THE BRIGHT REPORT

A periodical brought to you by Bright Wealth Management

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2nd Quarter 2022

Key Retirement and Tax Numbers for 2022

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 2022.

Estate, Gift, and Generation-Skipping Transfer Tax

- The annual gift tax exclusion (and annual generation-skipping transfer tax exclusion) for 2022 is $16,000, up from $15,000 in 2021.
- The gift and estate tax basic exclusion amount (and generation-skipping transfer tax exemption) for 2022 is $12,060,000, up from $11,700,000 in 2021.

Standard Deduction

Taxpayers can generally choose to itemize certain deductions or claim a standard deduction on their federal income tax returns. In 2022, the standard deduction is:

- $12,950 (up from $12,550 in 2021) for single filers or married individuals filing separate returns
- $25,900 (up from $25,100 in 2021) for married joint filers
- $19,400 (up from $18,800 in 2021) for heads of household

The additional standard deduction amount for the blind and those age 65 or older in 2022 is:

- $1,750 (up from $1,700 in 2021) for single filers and heads of households
- $1,400 (up from $1,350 in 2021) for all other filing statuses

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

IRAs

The combined annual limit on contributions to traditional and Roth IRAs is $6,000 in 2022 (the same as in 2021), 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 chart). For individuals who are covered by a workplace retirement plan, the deduction for contributions to a traditional IRA also phases out for certain MAGI ranges (see chart). The limit on nondeductible contributions to a traditional IRA is not subject to phaseout based on MAGI.

MAGI Ranges: Contributions to a Roth IRA

	2021	2022
Single/Head of household	$125,000–$140,000	$129,000–$144,000
Married filing jointly	$198,000–$208,000	$204,000–$214,000
Married filing separately	$0–$10,000	$0–$10,000

MAGI Ranges: Deductible Contributions to a Traditional IRA

	2021	2022
Single/Head of household	$66,000–$76,000	$68,000–$78,000
Married filing jointly	$105,000–$125,000	$109,000–$129,000

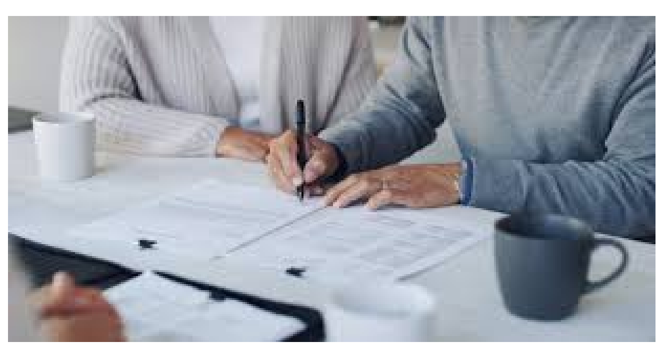
Note: *The 2022 phaseout range is $204,000–$214,000 (up from $198,000–$208,000 in 2021) when the individual making the IRA contribution is not covered by a workplace retirement plan but is filing jointly with a spouse who is covered. The phaseout range is $0–$10,000 when the individual is married filing separately and either spouse is covered by a workplace plan.*

Employer Retirement Plans

- Employees who participate in 401(k), 403(b), and most 457 plans can defer up to $20,500 in compensation in 2022 (up from $19,500 in 2021); employees age 50 or older can defer up to an additional $6,500 in 2022 (the same as in 2021).
- Employees participating in a SIMPLE retirement plan can defer up to $14,000 in 2022 (up from $13,500 in 2021), and employees age 50 or older can defer up to an additional $3,000 in 2022 (the same as in 2021).

Kiddie Tax: Child's Unearned Income

Under the kiddie tax, a child's unearned income above $2,300 in 2022 (up from $2,200 in 2021) is taxed using the parents' tax rates.



$352,700

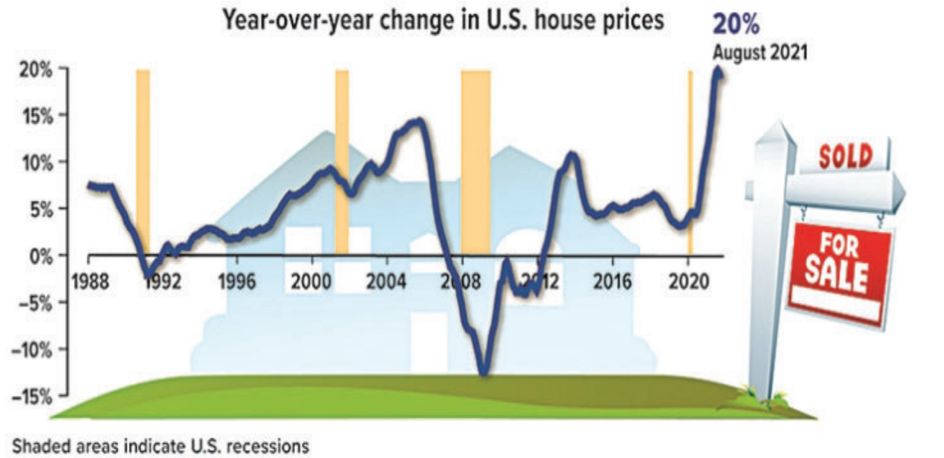
National median price of an existing home in October 2021. This was lower than median prices in the summer, but higher than September. The West was the most expensive region with a median price of $507,200, followed by the Northeast ($379,100), South ($313,600), and Midwest ($259,500).

Source: National Association of Realtors, 2021

Home Prices Have Risen at Record Pace

U.S. home prices rose 20% during the 12 months ending in August 2021 as buyer demand far exceeded the supply of dwellings for sale. This was the largest annual price increase in the history of the monthly S&P/Case-Shiller U.S. National Home Price Index going back to 1988. The index continued strong growth at a slightly slower pace in the fall, typically a time when the market takes a breather.

Home prices fell during most past recessions, but the housing market has been anything but normal since the pandemic began in 2020. In many cities, builders struggle to build enough homes to meet the demand driven by low interest rates, a desire for more space while working and schooling at home, and the aging of millennials into homeownership. This trend was amplified by labor shortages and spiking material costs in 2021.



Sources: S&P Dow Jones Indices, 2021 (data for the period January 1988 to October 2021); The Wall Street Journal, July 27, 2021; National Association of Realtors, November 17, 2021

24.3 million

Estimated number of 401(k) accounts left with former employers as of May 2021, with 2.8 million more left behind each year. If you retirement assets with a former employer, you can leave them in the plan. But for more control, you can roll your assets to an IRA or to a new employer plan (if allowed) —both of which can preserve tax-advantaged status — or cash out, which will typically incur income taxes.

Source: Financial Planning, August 31, 2021

Where Are the Workers?

The labor force participation rate — the percentage of Americans age 16 and older who are working or actively looking for work — peaked in early 2000, when it began to drop due to aging baby boomers and more young people in college. Participation was rising before plummeting at the onset of the pandemic.
The rate has only partially recovered due in large part to accelerated retirement among workers age 55 and older. Other reasons include fewer child-care workers, reduced immigration, and many workers unwilling to return to low-paying jobs. Some experts believe it may never return to pre-pandemic levels. The question for the U.S. economy is whether technology and other productivity measures can maintain economic growth with a smaller percentage of the population in the workforce.

Sources: U.S. Bureau of Labor Statistics, 2016 & 2022; The Wall Street Journal, October 14, 2021; CNN, December 15, 2021