# NELSONCORPNEWS

**FEBRUARY**
**2024**


### 2024 FINANCIAL CHECKLIST

Use this to get you off on the right foot financially for 2024. p5

### 5 TAX GOTCHAS IN RETIREMENT

Plan now to avoid these five pitfalls that can hit you after you retire. p10

### FEATURED CHARITY OF THE MONTH

NelsonCorp's Jeans for Charity Clinton Lions Club. p11

# YOUR NELSONCORP TEAM


DAVID NELSON


EUGENE KRUEGER


VALERIE HILL


AMY CAVANAUGH


KENNETH NELSON


JACOB WOODCOCK


NATE KREINBRINK


JAMES NELSON


JOHN NELSON


ANDY FERGURSON


JAMIE HUGUNIN


MICHELLE EVERSOLL


AUSTIN ECK


TRAVIS MOREHEAD


MIKE VANZUIDEN


AMANDA SCHAVER


TABATHA WESTPHAL


MIKE STEIGERWALD


HANNAH VAN HYFTE


# TIME TO GET YOUR TAX DOCUMENTS TOGETHER

When I look at everything happening in February, it's almost enough to make my head spin. There's Ash Wednesday, Black History Month, Valentine's Day, the Super Bowl, Groundhog's Day... the list could go on and on. And that doesn't even touch on the basketball games going on. Don't get me wrong, I love celebrating the different holidays and observances. However, my mind is focused elsewhere.

Here at NelsonCorp, February to us means tax season has officially begun. Our tax professionals are ready, armed with the knowledge and a commitment to help you get your tax return filed.

To help reduce the stress of tax season, we want to make sure you are aware that you have options for our tax preparation service. If you would like to come in for an appointment and have one of our tax professionals complete your tax return while you wait, that is great! You may also drop off your tax documents and our professionals will complete your tax return in a timely manner, calling for any additional information needed and to explain anything out of the ordinary.

As appointment slots fill up, drop-offs are a great way to get your taxes completed quicker, and you may still request your preferred preparer. If you have already made arrangements with us for your taxes, great! We will see you soon!

*David Nelson*

# CONTENTS

## THINGS TO NOTE

*Don't forget: NelsonCorp can help you with investment and financial information, tax planning and preparation, guidance with Social Security and Medicare, and notary services.*

## SUPPORT OUR LOCAL CHARITIES & BUSINESSES

*Check out what's happening at our area charities, businesses, and communities:*

- *Sarah Harding Sweetheart Ball*
- *DeWitt Volunteer Fire Department Euchre Tournament & Fundraising Night*
- *Quartermania at American Legion Post 227 East Moline*
- *Visit Clinton www.clintoniowatourism.com*
- *Visit Quad Cities www.visitquadcities.com*

## *NelsonCorp Nuggets*

**The 2024 cost of living adjustment for Social Security was 3.2%, bringing the average monthly benefit to $1,760 - compared to $1,705 in 2023.**

*Source: ssa.gov*

# LOVE IS...

As you know, Valentine's Day is centered around the concept of love. But what is love, exactly? Is it a bouquet of roses? A box of chocolates? Candy hearts and greeting cards?

While pondering the question, I realized that we don't have to turn to ancient philosophers, neurochemistry researchers, or even the floral industry to find the answer. All we have to do is remember the words of the best singers, songwriters, and bands of the past century, most of whom have told us precisely what love is.

So, without further ado, here is an exhaustively researched, carefully compiled list of all the things that love is.

Love is...more than just a game for two. (Nat King Cole)

Love is...a battlefield. (Pat Benatar)

Love is...a long road. (Tom Petty)

Love is...like a burning arrow. (Rod Stewart)

Love is...a many-splendored thing. (Andy Williams)

Love is...a serious business. (Aretha Franklin)

Love is...a contact sport. (Whitney Houston)

Love is...like a four-leaf clover. (Rod Stewart)

Love is...a beautiful song. (Dave Mills)

Love is...strange. (Buddy Holly)

Love is...weird. (Julia Michaels)

Love is...on our side again. (Julio Iglesias)

Love is...still the answer. (Jason Mraz)

Love is...all around. (REM)

Love is...coming home in time for tea. (Queen)

Love is...strong. (The Rolling Stones)

Love is...bigger than anything in its way. (U2)

Love is...here to stay. (George Gershwin, Ella Fitzgerald, Louis Armstrong)

Okay, maybe that list doesn't quite answer the question, "What is love?" But it does show something interesting: There really isn't any one single definition of love, is there?

Love means all sorts of things to all sorts of people. It changes depending on the person next to us. It changes as we change. Sometimes love is fun and sometimes love is painful. Sometimes love is easy and sometimes it's hard. Sometimes love is confusing, and sometimes it's the only thing that makes any sense at all.

There have been thousands of songs written about love, far more than the few I've listed here. There is no topic covered more in song. I think that's because, as humans, we know that only the most important things are truly worth singing about.

But despite all the lyrics and lines, even a thousand more years of music won't be able to truly capture what love is really about. It's too deep and too wide for that. So, all we really need to know is that love is the one thing all humans want. To love and be loved...in whatever way that works for us.
And that, to me, is what makes Valentine's Day so special. It's not about the rituals or the symbols. It's not about spending money on flowers, cards, chocolates, or fancy meals. Valentine's Day is a chance to celebrate love in all its forms. To celebrate love in whatever way it means to us, with whatever song you choose playing in the background.

So, whether love for you is a battlefield, a burning arrow, or a beautiful song, I hope you have a wonderful Valentine's Day! May you spend it doing what you love with the people you love. Just remember that, in the end:

Love is...all you need. (The Beatles)

# YOUR FINANCIAL CHECKLIST TO START 2024

As a financial advisor, I'm a big believer in checklists. They help me stay organized, keep my priorities straight, and ensure that everything I need to do for *you* gets done.

One of the items on my personal checklist this month is to send a checklist to *you*.

It's 2024! A new year means new opportunities, new adventures, new goals to achieve. But doing all that requires some housekeeping. There are certain financial steps I *highly* recommend you take early in the year in order to make the rest of 2024 as enjoyable and stress-free as possible. So, to that end, I am including a short "Q1 Financial Checklist" with this letter.

The well-known surgeon Atul Gawande said in his book, *The Checklist Manifesto*: "Checklists cannot be lengthy. A rule of thumb is to keep it between five and nine items, which is the limit of working memory." With that in mind, I've chosen seven items that are especially important.

The tasks on this list are all things that should be taken care of in the first quarter. Don't worry – they're not difficult! In fact, you may have handled most of them already. Some may not even apply to you. But each task is important in its own way.

Put them all together, and you will find yourself more financially organized…and several steps closer to your financial goals.

**Q1 Financial Checklist for 2024**

*Tip: Print this out and stick it on the fridge or somewhere else it will be seen. That way, you can check off the items one by one as you complete them!*

**Replenish – or Add to – Your Rainy-Day Fund**

If you had to dip into your "rainy-day" fund last year, begin this year by adding to it as soon as possible. Knowing you have the funds to cover an emergency is probably the single best way to remove financial anxiety from your life. You don't have to do it all at once – even just adding a little bit each month is helpful. A good rule of thumb, though, is to have enough saved to cover three-to-six months' worth of living expenses.

**Contribute to Your IRA for 2023**

If you haven't yet contributed to your IRA in the last year, there's still time to do so. The deadline to contribute for the 2023 tax year is April 15, 2024. (Remember that if you do decide to contribute, you must designate the year you are contributing for.) For 2023, the maximum amount you can contribute is $6,500 if you are under 50, and $7,500 if you are age 50 or older.1 Your tax preparer should be able to help you fill out the necessary forms, but please feel free to contact me if you need any help.

**Rebalance Your 401(k)**

The beginning of the year is a great time to check if your 401(k) needs to be rebalanced. When you originally set up your 401(k), you likely selected a specific **asset allocation**. (So much in domestic stocks, so much in foreign stocks, so much in bonds, etc.) But over time, your 401(k), like any portfolio, may get overly weighted in one type of asset over others due to how the markets perform. This means your 401(k) will no longer be allocated in the way you originally set. "Rebalancing" your 401(k) means to realign the investments so they match your current allocation. Let me know if you need any help with this!

**Get Your Taxes Done Early (But Not Too Early)**

This one's easy to understand! Starting sooner means mistakes are less likely, available deductions or credits are taken advantage of, and headaches are reduced. While many of you have received all of the documentation needed for getting your taxes done, some of you are still waiting for everything to arrive. If you are not sure, just call the office and we can help give you an idea of what you need and when you should have it.

**Buy Any *Discounted* Items That You Need**

After the national spending spree that is the holiday season, many stores will offer discounts on products. Even big-ticket items like furniture, electronics, and exercise equipment can sometimes be found for relative bargains. So, if there's a major purchase in your future, look into doing it earlier in the year, if possible – you may just find a great deal!

**Plan, Budget, and Save For Your Vacation(s) Now**

Similarly, airfare and hotel costs can sometimes be found for less if booked very early. Plus, when you determine where you want to go and what you want to do well in advance, it gives you more time to set aside money specifically for your trip…so you may not need to dip into your long-term savings!

**Take Advantage of Higher Interest Rates While They Last**

As you know, interest rates are historically high right now. That's not so great for consumers, but it's good for savers. If you have more short-term goals you want to save for – like a trip or major purchase, for example – consider taking advantage of higher rates. There are many potential ways, including Certificates of Deposit, Treasury Bills, and money market accounts. Give me a call if you'd like more information!

# 6 DOCUMENTS ALL CLIENTS NEED TO PRESERVE THEIR FAMILY LEGACY

In 1926, F. Scott Fitzgerald wrote that the rich are different from you and me, and Ernest Hemingway supposedly retorted, "Yes, they have more money."

But the reality is that having any amount of money does make a difference in many ways, particularly when it comes to addressing intergenerational wealth transfers. The stakes can be higher, the mistakes magnified, and members of the family may have an incentive (and the means) to litigate if things don't go their way. We discuss below six documents that all of your clients should have in order to protect the wealth and the harmony of the family.

**1. An updated estate plan**

It may astound you just how many of your clients do not have an updated estate plan, reflecting their most current desires. Indeed, studies show that up to 68% of Americans may have no estate plan at all. It is equally disturbing that even if these estate plans are updated to reflect the desires of the benefactors, many are woefully inadequate when it comes to addressing federal and state inheritance or estate taxes.

We conduct an estate plan review annually for every client, and we remind them that their estate plan should be reviewed (and possibly updated) at least every three years.

In addition, of course, an estate plan should be updated if there is any change of circumstances in the family, such as a birth, death, marriage or divorce. Also, the estate plan should be updated if there is a relocation to a different state, because varying state laws do have an impact on probate and taxes.

And, to be clear, a comprehensive estate plan should include a will, durable power of attorney, and a living will/health care power of attorney.[1]

Practice tip: And also to be clear, do not completely cede control of the estate planning process to the estate planning attorney. Our experience is that most estate planning attorneys are very busy, and they have become transactional in nature.

What this means is that they are more focused on acting as scriveners and are less focused on providing creative solutions and strategies to the clients.

In addition, the estate planning attorneys have a tendency to want to overdraft and create unnecessary trusts.

As a result, you should request that your client obtain a "planning letter" or some type of executive summary of the estate planning documents. This summary will serve two purposes.

First, you will be able to review the estate planning documents in advance and comment on them. And second, this provides some type of memorialization of the intent of your clients, as often clients cannot remember after the fact what was drafted on their behalf—or what their original intent was.

**2. Various trusts, where appropriate**

Although at times, estate planning attorneys will try to draft needless trusts as I mentioned above, trusts can be a very important tool in the estate planning process. Particularly with the expiration of the Tax Cut and Jobs Act looming right around the corner (sunsetting in 2025), trusts may be coming back in vogue to address a potentially decreased lifetime exclusion.

Trusts can come in all shapes and sizes, and can accomplish much, but they also have their limitations. Truly understanding the client's situation, including their finances, their concerns, and their goals is a necessary prerequisite to creating the appropriate trusts. Having said that, and at a minimum, it would be helpful if all advisors have a working knowledge of the benefits of an irrevocable life insurance trust[2] (ILIT), qualified personal residence trust (QPRT), spousal lifetime access trust[3] (SLAT), and grantor retained annuity trust (GRAT).

**3. Personal property memorandum**

In most instances, it makes sense for your client to draft a separate personal property memorandum designating to whom their personal property, such as jewelry, automobiles and collectibles, should go. Because estate plans are governed by state law, some states do not recognize a personal property memorandum, so make sure to understand the laws of your client's jurisdiction, and guide them accordingly.

**4. Legacy letter**

We recently held a workshop for our clients where we discussed the benefits of drafting a legacy letter for their heirs. This is not necessarily a legally binding document, as this document focuses more on the emotional aspects of the relationship outside of the will and trusts.

Having said that, we believe that a legacy letter[4] can be very helpful in explaining certain bequests, and communicating wishes to the heirs once you have passed. The legacy letter can be particularly helpful if there is an unequal distribution[5] of assets or wealth at the parent's death. It is also a great way to communicate your last hopes and wishes.

**5. Family governance plan**

As with all the documents discussed above, a family governance plan should be in place before you need it. This document can also be thought of as a conflict management policy, where roles and responsibilities are outlined in the event of an emergency. It can also address how to resolve conflicts within the family.

These conflicts can arise over money, family investments, the family vacation home or any other item that could trigger dissension. You would be surprised! In addition, families may also want to address the "family mission," and also any philanthropic efforts that should be continued.

In addition, you want to outline the "next steps" so that everybody understands their role if the founders are incapacitated or otherwise compromised or unavailable. Some call this a "just in case" plan or a "person in charge" (PIC) plan, but whatever you call it, there should be some type of contingency plan in place. This way, we don't have jockeying for position, power grabs, infighting and coalitions being formed or hard feelings during a crisis.

**6. Succession plan for the family business**

If there is a family business, then there should also be some type of succession plan in place, particularly if several members of the family are working in the business. Too often, we see that everything is handled very informally for decades, and misunderstandings can occur that create significant issues between the adult children.

It is your job to address some of these potentially touchy issues and formalize as much as possible while everybody is healthy, willing to work together, and the lines of communication are still open. This way everybody understands how their future will be impacted and what is expected of them when the inevitable succession takes place.

When you think about it, governing a family requires a lot of forethought and counsel from outside experts. It is beyond just making the money—that part is behind your client. The bigger challenge, possibly, is setting up the roadmap so that the wealth and harmony of the family can continue for the next generations. Hopefully, the documents discussed above will help to lay out a thoughtful plan for the future.

1 http://www.horsesmouth.com/millennials-need-estate-plans-the-3-mustdo-s

2 http://www.horsesmouth.com/unwinding-an-irrevocable-life-insurance-trust-that-is-no-longer-needed

3 http://www.horsesmouth.com/4-reasons-a-slat-makes-sense-for-hnw-clients

4 http://www.horsesmouth.com/legacy-videos-the-new-crown-jewel-of-estate-planning-services

5 http://www.horsesmouth.com/treating-children-equally-in-estate-planning-is-a-mistake

# NELSONCORP MEDIA APPEARANCES

**Be sure to catch our weekly educational content featured locally on television, radio, and the newspaper. You can get this and more at www.nelsoncorp.com/blog.**

This month on 4 Your Money, James Nelson gave his thoughts on the wide-ranging expectations for the financial markets and how viewers may use this data for their investment accounts. David Nelson weighed in with his thoughts on the various predictions being tossed around and his recommendation for investors. On another episode, David shared his expertise regarding the current market conditions at these near all-time highs. He also explains the cool-downs that we've seen and the best mindset to have when it comes to investments.

On Financial Focus, David Nelson reflected on last year's market performance and discussed the emotional side of investing and strategies for managing these market ups and downs. Nate Kreinbrink was on another episode where he went into detail about various financial planning considerations for 2024 including getting those contributions for 2023 made before the tax deadline. On another episode, Andy Fergurson joined Nate and the two of them talked about the upcoming tax season and when and how to work with a tax professional. They also stressed the importance of withholding on sources of income and properly filling out those W-4s. Andy also let listeners know that if they have all of their documents ready, not to wait in getting those documents dropped off for returns. He stressed that there is much more time at the beginning of the season than at the end, but if they don't have everything, wait until they do.


*4 Your Money airs Tuesday mornings on FOX 18 News at 8am and on WHBF CBS Local 4 News at around 6:10pm.*


*Financial Focus airs every Wednesday at 9:00 am on KROS FM 105.9 and AM 1340.*

*David Nelson is a guest columnist every 1st and 3rd Saturday in the Clinton Herald.*

# RETIREMENT RESOLUTIONS

As a financial advisor, this is one of my favorite times of the year. People all over the world are recommitting themselves to doing more of what they love. Goals are set, plans are laid, dreams are dreamt.

This is also the time of year where my team and I recommit *ourselves* to helping people achieve those goals and dreams. It's our profession and our passion. I can't wait for the opportunity to help you accomplish some of your goals this year!

With that in mind, this month's issue is centered around resolutions. Specifically, three resolutions that will help you get further down The Road to Retirement.

A new year is like a blank canvas just waiting to be painted on. A fresh block of clay just waiting to be sculpted. A newly-opened jar of peanut butter, the top all creamy and smooth, just waiting to be dug into. It's a magical time, and one I am personally grateful for.

So, as you prepare to embark on a new 365-day journey around the sun, please let me know if I can ever be of service. Have a great month and a great year!

## WHAT'S AROUND THE BEND: RESOLUTION #1 — GET TO KNOW YOUR 401(K)

A new year means a chance to make some new resolutions. But this year, in addition to the usual goals we all tend to set (like going to the gym, spending more time with family, etc.), I suggest doing something a little different: *Resolve to actually start preparing for retirement.*

One of the best ways to do that is to get to know your 401(k). A 401(k) is one of the most common ways to save for retirement, but many pre-retirees know very little about them other than whether they have one. Here are a few questions to ask regarding your 401(k):

1. **Look at the menu of investment options in your 401(k).** Have you made your selections purposefully, or did you just accept whatever the plan provider chose for you?
2. **Many plans allow you to invest at different levels of risk.** Are you investing aggressively, moderately, or conservatively? Do you know the difference? Do you know which is right for you?
3. **Many 401(k)s are invested in one or more investment funds.** Each of these funds contains a prospectus, which is a document that describes how the fund works, including its objectives, strategy, past performance, and expenses. Have you read your prospectus? Do you understand how the funds in your 401(k) are supposed to work? Do their objectives match their own?
4. **What will you do with your 401(k) after retirement?** You have three basic options: leave the money where it is, cash out, or roll it over to an IRA/Roth IRA. Do you know which is best for you?

A 401(k) is an absolutely indispensable retirement saving tool. If you have one, you owe it to yourself to learn more about how it works, how it's performing, and whether the investments inside are right for you. So, as you set your New Year's Resolutions, put *"Getting to know your 401(k)"* high up on the list.

## WHAT'S OVER THE NEXT HILL: RESOLUTION #2 — DECIDE WHERE YOU WANT TO LIVE IN RETIREMENT

Where you live is one of the most important retirement decisions you will ever make. It affects *everything*. What goals you can accomplish, your lifestyle, how much money you'll need to set aside in monthly expenses...all of this will be impacted by where you choose to live.

This is not a decision that has to be made immediately, of course – but it's definitely something you will need to think about sooner or later. And the sooner you think about it, the sooner other parts of your retirement will come into focus.

Many people daydream about living on the beach in retirement. Others just assume they'll stay where they currently are. But this year, resolve to actually start *planning* where you'll live. You can begin by asking yourself the following questions:

1. Do you like the climate of the city where you live now or are planning to move to? Very few people want to shovel snow during their golden years, but you may not want to live in an area with high temperatures and humidity either.
2. What is the cost-of-living and the property-tax rate in your area, or the area you've always dreamed of retiring to? Many a retirement has been ruined by not considering everything that can impact spending. Moving to an area with a lower cost-ofliving can be an easy way to get some extra mileage out of your retirement income.
3. Are the housing prices within your budget?
4. Is there good health care within a reasonable distance? This is a concern that grows with time. It might not seem like a big issue at 65, but by the time you get to 75 it could change everything.
5. Does your location offer easy access to activities you enjoy? Most importantly, does it bring you closer to the people you love?

Of course, there are other factors to consider. The point is to start thinking about the issue – it will make all other aspects of retirement that much easier to figure out!

## WHAT'S ON THE HORIZON: RESOLUTION #3 — GET YOUR ESTATE PLANS IN ORDER

Over the next few issues of this newsletter, we'll have even more information and will take a deeper dive into the topic of estate planning. Let's start with an estate planning resolution: Getting certain key documents in order this year. These four are especially important:

**POWER OF ATTORNEY**: Your PoA allows you to appoint someone to act on your behalf to make legal decisions about your property and finances. That person, usually referred to as an "agent," could be a trusted friend, a family member, or an experienced, reputable professional.

Power of attorney is crucial should you ever become ill or disabled to the point where you can no longer make important decisions yourself.

Keep in mind, however, that granting someone power of attorney is a huge decision in and of itself. Give careful thought before making your choice. Whomever you select should be trustworthy, reliable, and mature enough to handle the responsibility.

**MEDICAL DIRECTIVES**: A second document is your Advance Medical Directive. This catch-all term refers to health care directives, living wills, medical powers of attorney, and other personalized directives. All of these documents allow you to legally express your preference for continued health care should you become terminally ill.

Just as important as having a will is keeping it updated. Just as your life is always changing, your will must change with it whenever appropriate

**LETTER OF INSTRUCTIONS:** This is a document giving your survivors information about important financial and personal matters to attend to after your passing. You don't need an attorney to prepare it. Although it doesn't carry the legal weight of a will, and is in no way a substitute, your Letter of Instructions will clarify any special requests you want carried out after death.

**YOUR WILL**: Finally, of course, we have your will. A will states how you want your belongings divvied up amongst your loved ones after you pass away. Otherwise, the government will determine how to distribute your property, which may even end up belonging to the state if you don't have an appropriate will stating otherwise.

Having each of these documents prepared ahead of time can relieve your family of needless worry and expense. Let me know if I can ever help you with any of them!

## WATCHING THE WEATHER: MARKET CONDITIONS ONTHE ROAD TO RETIREMENT (DEC-JAN)

The markets finished the year on a positive note in December. The upswing that began at the end of October continued through the final month of the year, largely buoyed by continuously positive economic news. Consumer prices ticked downwards yet again, with the inflation rate at 3.1% as of the end of November.[1] The labor market continues to be healthy, with unemployment hovering around 3.7%.[2] And while holiday spending was lower than it was in 2022 – retail sales rose 3.1%[3] between November 1 and December, compared to 7.6% last year – consumers are still spending.

For the year, the S&P 500 rose 24.2%, and the Dow 13.7%.[4] That's a very healthy recovery from 2022, when SP fell around 19%.

## HERE'S WHAT WE'RE KEEPING AN EYE ON

Many of the same storylines that drove the markets in 2023 will continue into 2024. Investors will continue monitoring inflation, because that will provide clues as to whether the Federal Reserve will lower interest rates or maintain their current level. And while the U.S. economy successfully avoided a recession in 2023 – counter to most economists' predictions – experts will be anxious to see whether the effect of last year's interest rate hikes were merely delayed into the New Year.

Another thing to keep an eye on is how many investors decide to realize their gains from 2023 by selling some of their investments early in January. If that happens, we may see some short-term volatility in the markets.

Finally, it's important to note that while the markets performed extremely well in 2023, much of this was driven by a small handful of stocks. The broader market didn't post exactly the same kind of numbers. If that small handful starts to underperform – or if other stocks don't catch up – then we may not see the same kind of momentum in 2024 as we did in 2023.

As always, my team and I will keep monitoring the markets closely. In the meantime, I wish you a great January and a happy New Year! Good luck with your resolutions!

1 https://tradingeconomics.com/united-states/inflation-cpi

2 https://fred.stlouisfed.org/series/UNRATE

3 https://www.reuters.com/markets/us/us-retail-sales-grow-31-during-holiday-season-mastercard-report-2023-12-26/

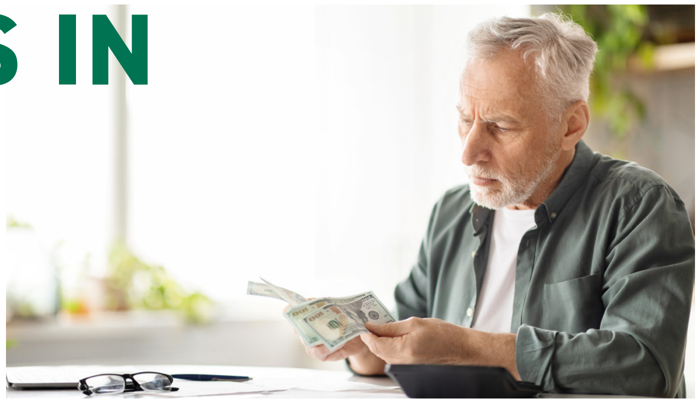
4 https://www.cnbc.com/2023/12/28/stock-market-today-live-updates.html

## *NelsonCorp Nuggets*

**Retirees said that including Social Security, their total monthly income is $4,170 on average. 37% said their monthly income is less than $2,500.**

*Source:*
*2023 Schroeders US Retirement Survey*

# 5 TAX GOTCHAS IN RETIREMENT



If you are reaching your distribution phase, your retirement accounts can create some burdensome tax situations, particularly when it comes to legacy planning. Here are five potential pitfalls you should be aware of.

Once you hit the retirement "spending" phase, the government changes the rules on you, and you could essentially be punished for decades of following the rules and scrupulously saving.

The saddest part is that most people don't know what awaits them, as they have never retired before and they aren't aware of the potential pitfalls that their accumulated retirement accounts can cause.

**1. RMDs are for life**

Required minimum distributions (RMDs) start at age 73 and only increase from there. RMDs grow based on the IRA account size and they also increase as you age. So, at age 73 the RMD may be only about 4% of the account value, but that annual distribution grows to 6.25% of the account value at age 85, which would be added to a Social Security benefit and boost your tax bill.

The key remedy here is to start distribution planning well in advance of age 70 with an eye on keeping taxes as low as allowed by the tax code.

**2. Beware of the expiration of the Tax Cuts and Jobs Act of 2017**

To make matters more pointed, the taxable income (generated from RMDs and everywhere else) could be taxed at an even higher tax rate once 2025 arrives, since the TCJA sunsets at the end of that year. If the TCJA is permitted to expire without any congressional action, then tax rates will be increasing across the board. In addition, the lifetime exemption for estate taxes will be cut in half, adjusted for inflation.

Neither of these changes will be good for people with large IRAs, because the highest tax bracket will increase to 39.6%. Other tax brackets will increase and will also kick in at lower amounts. For example, a hypothetical couple with $300,000 of income is now paying taxes at the 24% marginal rate but would be paying in the 33% tax bracket if the TCJA expires. That's a big difference.

To be clear, the expiration of the TCJA is not the only tax policy risk that wealthier people are facing. There is serious additional tax policy risk, as income inequality is real, and so are budget deficits.

The only remedy here is to follow the tax legislation closely, and to position income and your estate for a possible repeal of the currently very favorable tax backdrop. An ounce of prevention is worth a pound of cure.

**3. Beware the widow penalty**

Many couples file as "married filing jointly," which is an advantaged status for every tax bracket except the highest one. Once one spouse dies, then the surviving spouse is filing as "single," which uses tax rates at roughly half of the taxable income of the married filing joint tax bracket. However, the surviving spouse will typically have about 90% of the income, as the IRAs will go to them. The widowed person also can step into the higher Social Security benefits, which are often the deceased spouse's (thus giving up their own lower amount, which is typically not too significant). This shift in tax rates can amount to about an extra 10% a year in a tax-rate increase for the surviving spouse.

Not only that, but the widow penalty also affects IRMAA Medicare surcharges, often causing the widowed person to pay more in IRMAA surcharges as a single than the couple did while both were alive. For reference, see the Medicare chart below. Consider income of $225,000 as a reference point, where the couple would pay $6000 in IRMAA surcharges versus $7380 for the surviving spouse. Hardly seems fair, does it?

**4. Reconsider leaving a large IRA to your children**

The government passed the SECURE Act in December 2019 to make it difficult for you to pass that large traditional IRA to your children. The SECURE Act requires the inherited IRA to be withdrawn over 10 years for most beneficiaries, often thrusting beneficiaries in their peak earning years into a higher tax bracket.

Previously, beneficiaries could deplete that IRA over their life expectancy, allowing up to 40 years (in many instances) of tax efficient withdrawals. No more. Further, in early 2022 the IRS released proposed regulations that would require additional distributions from those beneficiary IRAs on top of the 10-year distribution rule put in place by the SECURE Act.

The remedy here is to engage in smart distribution planning well before retirement. Draw down those traditional IRA accounts, so the government has less to chase after as your accounts grow.

**5. Estate planning is getting trickier and trickier**

Income taxes are not the only area of tax law that has become controversial. Estate taxes are also a hot-button issue, with both parties fighting over the ability for well-off families to pass their wealth to future generations. There have been many proposals during the years, mostly curtailing popular estate planning strategies. In addition, the currently very generous lifetime exclusion of $12.92 million is due to expire at the end of 2025, and there have been proposals to decrease it before that time.

All of this adds up to a real challenge to families who have $6 million or more in assets. HNW estate planning often requires years of advance preparation, but new tax legislation is often passed with very little warning—and can be retroactive if Congress so chooses.

The remedy here is to have a good plan for retirement that focuses on potential tax liabilities.

Before making any decisions, give us a call to help you plan for the future.

## FOUR COMMON
# TAX FILING MISTAKES
### THAT AMERICANS MAKE

**MISTAKE #1**

### FILING TOO EARLY

It may be surprising to hear, but many people are so anxious to get their filing done ahead of time, they file their taxes before receiving all the proper documentation they need to ensure their information is accurate. This can lead to mistakes and processing delays.

**MISTAKE #2**

### MISSING ELIGIBLE CREDITS AND DEDUCTIONS

There are many credits and deductions you may be eligible for. But some of these, like the Earned Income Tax Credit, the Child Tax Credit, energy tax credits, and various itemized deductions, can be difficult to figure out, causing some to skip out on them entirely. This is why working with a good tax professional can really pay off.

**MISTAKE #3**

### FORGETTING TO CONTRIBUTE TO AN IRA


Some taxpayers forget to contribute to an Individual Retirement Account each year. These contributions are tax-deferred, meaning they can help reduce your taxable income. For the 2023 tax year, the contribution limit is $6,500 for those under age 50 and $7,500 for those over.*

**MISTAKE #4**

### NOT REPORTING ALL INCOME

Many taxpayers only think of their paycheck when reporting income, forgetting to factor in dividends, bank interest, and other income sources. This information is critical for both calculating the credits and deductions you can take as well as the refund you are entitled to.

*"IRA Contribution Limits" - Internal Revenue Service*

# THIS MONTH'S FEATURED CHARITY IS CLINTON LIONS CLUB

**We Serve**

The Lions Club Motto is "We Serve" since 1917.

Their global causes include Vision, assistance getting glasses, Diabetes, Hunger, Environment and Childhood Cancer

They help provide glasses and low vision aids, hearing aids, and diabetic supplies to those in our area community.

They provide grants and donations to other community organizations and events including Camp Courageous, Camp Hertko Hollow, Clinton Showboat, Clinton Junior Baseball, The Discovery Center, Clinton Easter Egg Hunt, The Food Bank, The Iowa Lions Eye Bank, The Iowa Lions Foundation Golf Tournament, Information & Referral, and KidSight.

They also sponsor two college scholarships for active high school members of the LEO Club.

Cash donations can be made payable to Clinton Lions Club, and mailed to PO Box 274, Clinton, IA 52732.

For more information, call 815-589-4594

## JEANS FOR CHARITY

*Every Friday, the team at NelsonCorp Wealth Management wears "Jeans for Charity". In exchange for getting to wear jeans to work, we each pay a $5 weekly fine. At the end of the month, the fines are donated to a charity. NelsonCorp will match the fines that are collected, up to $250.*

NelsonCorp
Wealth Management

880 13th Ave N, Clinton, IA 52732

PLACE
STAMP
HERE

NelsonCorp
Wealth Management


www.nelsoncorp.com

880 13th Avenue North
Clinton, IA 52732
(563) 242-9042

info@nelsoncorp.com

5465 Utica Ridge Rd
Davenport, IA 52807
(563) 242-9042

fax: (563) 242-9062

9079 East Tamarack Drive
Dubuque, IA 52003
(563) 242-9042