Captain's Log

Guiding Your Financial Journey

Hank Persia, CFP®
Financial Advisor & Branch Manager
Starboard Wealth Advisors, Inc.
5574-B Garden Village Way
Suite 1
Greensboro, NC 27410
Direct: 336-763-4190
Tol Fr: 855-633-9014
hank.persia@raymondjames.com
www.starboardwealthadvisors.com

$3,822

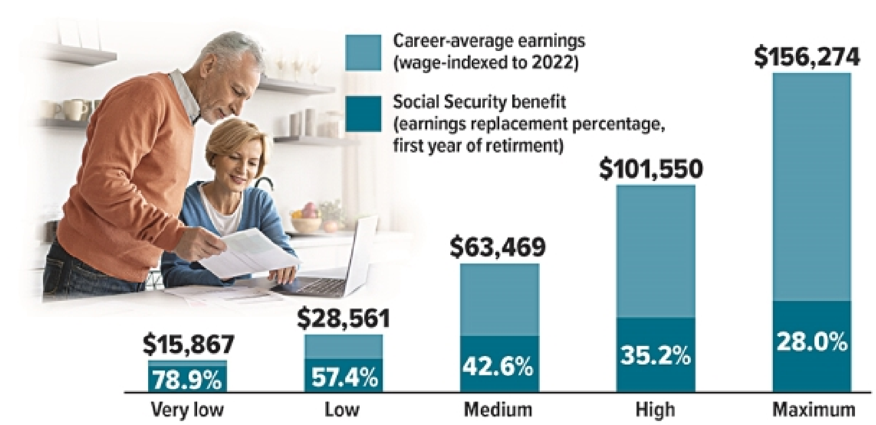
Maximum monthly Social Security benefit for someone who claims benefits at full retirement age in 2024. Someone who claims at age 62 in 2024 would only be eligible for a maximum of $2,710, while a claimant who delayed to age 70 could receive a maximum of $4,873. To receive the maximum benefit, you must 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.)

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

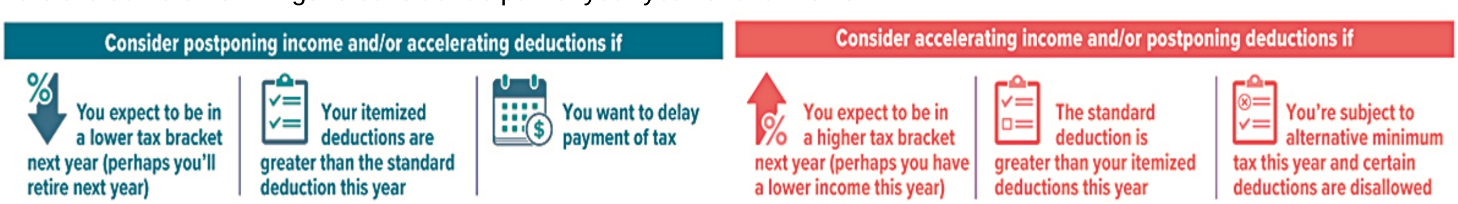
If you are age 73 or older, you generally must take required minimum distributions (RMDs) from your traditional IRAs and employer-sponsored retirement plans (an exception may apply if you're still working for the employer sponsoring the plan). Take any distributions by the date required — the end of 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.



Much Ado About RMDs

The SECURE 2.0 Act, passed in late 2022, included numerous provisions affecting retirement savings plans, including some that impact required minimum distributions (RMDs). Here is a summary of several important changes, as well as a quick primer on how to calculate RMDs.

What Are RMDs?

Retirement savings accounts are a great way to grow your nest egg while deferring taxes. However, Uncle Sam generally won't let you avoid taxes indefinitely. RMDs are amounts that the federal government requires you to withdraw annually from most retirement accounts after you reach a certain age. Currently, RMDs are required from traditional IRAs, SEP and SIMPLE IRAs, and work-based plans such as 401(k), 403(b), and 457(b) accounts.

If you're still working when you reach RMD age, you may be able to delay RMDs from your current employer's plan until after you retire (as long as you don't own more than 5% of the company); however, you must still take RMDs from other applicable accounts.

While you can always withdraw more than the required minimum, if you withdraw less, you'll be subject to a federal penalty.

Four Key Changes

1. Perhaps the most notable change resulting from the SECURE 2.0 Act is the age at which RMDs must begin. Prior to 2020, the RMD age was 70½. After passage of the first SECURE Act in 2019, the age rose to 72 for those reaching age 70½ after December 31, 2019. Beginning in 2023, SECURE 2.0 raised the age to 73 for those reaching age 72 after December 31, 2022, and, in 2033, to 75 for those who reach age 73 after December 31, 2032.

When Must RMDs Begin?

Date of Birth	RMD Age
Before July 1, 1949	70½
July 1, 1949, through 1950	72
1951 through 1959	73
1960 or later	75

2. A second important change is the penalty for taking less than the total RMD amount in any given year. Prior to passage of SECURE 2.0, the penalty was 50% of the difference between the amount that should have been distributed and the amount actually withdrawn. The tax is now 25% of the difference and may be reduced further to 10% if the mistake is corrected in a timely manner (as defined by the IRS).

3. A primary benefit of Roth IRAs is that account owners (and typically their spouses) are not required to take RMDs from those accounts during their lifetimes, which can enhance estate-planning strategies. A provision in SECURE 2.0 brings work-based Roth accounts in line with Roth IRAs. Beginning in 2024, employer-sponsored Roth 401(k) accounts will no longer be subject to RMDs during the original account owner's lifetime. (Beneficiaries, however, must generally take RMDs after inheriting accounts.)

4. Similarly, a provision in SECURE 2.0 ensures that surviving spouses who are sole beneficiaries of a work-based account are treated the same as their IRA counterparts beginning in 2024. Specifically, surviving spouses who are sole beneficiaries and inherit a work-based account will be able to treat the account as their own. Spouses will then be able to use the favorable uniform lifetime table, rather than the single life table, to calculate RMDs. Spouses will also be able to delay taking distributions until they reach their RMD age or until the account owner would have reached RMD age.

How to Calculate RMDs

RMDs are calculated by dividing your account balance by a life expectancy factor specified in IRS tables (see IRS Publication 590-B). Generally, you would use the account balance as of the previous December 31 to determine the current year's RMD.

For example, say you reach age 73 in 2024 and have $300,000 in a traditional IRA on December 31, 2023. Using the IRS's Uniform Lifetime Table, your RMD for 2024 would be $11,321 ($300,000 ÷ 26.5).

The IRS allows you to delay your first RMD until April 1 of the year following the year in which it is required. So in the above example, you would be able to delay the $11,321 distribution until as late as April 1, 2025. However, you will not be allowed to delay your second RMD beyond December 31 of that same year — which means you would have to take two RMDs in 2025. This could have significant implications for your income tax obligation, so beware.

An RMD is calculated separately for each IRA you have; however, you can withdraw the total from any one or more IRAs. Similar rules apply to 403(b) accounts. With other work-based plans, an RMD is calculated for and paid from each plan separately.

For more information about RMDs, contact your tax or financial professional. There is no assurance that working with a financial professional will improve investment results.

'Tis the Season for Gift Card Scams

Gift cards are always at the top of holiday wish lists. In fact, gift cards are the gift consumers want to receive the most during the 2023 holiday season.[1] Unfortunately, gift cards are also popular with scam artists.

A relatively new gift card scam involves scam artists placing a barcode sticker over the real gift card barcode. When the gift card gets scanned at checkout, the funds end up on the scammer's card that is linked to the barcode sticker.

A more common scam involves scam artists copying the gift card number and scratching off the PIN label before the gift card is purchased. They then monitor the gift card account online in order to steal the funds as soon as the gift card is purchased and activated. They may also try to sell the compromised gift card on an unofficial or third-party website.

Scam artists may also use emails, texts, and phone calls to pose as popular brands or retailers claiming you've won a free gift card. Often these giveaways promise large sums and seem "too good to be true." The scammer will then try to convince you to give them your personal and financial information in order to claim your prize.

Finally, scam artists will sometimes pose as a legitimate business or organization and claim that you need to make a payment using a gift card instead of using a conventional form of payment such as a credit card or check. The scammer will usually tell you which specific gift cards to buy and will instruct you to purchase the gift cards from several different retailers in order to avoid suspicion. They may even threaten you with arrest or legal action in order to obtain the gift card number and PIN.

Whether you are giving a gift card or are a gift card recipient, here are some tips to help you avoid becoming the victim of a scam.

- Inspect gift cards for signs of tampering. Make sure the scratch-off coating is on the card and that the PIN on the back isn't showing. Check the barcode on the back of the gift card to make sure that it matches the one on the packaging.
- Keep a copy of the gift card and its receipt. This will help you if the gift card is ever lost/stolen or if you have to report fraudulent activity to the issuer.
- Only purchase or use gift cards from trusted retailers and reputable websites.
- Be wary of anyone who asks you to pay them with a gift card.

If you ever are the victim of a gift card scam, report it immediately to the gift card issuer and the Federal Trade Commission at ReportFraud.ftc.gov.

1) National Retail Federation and Prosper Insights & Analytics, October 2023
