

McILRATH | ECK

INVESTMENT - RETIREMENT - LEGACY PLANNING

March 4, 2024

Tax Code Updates and How to Navigate Them

What's New in 2024?

Change is a constant and in each new year, changes coming from the IRS and Congress that impact your life and financial decisions are important to stay on top of. This year, savings amounts to Tax-Advantaged Retirement Accounts have increased, allowing for even more money to be stocked away to enhance your retirement years and provide you with more flexibility, freedom, and fun. Standard deductions and tax-free gifting amounts are also on the rise. We know many of you take advantage of these savings and gifting strategies and we will discuss some of the bigger here. For additional information, links to more detail are included below.

Key Tax Code Updates:

Traditional & Roth IRA Contributions

- **There is still time to make IRA and Roth IRA contributions for 2023 if you are eligible to do so! You have until the middle of April to make last year's contributions, which max out at \$6,500, or \$7,500 if you are age 50 or older.**
- 2024 contributions are now available to make as well and the limits have increased. You can do up to \$7,000, or \$8,000 if you are age 50 or older.

Employer Retirement Plan Contributions

- 401(k), 403(b), 457, and TSP contributions have increased from \$22,500 to \$23,000 per person. Catch-up contributions for people age 50 or older have remained at \$7,500, making the maximum and employee can contribution to pre-tax or Roth 401k's \$30,500 for 2024.
- Between Pre-Tax/Roth Contributions, Employer Contributions and After-Tax contributions [if your plan allows for it], maximums for what can be saved into one of these employer plans have gone up too.

Link to more details:

<https://www.irs.gov/newsroom/401k-limit-increases-to-23000-for-2024-ira-limit-rises-to-7000>

Standard Deduction Increase

- The standard deduction will increase by \$750 for single filers and by \$1,500 for joint filers (Table 2). Seniors over age 65 may claim an additional standard deduction of \$1,950 for single filers and \$1,550 for joint filers.
- The personal exemption for 2024 remains at \$0 (eliminating the personal exemption was part of the Tax Cuts and Jobs Act of 2017 (TCJA)).

Filing Status	Deduction Amount
Single	\$14,600
Married Filing Jointly	\$29,200
Head of Household	\$21,900
Additional Amount for Married Seniors	\$1,550
Additional Amount for Unmarried Seniors	\$1,950

Annual Gift Exclusion Amount Increase:

- In 2024, the first \$18,000 of gifts to any person are excluded from tax, up from \$17,000 last year. The exclusion is increased to \$185,000 from \$175,000 for gifts to spouses who are not citizens of the United States.

Link to more details and tax brackets updates:

<https://taxfoundation.org/data/all/federal/2024-tax-brackets/>

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SECURE ACT 2.0 UPDATE:

As a reminder, the SECURE ACT 2.0 was passed by Congress at the end of 2022 and some provisions have gone into effect already, while others are being rolled out this year and next year. Some of the currently operating changes include:

- Required Minimum Distributions [RMD's] from Pre-tax Retirement accounts now must begin in the year you turn age 73. This will continue to stay the age to begin them unless you do not turn 73 by 2033. If turn 73 later than that, your RMD start age will begin in the year you turn 75.
- If you contribute to a 529 plan to save for funding someone's higher education, and the beneficiary does not end up using all of the funds saved in the plan, there may be a tax-efficient alternative to choose now. Providing the 529 plan has been open for 15 years or longer, up to \$35,000 within a 529 plan can be converted into a Roth IRA for the beneficiary of the plan. There are some other rules and restrictions to know here, so if you think this may apply to your situation and want to know more, reach out to one of your McIlrath | Eck advisors.
 - Starting this year, you will now be allowed to take an "Emergency Expense Distribution" from your retirement account to cover unforeseeable or immediate financial needs. That amount can be up to \$1,000 and under these circumstances, will not have the 10% penalty levied in addition to taxes. When applicable, taxes will still be required on the distribution.
- If you or someone you know has outstanding student loans and they are struggling to make payments, the IRS now allows workers who contribute to a Employer Retirement plan and receive a matching contribution from their employer to have the employer's matching contribution instead be applied to assist in paying on the student loans.

More details about these and other updates can be found at:

<https://www.kiplinger.com/retirement/bipartisan-retirement-savings-package-in-massive-budget-bill>

If you wish to see if you are in position to take advantage of any of these updates, please contact us - we are happy to review your individual situation and make suggestions as appropriate.

Successful Retirement Strategies™ classes



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Our **Successful Retirement Strategies™** classes for Spring Quarter 2024 are open for registration. Classes are offered through Everett Community College at the Everett campus, Cascadia College campus and through ZOOM.

The class schedule is as follows:

April 2nd and 9th – In Person from 6:30 – 9:30PM – Cascadia College

April 6th and 13th – ZOOM from 9AM – 12PM

May 2nd and 9th – ZOOM from 9AM – 12PM

May 4th and 11th – In Person from 6:30 – 9:30PM – Everett Community College

If you or someone you know are interested in signing up for one of the sessions, please click the link below and register directly with Everett Community College.

More details can be found here:

<https://www.campusce.net/everett/course/course.aspx?C=2742&pc=74&mc=75&sc=0>

Get to know the McIlrath & Eck Team



Natalie Douglas
Paraplanner

Natalie was born and raised in Hansville, Washington – an unincorporated community of just under 4,000 people on the Kitsap peninsula near Kingston. She attended Western Washington University, and graduated in 2023 with a Bachelor’s degree in Mathematics and a certificate in Cyber Security.

Natalie joined the McIlrath | Eck team in December of 2023 as a paraplanner where she creates performance reports, enters information for new financial plans, updates existing plans, and performs other tasks as needed to assist the advisor team.

Outside of work, Natalie enjoys snowboarding, dancing (ballet & contemporary), Husky football, and practicing ASL – she is semi fluent after 5 years of study, but a bit rusty as opportunities to practice are sporadic. She said her favorite foods are French food, hamburgers and gummy candies. If she could travel anywhere in the world, she would opt to go back to Europe and travel the continent by train; revisiting some of the spots she didn’t get to spend enough time at.

Referrals always welcome and appreciated.

At McIlrath | Eck, we are very honored that a large percentage of our clients have come to us as referrals. It means a great deal that our clients trust us enough to share our information with their loved ones. We consider this to be the highest of compliments! If you have family, friends, co-workers or other acquaintances that you think could benefit from a meeting with us, we would be more than happy to sit down with them for a complimentary consultation to help them analyze their situation and set them on the right track towards a successful financial future.

Now that we are past the hustle and bustle of transitioning into a new year, it is worth considering:

- *Have my goals changed?*
- *Has my time horizon for investing or retiring changed?*
- *Have my financial constraints changed this year at all?*

If the answer to any of these questions is "Yes," please call us to set an appointment to review your financial plan and investment strategies.

In your service,

The McIlrath | Eck Team