

November 16, 2022

2022 Year End Planning



This has been another unprecedented year in many regards. Market malaise may be front and center and on the minds of many, however, that should not serve as an excuse to ignore your personal finances. The end of the year marks a great time to consider planning opportunities that may provide meaningful benefits, if appropriate for your situation. It is always important to do your best to end the year on a positive note and position for a successful 2023.

Review and update your beneficiary designations

Has a marriage, birth, loss of a loved one or divorce occurred in your family in the last 12 months? Even if that’s not the case, other aspects in your life may have changed which may warrant updating a beneficiary designation. Review and update, as necessary, your beneficiary designations on your retirement accounts, investment accounts, bank accounts, trusts, life insurance policies and annuities.

Review your withholdings

Review your withholdings to help ensure you are withholding the appropriate amount of taxes from your paychecks. Failure to withhold the proper amount could result in penalties. Withholding too much is not ideal either, even though you will get your excess withholdings back in the form of a refund, you essentially gave the government an interest free loan.

Fund Retirement Plans

There is still time to max out your 401k (December 31, 2022 deadline) and your IRA’s (April 15, 2023) for tax year 2022. The chart below highlights the contribution limits for 2022 and the subsequent increases, if applicable, for 2023.

2023 Contribution and Benefit Limits

Type of Limitation	2023	2022
401(k), 457, and 403(b) maximum annual elective deferral limit	\$22,500	\$20,500
401(k), 403(b), and 457 plan catch-up contribution limit for individuals aged 50 and over	\$7,500	\$6,500
Defined contribution plan annual limit	Lesser of: \$66,000 and 100% of compensation	Lesser of: \$61,000 and 100% of compensation
Savings incentive match plan for employees (SIMPLE) maximum annual elective deferral limit	\$15,500	\$14,000
SIMPLE 401(k) or SIMPLE IRA catch-up contribution limit for individuals age 50 or over	\$3,500	\$3,000
Traditional IRA contribution limit	Lesser of: \$6,500 and 100% of compensation	Lesser of: \$6,000 and 100% of compensation
Traditional IRA catch-up contribution limit for individuals age 50 or over	\$1,000	\$1,000

Contribute to Health Savings Accounts (HSAs)

Contributions are tax deductible and any earnings in the account are tax-free. Withdrawals from HSAs will not be taxed if they are used to pay for qualified medical expenses. The contribution deadline is the April 2022 tax deadline, without extensions. Confirm with your current health insurance plan to find out whether you are eligible to participate in an HSA. The chart below outlines the contribution limits for 2022 and the subsequent increases, if applicable, for 2023.

2023 HSA Contribution Limits

	2023	2022
Annual HSA contribution limit (employer and employee)	Self only: \$3,850 Family: \$7,750	Self only: \$3,650 Family: \$7,300
HSA catch-up contributions (age 55 or older)	\$1,000	\$1,000
Minimum annual HDHP deductible	Self only: \$1,500 Family: \$3,000	Self only: \$1,400 Family: \$2,800
Maximum out-of-pocket for HDHP	Self only: \$7,500 Family: \$15,000	Self only: \$7,050 Family: \$14,100

Spend money in Flexible Spending Account (FSAs)

FSAs allow for pre-tax contributions to be spent on eligible healthcare products and services by December 31st. With the end of the year approaching, it is time to either use or lose your FSA dollars. For added flexibility, your employer may offer either of these two additional options for your FSA dollars:

1. **Two-and-a-half-month grace period to spend the dollars in your FSA**
2. **Allow a rollover of \$500 into the next year**

Capital Gains & Capital Gains Distributions

Over the course of the year, as trades were placed in your account, positions that appreciated in value may have been sold, resulting in a capital gain. If this occurred in a taxable account, taxes will be owed on these gains. Similarly, mutual funds are required to pay out to their shareholders, any gains they realized on the sale of stocks or bonds during the year. If you own these mutual funds in a taxable account, taxes will be owed on these distributions.

Review Goals and Objectives

The end of the year provides a great time to sit back and reflect on the progress you are making toward your goals and objectives. Did you make meaningful progress in 2022? Did the events in the past year set you back? Additionally, major life events may have occurred that require updating or changing your goals. Take this time to make the necessary adjustments so that you can continue the proper path toward success.

Heading into the holidays is a great time to review this past year from a financial standpoint and make any changes necessary, including the items mentioned above, to put yourself and your family in a better financial position for 2023.

As always, if you have any questions specific to your situation, please do not hesitate to contact us.

Sources: Optum, Thomson Reuters, IRS