The Shobe Financial Group

Planning for Your Wealth

4th Quarter 2022

Make Your Final Tax Saving Moves Before Dec. 31

Proactive investors know that the months before year-end can be an ideal time to make strategic adjustments.

While keeping your long-term investment goals in mind, it is beneficial to meet with your advisor and coordinate with your tax professional to examine anything that could impact your typical year-end planning.

In This Issue:

Mind your RMDs

Be thoughtful about required minimum distributions (RMDs) to ensure that you comply with the rules—especially as some of those rules have shifted throughout the course of the pandemic.

Here are a few reminders for distribution planning in the future:

- RMDs can be automated with your advisor to help ensure you don't miss applicable deadlines.
- Your first RMD can be delayed until April 1 of the year after you turn 72. If you delay, however, you must also take your second RMD in the same tax year. This can inflate your income, which may affect your tax bracket.
- Subsequent RMDs must be taken no later than December 31 of each calendar year.
- Qualified charitable distributions allow traditional IRA owners who transfer RMDs to qualified charities to exclude the amount donated from their adjusted gross incomes, up to $100,000,
- Be mindful of how taking a distribution will impact your taxable income or tax bracket. If you have space left in your bracket or a down income year, you may want to consider taking additional distributions.

To Harvest or Not to Harvest

Evaluate whether you could benefit from tax-loss harvesting—selling a losing investment to offset gains. The first $3,000 (single or married filing jointly) offsets ordinary income. Excess losses also can be carried forward to future years. With your advisor, examine the following subtleties when aiming to lower your tax bill:

- Short-term gains are taxed at a higher marginal rate; aim to reduce those first.
- Don't disrupt your long-term investment strategy when harvesting losses.
- Be aware of "wash sale" rules that affect new purchases before and after the sale of a security. If you sell a security at a loss but purchase another "substantially identical" security—within 30 days before or after the sale date—the IRS likely will consider that a wash sale and disallow the loss deduction. The IRS will look at all of your accounts—401(k), IRA, etc.—when determining if a was sale occurred.

Manage Your Income and Deductions

Those at or near the next tax bracket should pay close attention to anything that might bump them up and plan to reduce taxable income before the end of the year.

- Determine if it makes sense to accelerate deductions or defer income, potentially allowing you to minimize your current tax liability. Some companies may give you an opportunity to defer bonuses and so forth into a future year as well.
- Certain retirement plans also can help you defer taxes. Contributing to a traditional 401(k) allows you to pay income tax only when you withdraw money from the plan in the future, at which point your income and tax rate may be lower or you may have more deductions available to offset the income.
- Evaluate your income sources— earned income, corporate bonds, municipal bonds, qualified dividends, etc.—to help reduce the overall tax impact.

Shobe Current News

We are happy to welcome four new members to our team!

Mollie Kimrey

Office Manager

Robyn Valliant

Financial Services Administrator

Jackie Welch

Office Administrator

Barrett Blanchard

Financial Services Associate

Evaluate Life Changes

From welcoming a new family member to moving to a new state, any number of life changes may have impacted your circumstances over the past year. Bring your financial advisor up to speed on major life changes and ask how they could affect your year-end planning

- Moving can significantly impact tax and estate planning, especially if you've relocated from a high income tax state to a low income tax state, from a state with a state income tax to one without (or vice versa), or if you've moved to a state with increased asset protection. Note that moving expenses themselves are no longer deductible for most taxpayers.
- Give thought to your family members' life changes as well as your own—job changes, births, deaths, weddings and divorces, for example, can all necessitate changes—and consider updating your estate documents accordingly.

Next Steps

Consider these to-do's as you prepare to make the most out of year-end financial moves, and discuss with your financial advisor and tax professional:

- Manage your income and deductions, paying close attention to your marginal tax bracket.
- Evaluate your investments, keeping in mind whether you could benefit from tax-loss harvesting.
- Make a list of the life changes you and your family have experienced during the year.

**Withdrawals prior to the age 59 1/2 may also be subject to a 10% federal penalty tax. RMDs are generally subject to federal income tax and may be subject to state taxes. Consult your tax advisor to assess your situation. Raymond James does not provide tax or legal services. Please discuss these matters with the appropriate professional.*

Shobe Tech Corner

Protecting Your Data

Phones (and other personal devices) are a main target this year.

1. Do not open links from people you don't know (in text or email)
2. If you get a message that appears it is from someone you know, but it includes a link or an attachment that is unlikely to come from this person, do not open it. Cybercriminals can spoof an email or phone number so the message LOOKS like it is coming from someone you know, but it is not.
3. Do not provide any personal information to anyone through an email or text link. Call instead.
4. Do not enter your password from a link that was sent.

They can gain access to all data on your phone (including apply pay, google wallet, etc.)

On your apps, limit access to only the data the app needs. The app WILL still work. As an example, pandora does not need to know your location. Zoom DOES need access to your camera and mic, but not your location. It is a tedious process, but it is important that you go through each app (through "settings") to limit access on each app to only the data or tools required.

More security recommendations:

1. Do not use your work email address for anything other than work.
2. Do not re-use passwords.
3. If possible, do not use a public Wi-Fi.

Five Tips to Avoid Getting Scammed at Tax Time

Tax season is a prime chance for fraudsters to make their move. Learn how to recognize some key strategies to watch out for.

1. Get your IRS online account set up.

The No. 1 thing you can do to protect yourself is to sign up for an online IRS account. Your account will give you the clearest picture of balances owed, payment plans, tax records, past tax years, authorizations from your accountant or tax preparer, any additional taxes on qualifies plans or other tax-favored accounts, shared responsibility payments, and trust fund recovery penalties. You'll be required to go through an extensive process to verify your identity and create an Identity Protection PIN through the IRS secure site—an additional layer of protection for you against tax fraud and identity theft.

TIP: *irs.gov is the official website for the IRS. If you get a communication from irs.com, irs.net, irs.org or any other website, you'll know immediately it is not a legitimate request.*

2. Don't answer

The IRS will never initiate contact with you through phone calls, texts, social media, direct messages or emails. It always contacts you by letter first if you owe money. The only exceptions may be if you are undergoing a criminal investigation or if you haven't filed at all. The IRS does not demand immediate payment or leave you prerecorded or threatening voicemail messages either. If you receive any kind of call like this, do not give out any information. Instead hang up and immediately report it to the Federal Trade Commission.

TIP: *Since criminals can now "spoof" IRS phone numbers, don't let the fact that it appears to be a legitimate IRS number sway you. If they demand payment or ask for identifying information, hang up.*

3. Beware of ghosts

"Ghost" tax preparers have an easily identifiable hallmark – they don't sign the tax return they have prepared. They might also require you to pay them in cash, invent fake income or deductions, or try to direct refunds into their own account – not yours.

TIP: All tax preparers are required by federal law to have a preparer identification number they include with their signature on the tax return.

4. Look out for fake charities

Fraudsters posing as charities are a classic scam at tax season. They may ask you for identifying information and push the fact that you can reduce your tax burden by donating. However, any legitimate charity operating in the U.S. must have an Employer Identification Number it will happily provide to you. If you don't get one, don't donate.

5. Be on Guard

Fraudsters escalate activity around tax time, especially to seniors and non-native English speakers. Anything at all that seems strange or confusing and is asking for your personal identity information is a red flag. Don't be afraid to ask questions. Your advisor and tax pro may track the latest scams and have insight to share. Remember, it's not personal – it's just that tax scam time of year.

Raymond James and its advisors do not offer tax or legal advice. You should discuss any tax or legal matters with the appropriate professional.

One Oak Square | 8280 YMCA Plaza Drive, #4 | Baton Rouge, LA 70810
225.763.7010 | 800.942.2777 | fax 225.763.7040
www.shobe.com