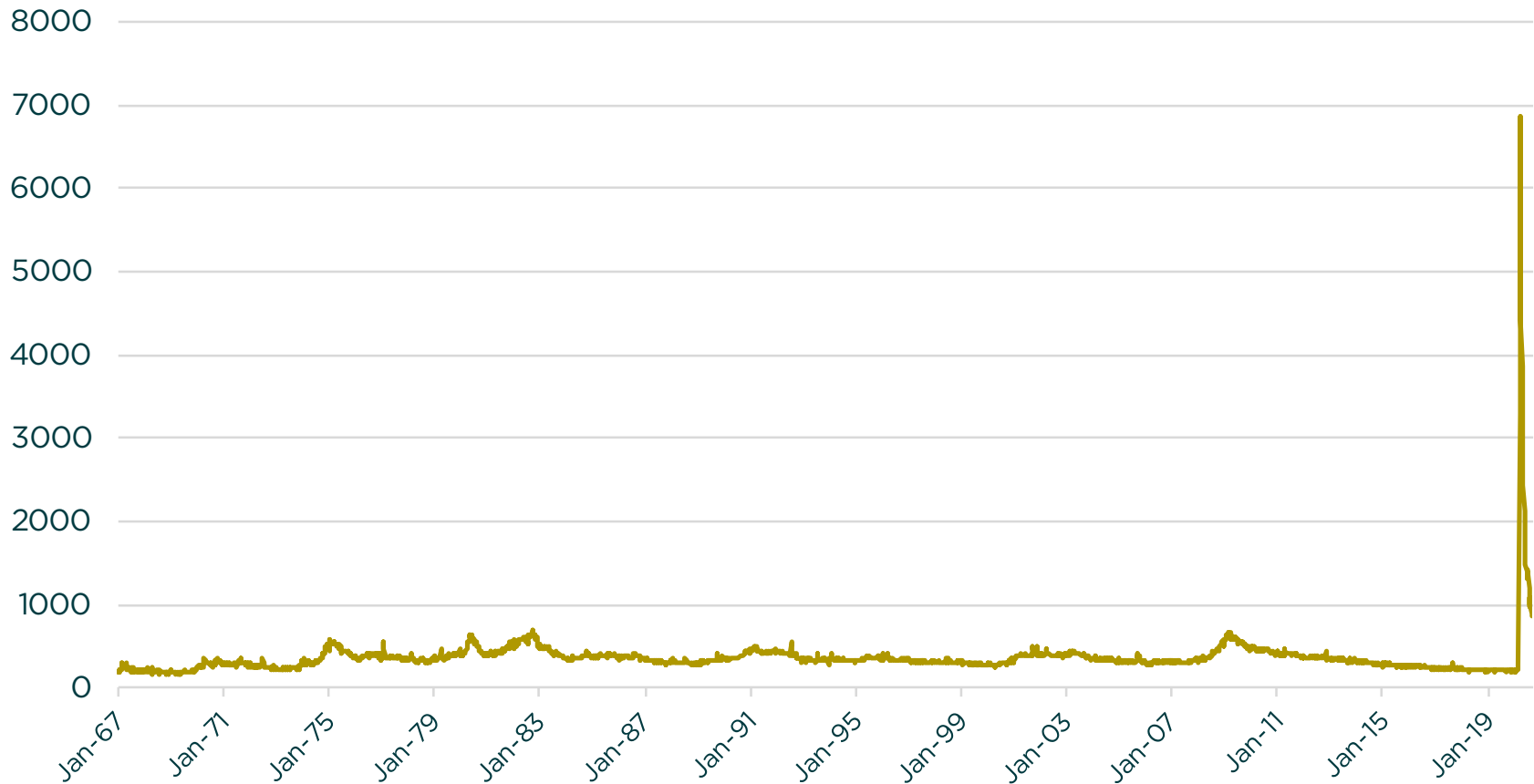
# UNPRECEDENTED JOB LOSS

INITIAL JOBLESS CLAIMS (000'S)



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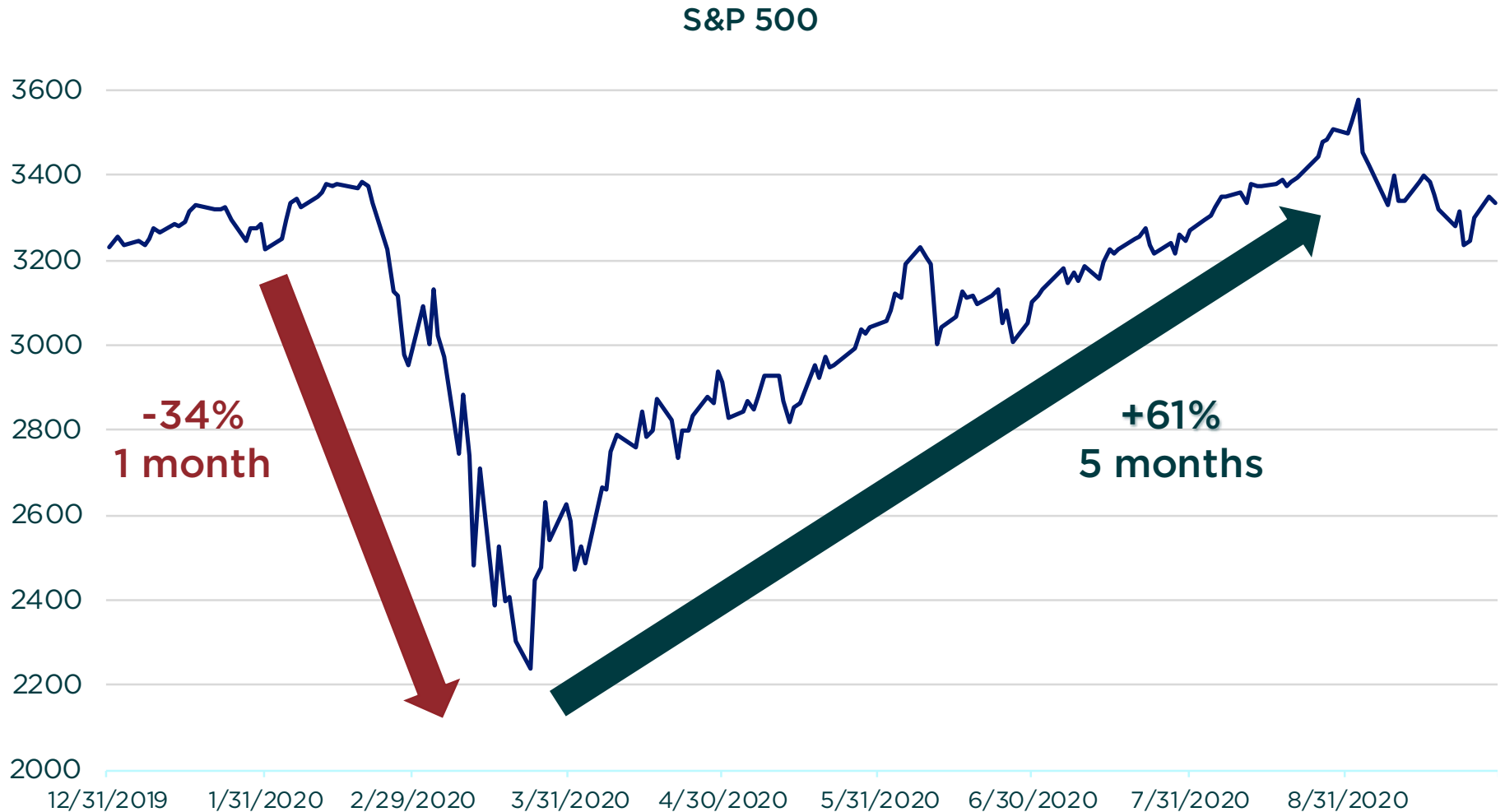
INITIAL JOBLESS CLAIMS (000'S)





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# A VOLATILE YEAR FOR THE MARKET



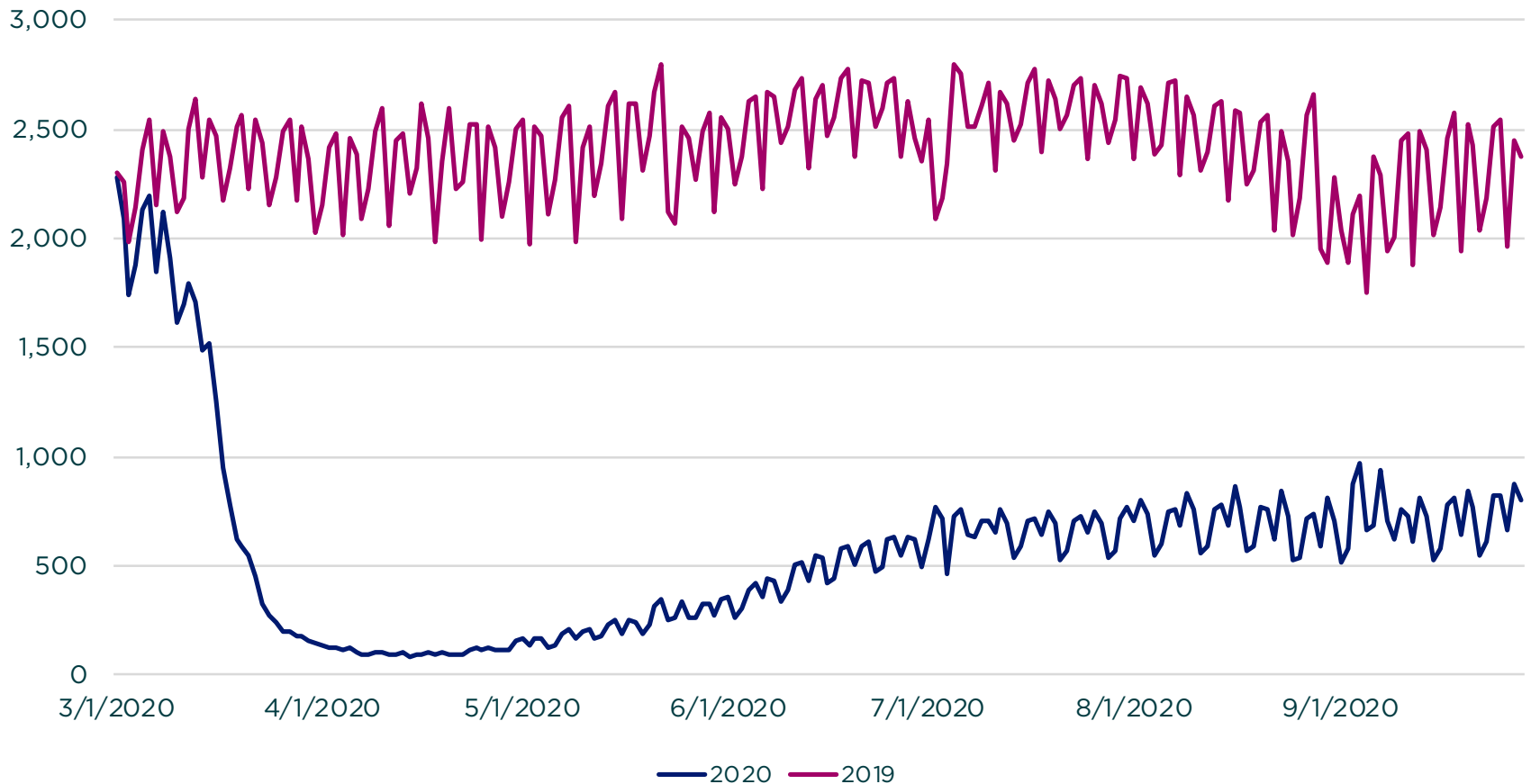




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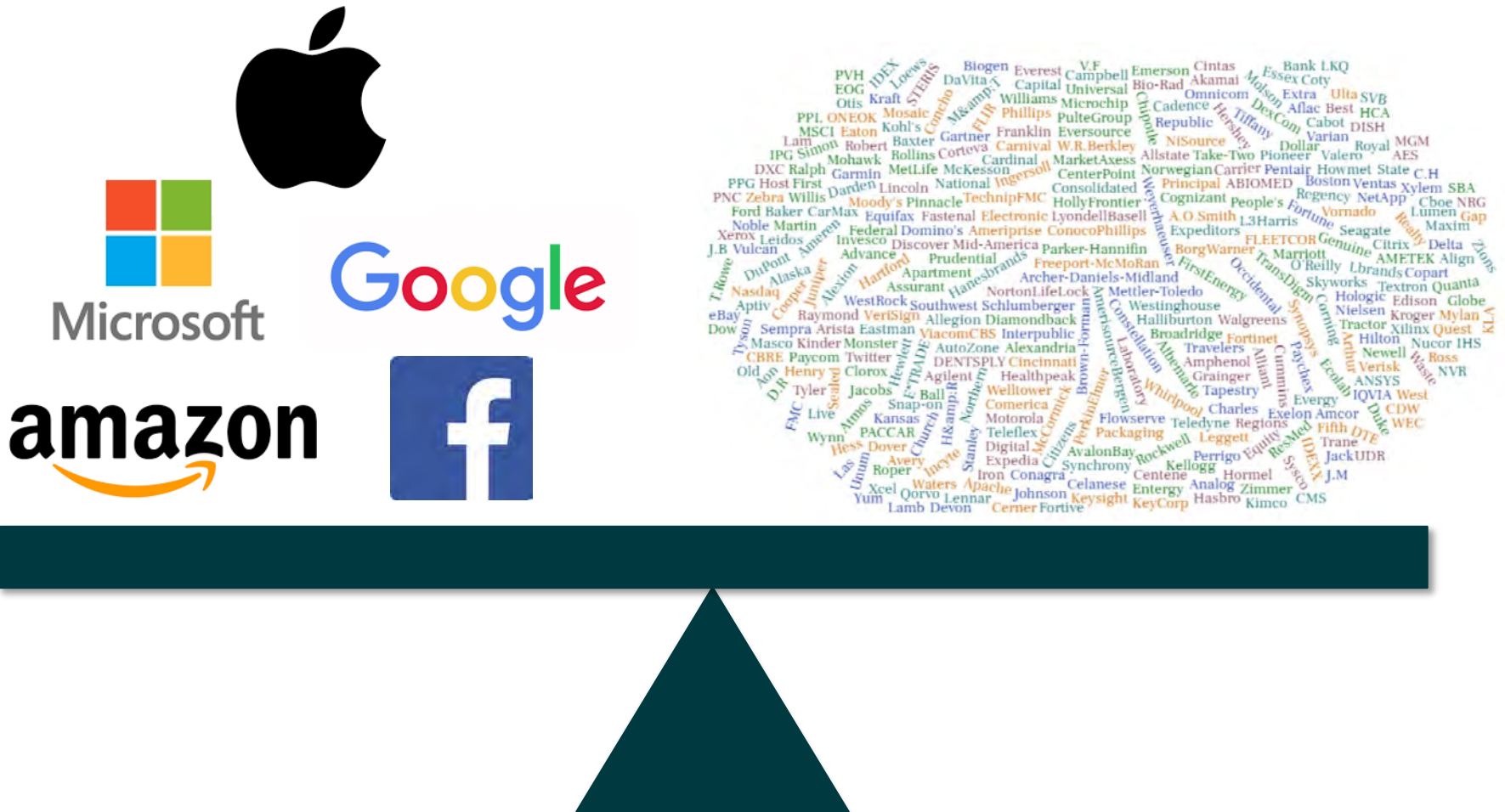
# ECONOMIC REOPENING - ARE WE THERE YET?

DOMESTIC TSA CHECKPOINT ACTIVITY (000's)





# THE MARKET IS HISTORICALLY CONCENTRATED

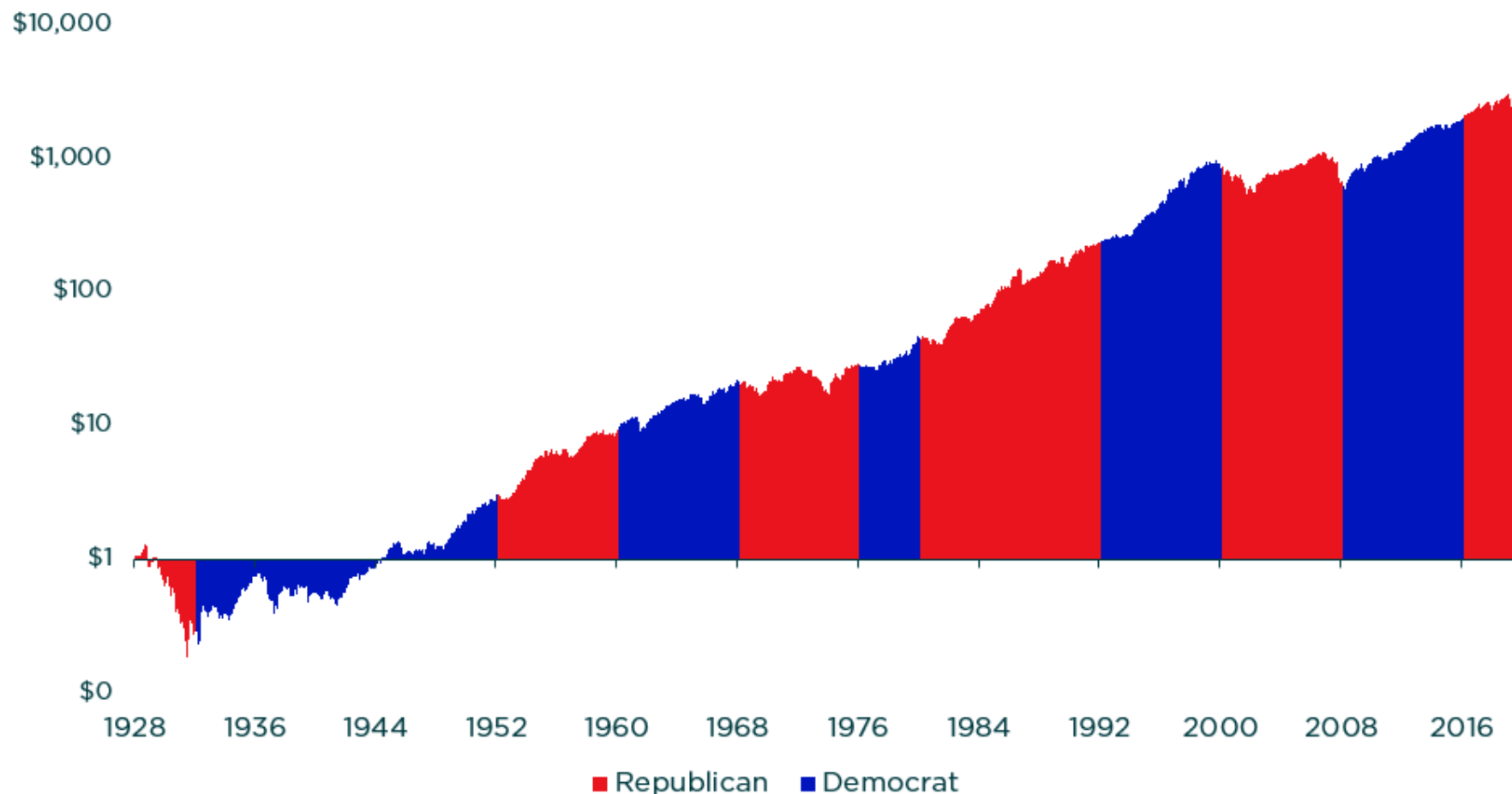




# THE WHITE HOUSE DOESN'T DRIVE THE MARKET

## GROWTH OF A DOLLAR INVESTED IN THE S&P 500

January 1928 - September 2020





# OVERVIEW OF CONTRASTING TAX PLANS

Mary P. Burns, Esq.

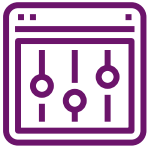
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## BIDEN TAX PROPOSALS VERSUS CURRENT LAW



Raising top tax bracket from 37% to 39.6% on income over \$400,000



Capping itemized deductions at 28% of their value for high earners even with elimination of the SALT cap



Considering changes to 401(k) deduction to 26% capped maximum tax “credit”



Increase capital gains rate to ordinary income tax rate on income > \$1,000,000 ( $39.6\% + 3.8\% = 43.4\%$ ).  
Currently  $20\% + 3.8\% = 23.8\%$ .



6.2% Social Security payroll tax at \$400,000+ wages.  
Currently 6.2% on wages up to \$137,700.

## BIDEN TAX PROPOSALS VERSUS CURRENT LAW



Increase corporate tax rate to 28% with 15% minimum tax on large corporations. Currently 21% with no minimum tax.



Increase credit for child and dependents to \$8,000, or \$16,000 for two or more children (likely subject to income phaseouts). Currently \$3,584 for one child, \$5,920 for two children and \$6,660 for three or more children (subject to income phaseouts).



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## BIDEN TAX PROPOSALS VERSUS CURRENT LAW

- » Proposed elimination of the step-up in basis for inherited capital assets. Step-up in basis is currently allowed.
- » Federal estate tax exemption proposed to be lowered from \$11.58 million (for 2020) back to pre-tax reform levels (around \$5 million), which would subject more estates to the tax
  - NOTE: this is currently scheduled to occur at the end of 2025

# CURRENT FEDERAL GIFT AND ESTATE TAX

YEAR	GIFT TAX EXCLUSION	HIGHEST GIFT/ ESTATE TAX RATE	ESTATE TAX EXCLUSION
2013	\$5,250,000* (indexed)	40%	\$5,250,000* (indexed, minus Gift Tax Exclusion used)
2014	\$5,340,000* (indexed)	40%	\$5,340,000* (indexed, minus Gift Tax Exclusion used)
2015	\$5,430,000* (indexed)	40%	\$5,430,000* (indexed, minus Gift Tax Exclusion used)
2016	\$5,450,000* (indexed)	40%	\$5,450,000* (indexed, minus Gift Tax Exclusion used)
2017	\$5,490,000* (indexed)	40%	\$5,490,000* (indexed, minus Gift Tax Exclusion used)
2018	\$11,180,000* (indexed)	40%	\$11,180,000* (indexed, minus Gift Tax Exclusion used)
2019	\$11,400,000* (indexed)	40%	\$11,400,000* (indexed, minus Gift Tax Exclusion used)
2020	\$11,580,000* (indexed)	40%	\$11,580,000* (indexed, minus Gift Tax Exclusion used)

ANNUAL GIFT TAX EXCLUSION		
GIFTS	2019	2020
GIFTS PER PERSON	\$15,000	\$15,000
JOINT GIFTS BY SPOUSE	\$30,000	\$30,000

*\* Beginning in 2011, the Gift/Estate Tax Applicable Exclusion is portable between spouses, allowing the surviving spouse during lifetime, or the surviving spouse's estate, to apply the unused portion of a deceased spouse's Applicable Exclusion. As of 1/1/2026, the Exclusion returns to the 2017 Exclusion, adjusted for inflation (currently projected to be \$6,400,000 in 2026).*



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# YEAR END TAX PLANNING STRATEGIES



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## TIMING IS KEY

- » It's critical to proactively plan before year-end as many provisions and strategies end on December 31, 2020.
- » Don't Delay: even waiting until the last week of December might be too late to allow for processing, mail, etc.



## UNIQUE PLANNING OPPORTUNITIES IN 2020

- » Whether or not the RMD was taken and taxable within 2020, is where tax planning discussion should start
- » CARES Act waived requirement for distributions for many (but not all) so could be fantastic tax planning year as “window” of low income in 2020



## 2020 CARES ACT PLANNING STRATEGIES RMD AGE

- » Use this “low income” year to your advantage
- » Managing Capital Gains Income with Loss Harvesting
- » Re-Visit Roth Conversions
- » Qualified Charitable Distributions (QCD) still an option – even at 70½ and not 72



## 2020 PLANNING STRATEGIES NOT RMD AGE

- » Max out retirement and Health Savings Account (if available)
- » Charity AGI limitations “loosened up”
- » Coronavirus-related distributions available





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## SECURE ACT CONSIDERATIONS

- » Many provisions but major changes include:
  - Taxpayers over 70½ can now deduct Traditional IRA contributions with earned income, including spousal
  - RMDs for Traditional IRAs now can start at age 72 for those who turn 70½ AFTER 12/31/2019
  - 529 plan funds can now be used up to \$10,000 (lifetime limit) to pay down student loans
- » **The Big Change:** Meaningful change to the rules around “Stretch IRA”



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## INHERITED IRA – THEN & NOW

### Prior to SECURE Act:

- » Beneficiary of IRA could stretch IRA over lifetime
  - Continued deferral
  - Asset protection

### » SECURE Act:

- Beneficiary of IRA must withdraw assets from IRA and recognize income tax within 10 years
- 
- » Planning Ideas





## ESTATE PLANNING WITH IRA

- » To retain benefits that inherited IRA provided, consider directing IRA assets to trust
  - Asset protection
  - Deferral of payments



## ESTATE PLANNING WITH IRA

- » To retain benefits that inherited IRA provided, consider directing IRA assets to trust
  - Asset protection
  - Deferral of payments
- » Charity
  - DAA permitted at death







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# THANK YOU!

## SPEAKER CONTACT INFORMATION:

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