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# Online Advisor - December 2022

## Upcoming dates:

### Dec. 18 to Dec. 26

- Hanukkah

### December 25

- Christmas Day

### December 26

- Kwanzaa begins

### January 17

- 4th Quarter Estimated Payments Due

## Take final year-end actions

- Deductible gifts
- Capital gains/losses
- Itemized deductions
- Dividend income

With the hustle and bustle of the holiday season, it's easy to overlook that tax season is right around the corner. To help you make the most of potential tax saving moves before the end of 2022, this month's newsletter features several year-end tax cutting ideas.

Plus, read about how to protect yourself from identity thieves during the upcoming tax season, and how to look at whether it is time to replace your old vehicle versus paying for another costly repair.

Please feel free to forward this newsletter to someone who may be interested in a topic and call with any questions you may have.

## Year-End Tax Cutting Ideas

Here are moves you can make to reduce your taxable income. But the year is quickly coming to a close, so plan accordingly.

- **Tax loss harvesting.** If you own stock outside a tax-deferred retirement plan, you can sell your under-performing stocks by December 31st and use these losses to reduce any taxable



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capital gains. If your net capital losses exceed your gains, you can net up to \$3,000 against other income such as wages. Losses over \$3,000 can be used in future years.

- **Selling appreciated assets.** Planfully sell appreciated assets in the tax year that helps you the most. While this strategy may be hard to accomplish this late in the year, it is still worthy of consideration. To do this, estimate your current year taxable income and compare it to next year's projected income. Then sell the appreciated asset in the year that will yield the lowest tax. Remember to account for the 3.8% net investment income tax in your estimates.
- **Max out pre-tax retirement savings.** The deadline to contribute to a 401(k) plan for a 2022 taxable income reduction is December 31st. So if your employer's plan allows it, consider making a last-minute lump sum contribution. For 2022, you can contribute up to \$20,500 to a 401(k), plus another \$6,500 if you're age 50 or older. Even better, you have until April 18, 2023, to contribute up to \$6,000 into a traditional IRA. And as long as your income does not exceed phaseout limits, you can reduce your taxable income on your 2022 tax return.
- **Bunch deductions so you can itemize.** If your personal deductions are near the following standard deduction amounts for 2022: \$12,950 for singles, \$19,400 for head of household, and \$25,900 for married filing joint, consider bringing some of 2023's spending into 2022 so you can itemize this year. For most, the easiest way is to do this is to make 2023's planned charitable contributions before the end of 2022. You can also include gifts of appreciated stock where you get to deduct the fair market value without paying capital gains tax.
- **Review health spending accounts.** If you participate in a Health Savings Account (HSA), try to maximize your annual contribution to reduce your taxable income. Remember, these funds allow you to pay for qualified health expenses with pre-tax dollars. More importantly, unlike Flexible Spending Accounts (FSA), you can carry over all unused funds into future years. If you do have an FSA, you can carry forward a maximum of \$570 from 2022 into 2023. The deadline for contributing to your Health Savings Account (HSA) and still getting a deduction for the 2022 tax year is April 18, 2023. The maximum contribution for 2022 is \$3,650 if single and \$7,300 for married couples.

While the year is quickly coming to an end, there is still time to reduce your 2022 tax liability, but only if you act now.

## Identity Thieves Love Tax Season

The vast amount of information shared online during tax season makes it a haven for identity thieves, and they're doing everything they can to take advantage of the opportunity! Here are several ways



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that identity thieves are targeting you, common signs of ID theft and steps to take if you become a victim.

## How Identity Thieves Target You

- **Impersonating the IRS.** Thieves calling you and claiming to be the IRS will try and intimidate you into making an immediate payment using a gift card or wire service. Remember, the IRS will physically mail you a letter as a means of first contact. And the IRS will never call you to demand an immediate payment.
- **Filing a fraudulent tax return.** Identity thieves often try to file a tax return using your Social Security number before you do. So consider filing your tax return as quickly as you can to beat identity thieves at their own game.
- **Phishing schemes.** Be on the lookout for unsolicited emails, texts and social media posts that prompt you to share personal and financial information. These messages could also contain viruses, spyware or other malware that could infect your electronic devices.

## Common signs of ID theft

Here are some of the common signs of identity theft according to the IRS:

- In early 2023, you receive a refund before filing your 2022 tax return.
- You receive a tax transcript you didn't request from the IRS.
- A notice that someone created an IRS online account without your consent.
- You find out that more than one tax return was filed using your Social Security number.
- You receive tax documents from an employer you do not know.

Other signs of identity theft include:

- Unexplained withdrawals on bank statements.
- Mysterious credit card charges.
- Your credit report shows accounts you didn't open.
- You are billed for services you didn't use or receive calls about phantom debts.

## What you can do

If you discover that you're a victim of identity theft, consider taking the following action:

- **Notify creditors and banks.** Most credit card companies offer protections to cardholders affected by ID theft. You can generally avoid liability for unauthorized charges exceeding \$50. But if your ATM or debit card is stolen, report the theft immediately to avoid dire consequences.



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- **Place a fraud alert on your credit report.** To avoid long-lasting impact, contact any one of the three major credit reporting agencies—Equifax, Experian or TransUnion—to request a fraud alert. This alert covers all three of your credit files.
- **Report the theft to the Federal Trade Commission (FTC).** Visit [identitytheft.gov](https://www.ftc.gov) or call 877-438-4338. The FTC will provide a recovery plan and offer updates if you set up an account on the website.
- **Please call if you suspect any tax-related identity theft.** If any of the previously mentioned signs of tax-related identity theft have happened to you, please call to schedule an appointment to discuss next steps.

## Fork in the Road: Repair or Replace Your Vehicle

Deciding whether to put more money into an aging car or to replace it with a new or used vehicle is rarely a simple decision. Plus skyrocketing vehicle prices and economic uncertainty are making the decision process even tougher.

### Signs it is time to replace your car

To help you decide if it is time to replace your vehicle, look for these signs:

- The kids would rather walk miles to their friend's house than ride in the car.
- Your oil bill is higher than your gas bill.
- The mechanic names a repair bay after you.
- Your employer politely asks you to park next door.
- The sound of the engine causes tornado sirens to blare.

If none of these apply to you, congratulations! Your car might still be street legal, but there are other things to consider. All joking aside, making the final call can be difficult. Here's a few helpful ideas:

### Making an informed decision

- **Determine your risk threshold.** No one wants to live in constant fear of being stranded or being in an accident because something in the car gave out. Reliability needs to be considered for every car, but especially if the typical route is remote, dangerous or unpredictable. It is even more important if you live in an extreme climate that is either very hot or very cold.
- **Take newer car costs into account.** While the idea of a newer, shinier car sounds nice, make sure you are counting all the costs – especially if you need to add a car payment.



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Beyond the monthly principal and interest, keep in mind that insurance and annual registrations will likely be higher, too.

### **Spend some time with the numbers**

While a new, shiny car is fun, all too often it can create future financial hardship. So also consider the long-term financial impact of your decision. This includes:

- **Used versus new car.** Used cars typically give you the best price value, but limited supply is making used cars more expensive.
- **Financing a vehicle has pitfalls.** If replacing your car will require financing, be careful. Interest rates are going up and highly-leveraged loans can quickly put you into more debt than the car is worth. This often happens if your car is damaged in an accident.

Cars are unpredictable, but taking an analytical approach and making the best decision with the facts that you have will pay off more times than not.

## **Shrink Your Tax Bill in 2023**

Here are several strategies to consider to shrink your tax bill in 2023.

**Consider life events.** Consider whether any of the following key events may take place in 2023, as they may have potential tax implications:

- Purchasing or selling a home
- Refinancing or adding a new mortgage
- Getting married or divorced
- Incurring large medical expenses
- Changing jobs
- Welcoming a baby

**Manage your retirement.** One of the best ways to reduce your taxable income is to use tax beneficial retirement programs. Now is a good time to review your retirement account funding. Here are the contribution limits for 2023:

- 401(k): \$22,500 (\$30,000, Age 50+)
- IRA: \$6,500 (\$7,500, Age 50+)
- SIMPLE IRA: \$15,500 (\$19,000, Age 50+)
- Defined Benefit Plan: \$66,000



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**Look into credits.** There are a variety of tax credits available to most taxpayers. Take a look at those you currently use and determine whether you qualify for them again next year. Here are some worth reviewing:

- Child Tax Credit
- Earned Income Tax Credit
- Premium Tax Credit
- Adoption Credit
- Elderly and Disabled Credit
- Educational Credits (Lifetime Learning Credit and American Opportunity Tax Credit)

**Assess your income.** Forecast how your 2023 income will compare to your 2022 income, then review your most recent tax return and find your effective tax rate by dividing your total tax by your gross income. Then apply that rate to your new income. This will give you a rough estimate of next year's tax obligation.

To avoid getting stuck with an unexpected tax bill, consider scheduling several tax planning sessions throughout the year. Remember, some tax saving ideas may require funding on your part. It is best to identify them now so you can save the cash necessary to take advantage of them throughout 2023.

## Tips to Keep Your Customers Coming Back

Happy, satisfied customers are essential to the health of every business. Increasing competition, online review opportunities, and unlimited access to information up the ante on the importance of quality customer service. Here are some tips to help your business thrive by meeting and exceeding your customers' expectations:

- **Understand your customers and their needs.** As best you can, put yourself in your customers' shoes and hone in on the need they are trying to meet with your product or service. Understanding their core need will help you with delivery timelines and provide a clear picture of what it will take to ensure they are satisfied enough to come back.
- **Set clear goals and expectations.** Once you understand their needs, be clear and transparent regarding the process to deliver your product or service. Set realistic goals and discuss potential delays and pitfalls. Your customers will appreciate the honesty and may even be more understanding if things don't go according to plan.
- **Communicate, communicate, communicate.** Keeping your customers from feeling in the dark is imperative to their satisfaction. Be proactive in your communication. The more forms



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of communication, the better — phone calls, text messages, emails and social media messages. Even if everything is going according to schedule, regular progress messages will help them feel at ease.

- **Go the extra mile.** Put in the extra effort to go above and beyond what your customers are expecting. At the end of the day, you want your customers to feel like they get what they pay for, and more. If a problem arises with a product or service, show them you care by prioritizing and resolving the situation. If it makes financial sense, consider adding something of value to leave a positive impression.
- **Add an authentic, personal touch.** In a world full of social media bots, augmented reality and alternative facts, authenticity goes a long way. Showing your customer you care builds trust and loyalty that leads to repeat business and referrals. Birthday greetings, holiday cards and customer appreciation events can show your customers they mean more to you than just revenue.

When times are busy, it can be easy to focus on the work and not the customers. Hold on to these tips as a reminder to keep your customers' needs a top priority.

As always, should you have any questions or concerns regarding your tax situation please feel free to call.

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