

# LET'S TALK MONEY<sup>®</sup>

November/December 2022

## Make Key Financial Moves Before Year's End

While buying gifts and holiday supplies might seem to be your biggest priority, the end of the year is the right time to make moves that can impact your future finances.

### Take Your RMD

Generally, if you're age 72 or older, you must take required minimum distributions (RMDs) from your tax-deferred retirement accounts before December 31. Failure to take an RMD could result in a 50% penalty on the amount you were supposed to withdraw.\*

### Sell Your Losers

Consider selling shares of stock that have lost value since you acquired them. You can use the loss to offset capital gains on other investments. If your capital losses exceed your capital gains, you can use up to \$3,000 to reduce ordinary income. Excess losses can be carried over to future tax years.

### Add to Retirement Accounts

If you haven't yet contributed the maximum amount to your 401(k) plan, you may be able to increase your pretax contributions before December 31st. For 2022, you can contribute up to \$20,500 (\$27,000 if you're age 50 or older) and lower your tax bill in the process.

### Take a Qualified Charitable Distribution

You can transfer up to \$100,000 from a

traditional IRA to a qualified charity. To count as your RMD for the year and avoid being taxed, funds must be transferred directly from your IRA to the charitable organization by your IRA custodian.

### Give Money

The Annual Gift Tax Exclusion allows you to make tax-free gifts of up to \$16,000 each to as many people as you choose. If you have significant assets, making annual gifts can reduce your taxable estate.

### Rebalance Your Portfolio

Review your asset allocation and your portfolio's performance with your financial professional. If your investment mix has shifted or if your goals and risk tolerance have changed, rebalancing can bring your portfolio in line with your current thinking.

### Review Your Beneficiary Designations

Make sure your beneficiary designations on retirement accounts and life insurance policies are up to date.

*\*You have until April 1 of the year following the calendar year that you turn 72 to take your first RMD.*



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I am committed to helping my clients achieve their financial goals for themselves, their families and their businesses by providing them with strategies for asset accumulation, preservation and transfer.

Standard Version

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## End-of-Year Tax Moves

During the holiday bustle, income taxes may be the last thing on your mind. But, if you want to lower your tax bill, you have until December 31st to employ certain strategies that can help. Your tax and financial professionals can provide helpful suggestions.

### Check Your Withholding

If your 2021 tax bill was higher than expected, you might need to increase your tax withholding. The IRS's Tax Withholding Estimator can tell you if you should file a new Form W-4 to have additional money withheld from your pay.

### Bunch Medical Expenses

If you've already met the deductible for your health and dental insurance plans and you plan to itemize this year, consider scheduling elective surgery and medical and dental procedures that you planned for early next year before December 31.

If you've also had major medical expenses during 2022, you may be able to deduct unreimbursed expenses that exceed the 7.5% of the adjusted gross income threshold.

### Donate to Charity

You can take a tax deduction for charitable donations of cash or goods. For items such as clothing, furniture, etc., estimate the fair market value (what the item might sell for at a thrift or consignment shop) to come up with a donation amount. Donated items worth more than \$5,000 (art, antiques, etc.) require a written appraisal.

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## Give to Charity with a Donor-advised Fund

If you want to donate to charitable organizations before the December 31st deadline but haven't decided where you want your donations to go, consider a donor-advised fund (DAF). With a DAF, you contribute cash, securities, life insurance, money in retirement accounts, or other assets and take an immediate tax deduction in the year you make your donation.

### What Happens to the Donated Funds?

Funds can be invested for tax-free growth until you're ready to select charities to receive the funds. Generally, you can recommend the investment strategies that will be employed. Once you're ready to select the charities to receive your donation, you'll be able to decide whether the organization(s) will be given the entire donation at once or spread out over time.

### What Are the Choices?

Your donation can support any IRS-qualified public charity that you choose. The DAF will ensure that your funds are used for charitable purposes. Keep in mind, though, that while the DAF typically will give the funds to the charities you've selected, the final decision rests with the sponsoring fund. There are many donor-advised fund providers, so take time to consult your financial and tax professionals.



# Keep a Lid on Your Holiday Spending

It's easy to get carried away and spend too much during the holidays. Before your holiday spirit leads you into debt, look for ways to control your expenses.

## Start with a List

Make a list of all the people on your gift list. It might include family, friends, coworkers, and people who perform services for you. Decide on a budget and either assign an amount to spend on each person or determine the total amount you can afford to spend.

## Streamline Giving

Everyone's budget is tight around the holidays. Cut down on purchasing individual gifts by having a "Secret Santa" at work. Perhaps adults in the family also would appreciate not having to exchange gifts anymore.

## Leave Credit Cards at Home

Limit yourself to using cash only, which will help prevent overspending. Decide what you want to buy for the people on your list before you shop. Don't be tempted by sales that lure you to stores you didn't intend to visit.



## Be Cautious with Shopping Online

Avoid blowing your budget by sticking to your gift list and budget. Ignore suggestions for other items that might appear on a website.

# Inheriting a House

The decision of what to do with a house that passes to you as a part of an inheritance may be an emotional one, especially if it was your childhood home. While you have options, having the house appraised by a qualified appraiser and consulting your legal and insurance professionals should be your first steps.

## 1. Sell the House.

You'll receive a step-up in basis to the home's value at the date of the owner's death. If you sell the house for its assessed value, you won't owe capital gains tax on the sale. However, if you sell the house later at a higher price, you'll owe capital gains tax on the difference between the selling price and your stepped-up basis.



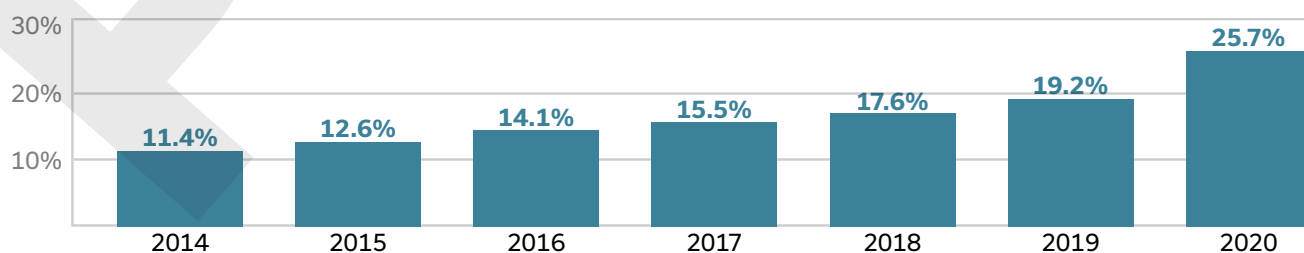
**2. Become a Landlord.** Renting out the house can provide extra income, but you'll be responsible for maintenance and property taxes. Be aware of IRS rules regarding rental property and deductible expenses.

**3. Make It Your Home.** You could choose to live in the house yourself. Make sure you have an emergency fund in place to cover unexpected expenses.

# More People are Shopping Online

Holiday retail trends over the past seven years have constantly been growing. Online shopping's share in the total holiday revenue wasn't projected to reach the 25.7% share until 2024 — indicating the effect the pandemic had on ecommerce growth.

## The Share of Ecommerce in Total Holiday Retail Revenue (2014-2020)



Source: DigitalCommerce360.com



# Navigating a Recession

Rising inflation and slow economic growth that lasts for several months are earmarks of a recession. Don't panic. Instead, consult your financial professional for guidance, and consider these ideas to help get you started on creating a recession-proof financial strategy.

## Shore Up Your Emergency Fund

Your goal should be to save at least three-to-six months' worth of living expenses in a liquid account that you can easily access. Having money in an emergency fund can help prevent you from having to charge unanticipated expenses to a high-interest credit card or sell investments to cover living expenses when values are down.

## Pay Off Debt

Being in debt means that a portion of your paycheck is not yours to spend or save. That money goes to pay for things you've previously purchased with credit. Eliminating debt gives you freedom to live within your budget, and hopefully, save more for your future.

## Reduce Expenses

Review your budget to see where you can adjust. Cutting back on discretionary spending can help improve your financial outlook. Think about giving up premium television channels, unnecessary online apps and some costly leisure activities, at least temporarily. You might be surprised at how little you miss those extras.

## Boost Your Income

Doing contract work in your field of expertise can bring in extra cash. Ask contacts if they know of businesses that are looking for freelancers. If you've ever thought about turning an enjoyable hobby into a business, now may be a good time to investigate that option. Side jobs, such as house painting or dog sitting, can also bring in additional income. Keep in mind that other tax rules apply if you're self-employed, so talk to your tax advisor first.

## Stay Invested

When the economy is in turmoil, your first inclination may be to get out of the securities markets. But selling investments when prices are down only locks in your

losses and prevents you from reaping the benefits when values start to rise.

A bear market presents a unique buying opportunity, so consider using any extra cash to add investments to your portfolio at bargain prices.

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## ADVERTISING REGULATION DEPARTMENT REVIEW LETTER

August 04, 2022

Reference: **FR2022-0727-0061/E**

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1. LTM 2022 NovDec - Standard

Rule: FIN 2210

6 Pages

The communication submitted appears consistent with applicable standards.

Reviewed by,

Jeffrey R. Salisbury  
Principal Analyst

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