

## 4th Quarter 2023

What you get with the team at Bright Wealth Management is a group of diverse and highly trained financial advisors all focused on one thing: You. If you would like to learn more about Bright Wealth Management and how we work with our clients, please give us a call or send an email. We would welcome the opportunity to work with you.



**\$3,822**

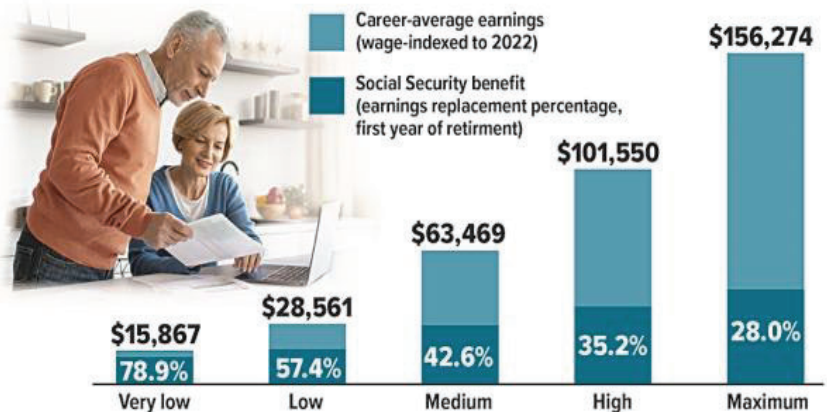
**Maximum monthly Social Security benefit for someone who claims benefits at full retirement age in 2024. Someone who claims at age 62 in 2024 would only be eligible for a maximum of \$2,710, while a claimant who delayed to age 70 could receive a maximum of \$4,873. To receive the maximum benefit, you must earn the maximum income subject to Social Security tax for each of your 35 highest-earning years. This is indexed for inflation and has ranged from \$25,900 in 1980 to \$168,600 in 2024.**

Source: Social Security Administration, 2023

## How Much Income Does Social Security Replace?

Social Security can play an important role in funding retirement, but it was never intended to be the only source of retirement income. The Social Security benefit formula is based on a worker's 35 highest-earning years (indexed for inflation), and the percentage of pre-retirement income replaced by the benefit is lower for those with higher earnings, reflecting the assumption that higher earners can fund retirement from other sources.

Here are replacement rates — based on five levels of earnings — for someone who claims benefits at full retirement age (FRA) in 2024 (i.e., born in 1958 and claiming at age 66 and 8 months). Rates would be similar for those who claim at FRA in other years.



Source: Social Security Administration, 2023 (Rates are based on scheduled benefits under current law and may be significantly lower in the future if Congress does not address the Social Security shortfall.)

All information provided herein is for informational purposes only and should not be relied upon to make an investment decision. This presentation is neither an offer to sell, nor a solicitation of any offer to buy any securities, investment products, or investment advisory service. The presentation is being furnished on a confidential basis to the recipient. The information herein contains forward looking statements and projections representing the current assumptions and beliefs based on information available to Bright Wealth Management, LLC at time of publishing. This information included is believed to be reasonable, reliable and accurate, (however no representation is made with respect to the accuracy and completeness of such data) and is the most recent information available (unless otherwise noted). However, all the information herein, and such beliefs, statements and assumptions are subject to change without notice. All statements made involve risk, uncertainties and are assumptions. Investors may not put undue reliance on any of these statements. There is no guarantee that the market will move in any direction, as there is no way to predict with certainty future market behavior. Due to rapidly changing market conditions and the complexity of investment decisions, supplemental information and other sources may be required to make an informed investment decision based on individual objectives and suitability.

# Year-End 2023 Tax Tips

Here are some things to consider as you weigh potential tax moves before the end of the year.

## Set Aside Time to Plan

Effective planning requires that you have a good understanding of your current tax situation, as well as a reasonable estimate of how your circumstances might change next year. There's a real opportunity for tax savings if you'll be paying taxes at a lower rate in one year than in the other. However, the window for most tax-saving moves closes on December 31, so don't procrastinate.

## Defer Income to Next Year

Consider opportunities to defer income to 2024, particularly if you think you may be in a lower tax bracket then. For example, you may be able to defer a year-end bonus or delay the collection of business debts, rents, and payments for services in order to postpone payment of tax on the income until next year.

## Accelerate Deductions

Look for opportunities to accelerate deductions into the current tax year. If you itemize deductions, making payments for deductible expenses such as qualifying interest, state taxes, and medical expenses before the end of the year (instead of paying them in early 2024) could make a difference on your 2023 return.

## Make Deductible Charitable Contributions

If you itemize deductions on your federal income tax return, you can generally deduct charitable contributions, but the deduction is limited to 50% (currently increased to 60% for cash contributions to public charities), 30%, or 20% of your adjusted gross income, depending on the type of property you give and the type of organization to which you contribute. (Excess amounts can be carried over for up to five years.)

## Increase Withholding

If it looks as though you're going to owe federal income tax for the year, consider increasing your withholding on Form W-4 for the remainder of the year to cover the shortfall. The biggest advantage in doing so is that withholding is considered as having been paid evenly throughout the year instead of when the dollars are actually taken from your paycheck.

## Save More for Retirement

Deductible contributions to a traditional IRA and pre-tax contributions to an employer-sponsored retirement plan such as a 401(k) can help reduce your 2023 taxable income. If you haven't already contributed up to the maximum amount allowed, consider doing so. For 2023, you can contribute up to \$22,500 to a 401(k) plan (\$30,000 if you're age 50 or older) and up to \$6,500 to traditional and Roth IRAs combined (\$7,500 if you're age 50 or older). The window to make 2023 contributions to an employer plan generally closes at the end of the year, while you have until April 15, 2024, to make 2023 IRA contributions. (Roth contributions are not deductible, but qualified Roth distributions are not taxable.)

## Take Any Required Distributions

If you are age 73 or older, you generally must take required minimum distributions (RMDs) from your traditional IRAs and employer-sponsored retirement plans (an exception may apply if you're still working for the employer sponsoring the plan). Take any distributions by the date required — the end of the year for most individuals. The penalty for failing to do so is substantial: 25% of any amount that you failed to distribute as required (10% if corrected in a timely manner). Beneficiaries are generally required to take annual distributions from inherited retirement accounts (and under certain circumstances, a distribution of the entire account 10 years after certain events, such as the death of the IRA owner or the beneficiary); there are special rules for spouses.

## Weigh Year-End Investment Moves

Though you shouldn't let tax considerations drive your investment decisions, it's worth considering the tax implications of any year-end investment moves. For example, if you have realized net capital gains from selling securities at a profit, you might avoid being taxed on some or all of those gains by selling losing positions. Any losses above the amount of your gains can be used to offset up to \$3,000 of ordinary income (\$1,500 if your filing status is married filing separately) or carried forward to reduce your taxes in future years.

## More to Consider

Here are some other things to consider as part of your year-end tax review.

### Consider postponing income and/or accelerating deductions if



You expect to be in a lower tax bracket next year (perhaps you'll retire next year)



Your itemized deductions are greater than the standard deduction this year



You want to delay payment of tax

### Consider accelerating income and/or postponing deductions if



You expect to be in a higher tax bracket next year (perhaps you have a lower income this year)



The standard deduction is greater than your itemized deductions this year



You're subject to alternative minimum tax this year and certain deductions are disallowed