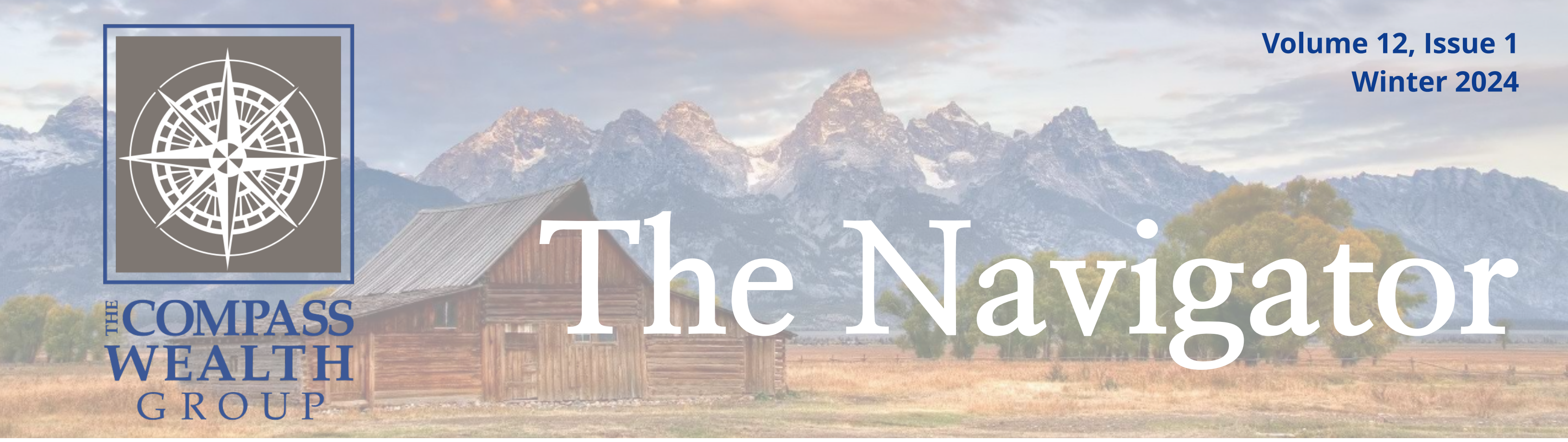

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THE COMPASS WEALTH GROUP

The Navigator

KEY RETIREMENT AND TAX NUMBERS FOR 2024

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 2024.

Estate, gift, and generation-skipping transfer tax

·The annual gift tax exclusion (and annual generation-skipping transfer tax exclusion) for 2024 is $18,000, up from $17,000 in 2023.

·The gift and estate tax basic exclusion amount (and generation-skipping transfer tax exemption) for 2024 is $13,610,000, up from $12,920,000 in 2023.

Standard deduction

A taxpayer can generally choose to itemize certain deductions or claim a standard deduction on the federal income tax return. In 2024, the standard deduction is:

·$14,600 (up from $13,850 in 2023) for single filers or married individuals filing separate returns

·$29,200 (up from $27,700 in 2023) for married joint filers

·$21,900 (up from $20,800 in 2023) for heads of households

The additional standard deduction amount for the blind and those age 65 or older in 2024 is:

·$1,950 (up from $1,850 in 2023) for single filers and heads of households

·$1,550 (up from $1,500 in 2023) for all other filing statuses

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

IRAs

The combined annual limit on contributions to traditional and Roth IRAs is $7,000 in 2024 (up from $6,500 in 2023), 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 table).* For individuals who are active participants in an employer-sponsored retirement plan, the deduction for contributions to a traditional IRA also phases out for certain MAGI ranges *(see table).* The limit on nondeductible contributions to a traditional IRA is not subject to phaseout based on MAGI.

MAGI Ranges: Contributions to a Roth IRA

	2023	2024
Single/Head of household	$138,000–$153,000	$146,000–$161,000
Married filing jointly	$218,000–$228,000	$230,000–$240,000
Married filing separately	$0–$10,000	$0–$10,000

MAGI Ranges: Deductible Contributions to a Traditional IRA

	2023	2024
Single/Head of household	$73,000–$83,000	$77,000–$87,000
Married filing jointly	$116,000–$136,000	$123,000–$143,000

Note: The 2024 phaseout range is $230,000–$240,000 (up from $218,000–$228,000 in 2023) 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-sponsored retirement plans

·Employees who participate in 401(k), 403(b), and most 457 plans can defer up to $23,000 in compensation in 2024 (up from $22,500 in 2023); employees age 50 or older can defer up to an additional $7,500 in 2024 (the same as in 2023).

·Employees participating in a SIMPLE retirement plan can defer up to $16,000 in 2024 (up from $15,500 in 2023), and employees age 50 or older can defer up to an additional $3,500 in 2024 (the same as in 2023).

Kiddie tax: child's unearned income

Under the kiddie tax, a child's unearned income above $2,600 in 2024 (up from $2,500 in 2023) is taxed using the parents' tax rates.

Will You Work Beyond Traditional Retirement Age?

More than seven out of 10 current workers in a recent survey said they expect a paycheck to play a role in their income strategy beyond traditional retirement age. In fact, 33% expect to retire at age 70 or older, or not at all.[1]

If you expect to continue working during your 60s, 70s, or beyond, consider the advantages and disadvantages carefully. Although working can enhance your retirement years in many ways, you may also face unexpected consequences, particularly when it comes to Social Security.

Advantages

There are many reasons why you may want to work during retirement. First and perhaps most obvious, a job offers a predictable source of income that can help pay for basic necessities, such as food, housing, and utilities.

Working may also allow you to continue saving on a tax-deferred basis through a work-based retirement savings plan or IRA. Traditional retirement accounts generally require you to take minimum distributions (RMDs) after you reach age 73 or 75, depending on your year of birth; however, if you continue working past RMD age, you can typically delay RMDs from a current employer's plan until after you retire, as long as you don't own more than 5% of the company. (Roth IRAs and, beginning in 2024, work-based Roth accounts do not impose RMDs during the account owner's lifetime.)

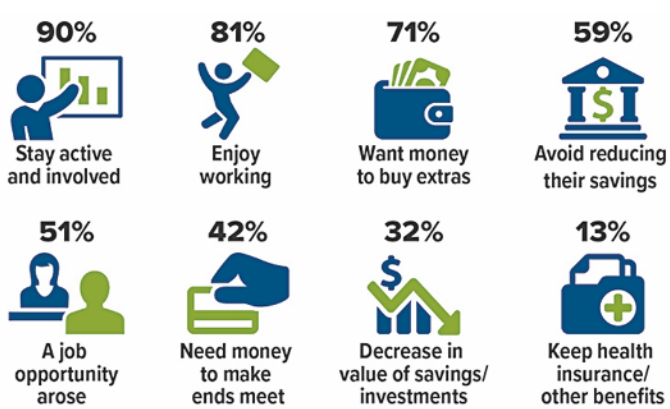
Moreover, employment can benefit your overall well-being through social engagement with colleagues, intellectual stimulation, and, if you're employed in a field that requires exertion and movement, mobility and fitness. Working may also provide access to valuable health insurance coverage, which can supplement Medicare after the age of 65.

Keep in mind that balancing work-sponsored health insurance and Medicare can be complicated, so be sure to seek guidance from a qualified professional.

A paycheck might also allow you to delay receiving Social Security benefits up to age 70. This will not only increase your monthly benefit amount beyond what you'd receive at early or full retirement age, it will add years of earnings to your Social Security record, which could further enhance your future payments.

If one of your financial goals is to leave a legacy, working longer can help you continue to build your net worth and preserve assets for future generations and causes.

Why Retirees Work



Source: Employee Benefit Research Institute, 2023 (multiple responses allowed)

Disadvantages

There are some possible drawbacks to working during retirement, especially regarding Social Security. For instance, if you earn a paycheck and receive Social Security retirement benefits before reaching your full retirement age (66–67, depending on your year of birth), part of your Social Security benefit will be withheld if you earn more than the annual Social Security earnings limit. However, the reduction is not permanent; in fact, you'll likely receive a higher monthly benefit later. That's because the Social Security Administration recalculates your benefit when you reach full retirement age and omits the months in which your benefit was reduced.

After reaching full retirement age, your paycheck will no longer affect your benefit amount. But if your combined income (as defined by Social Security) exceeds certain limits, it could result in federal taxation of up to 85% of your Social Security benefits.

Perhaps the biggest disadvantage to working during retirement is ... working during retirement. In other words, you're not completely free to do whatever you want, whenever you want, which is often what people most look forward to at this stage of life.

Finally, a word of caution: Despite your best planning and efforts, you may find that you're unable to work even if you want to. Consider that nearly half of today's retirees left the workforce earlier than planned, with two-thirds saying they did so because of a health problem or other hardship (35%) or changes at their company (31%).[2]

For these reasons, it may be best to focus on accumulating assets as you plan for retirement, viewing work as a possible option rather than a viable source of income.

1–2) Employee Benefit Research Institute, 2023

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- College Planning
- Portfolio Management
- Charitable Gift Planning
- Business Planning
- Long-Term Care, Life & Disability

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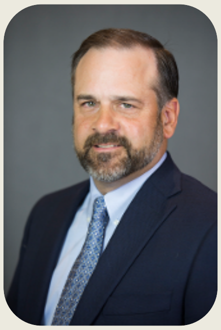

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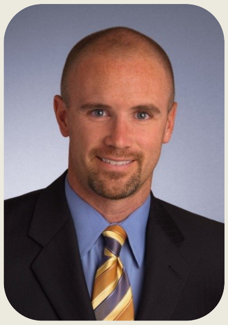

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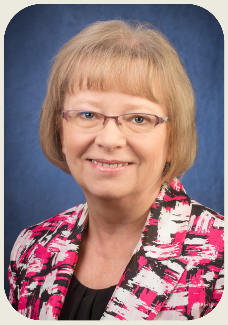

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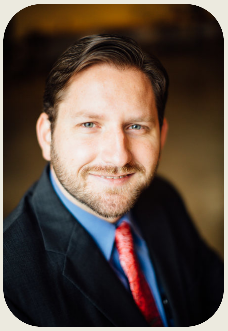

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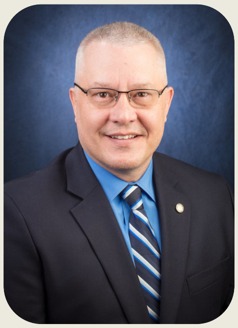

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