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WEALTH MANAGEMENT • TAX PLANNING • INVESTMENT STRATEGIES

Directions Newsletter



Directions: Winter 2023 Edition

In-Person Education Returns!

Join us for our first in-person event of 2023. The event will feature two presentation sessions. A market update from Capital Group, as well as an overview of SECURE Act 2.0 and how it may impact your financial plan.

Christopher Lanzafame, Senior Vice President with Capital Group will be providing a brief economic update.

The second session will focus on new retirement system legislation. SECURE Act 2.0 was passed at the end of 2022 and brings sweeping changes to how people save and distribute their retirement savings.

Join us for breakfast at the Garden (formerly Scott's Garden)

1719 Bonanza St., Walnut Creek

9:30am on Saturday February 11th.

This event funded in part by Capital Group.

[RSVP HERE](#)

Welcome to Tax Prep Season

As January ends, we wanted to provide you with our plan for the impending tax preparation process. You can find our framework

for the coming months of tax prep in our recent blog post. There's information on accessing organizers, scheduling meetings (if necessary) , and providing documents to us.

Read the post [HERE](#)

SECURE Act Webinar

Two pieces of legislation have significantly impacted retirement planning in the last 3 years. Coupled with tax rates that are set to revert in 2025, the SECURE Acts (both 1 & 2) force a re-think on both retirement planning and estate considerations. If you are unable to attend our in-person event in February, please save the date for Friday March 3 for this new webinar discussion.

More information soon.



Food For Thought

Taxes: Why a 3-Year Tax Plan May be a Good Thought

When the Tax Cuts & Jobs Act was signed into law in 2017, most paid little attention to the reversion of the tax brackets set to happen in 2025--which brings back a 28% tax bracket likely to affect more filers. Coupling this potential change with adjustments to required distributions for retirees, may force more assets out of retirement plans at higher tax rates.

Now is the time to re-visit your retirement income plan to consider earlier withdrawals, Roth Conversions or both. Join us at our upcoming event on February 11 to learn more. Let's tax plan!

*Tax services not affiliated with First Allied.

Economy: Will Slowing Interest Rate Increases Help?

What does the bond market know that the Fed isn't telling us? Fed officials recently have said that short-term rates will need to climb to over 5 percent to bring inflation under control. But in the table below, you can see that the bond traders say short-term rates will top out at 4.5 percent in 2023 and then head lower.

The bond market is more dovish than the Fed. And perhaps with good reason. The November Consumer Price Index report came in below expectations, and there are more and more signs that inflation has started to trend lower, which may suggest the Fed's work is coming to an end.

So why is the Fed talking so tough? As many of you may recall, Fed Chair Jerome Powell said inflation was "transitory" throughout much of 2021. The Fed Chair doesn't want to mischaracterize inflation again.

Our sub-advisory partners listen to comments from Fed officials and compare them to what the bond market is saying. If you happen to hear commentary about the Fed that's unsettling to you in any way, please let me know as soon as possible so we can discuss this together. You may also consider joining us on February 11 for a commentary by Capital Group.

Financial Planning: Identity Theft Awareness

January 30 to February 3, 2023, is Identity Theft Awareness Week. Anytime is a good time to tighten up your identity security, but if you haven't been as careful as you intended, consider this your annual reminder. Here are a few best practices to adopt or continue:

Change your passwords regularly

Check your credit report

Tax time is prime time for identity thieves

The IRS doesn't use unsolicited emails to request information from taxpayers

Never risk disclosing financial information over a public Wi-Fi network.

Look for the "https" & the padlock icon when you visit a website

Being careful with your personal data means more than just shredding your documents. Share these reminders with friends and family and help protect against identity theft.



Featured Wealth Management Thought

Congress (Finally) Passes SECURE Act 2.0

In the final days of 2022, Congress passed a new set of retirement rules designed to make it easier to contribute to retirement plans and access those funds earmarked for retirement.

The law is called SECURE 2.0, and it's a follow-up to the Setting Every Community Up for Retirement Enhancement (SECURE) Act, passed in 2019.

The sweeping legislation has dozens of significant provisions, so to help you see what changes may affect you, I broke the major provisions of the new law into four sections.

New Distribution Rules

RMD age will rise to 73 in 2023. By far, one of the most critical changes was increasing the age at which owners of retirement accounts must begin taking required minimum distributions (RMDs). And starting in 2033, RMDs may begin at age 75. If you have already turned 72, you must continue taking distributions. But if you are turning 72 this year and have already scheduled your withdrawal, we may want to revisit your approach.¹

Access to funds. Plan participants can use retirement funds in an emergency without penalty or fees. For example, starting in 2024, an employee can get up to

\$1,000 from a retirement account for personal or family emergencies. Other emergency provisions exist for terminal illnesses and survivors of domestic abuse.²

Reduced penalty. Also, starting in 2023, if you miss an RMD for some reason, the penalty tax drops to 25% from 50%. If you fix the mistake promptly, the penalty may drop to 10%.³

New Accumulation Rules

Catch-Up Contributions. Starting January 1, 2025, investors aged 60 through 63 can make catch-up contributions of up to \$10,000 annually to workplace retirement plans. The catch-up amount for people aged 50 and older in 2023 is \$7,500. However, the law applies certain stipulations to individuals earning more than \$145,000 annually.⁴

Automatic Enrollment. Beginning in 2025, the Act requires employers to enroll employees into workplace plans automatically. However, employees can choose to opt-out.⁵

Student Loan Matching. In 2024, companies can match employee student loan payments with retirement contributions. The rule change offers workers an extra incentive to save for retirement while paying off student loans.⁶

Revised Roth Rules

529 to a Roth. Starting in 2024, pending certain conditions, individuals can roll a 529 education savings plan into a Roth IRA. So if your child gets a scholarship, goes to a less expensive school, or doesn't go to school, the money can get repositioned into a retirement account. However, rollovers are subject to the annual Roth IRA contribution limit. Roth IRA distributions must meet a five-year holding requirement and occur after age 59½ to qualify for the tax-free and penalty-free withdrawal of

earnings. Tax-free and penalty-free withdrawals are allowed under certain other circumstances, such as the owner's death. The original Roth IRA owner is not required to take minimum annual withdrawals.⁷

SIMPLE and SEP. From 2023 onward, employers can make Roth contributions to Savings Incentive Match Plans for Employees or Simplified Employee Pensions.⁸

Roth 401(k)s and Roth 403(b)s. The new legislation aligns the rules for Roth 401(k)s and Roth 403(b)s with Roth Individual Retirement Account (IRA) rules. From 2024, the legislation no longer requires minimum distributions from Roth Accounts in employer retirement plans.⁹

More Highlights

Support for Small Businesses. In 2023, the new law will increase the credit to help with the administrative costs of setting up a retirement plan. The credit increases to 100% from 50% for businesses with less than 50 employees. By boosting the credit, lawmakers hope to remove one of the most significant barriers for small businesses offering a workplace plan.¹⁰

Qualified Charitable Donations (QCD). From 2023 onward, QCD donations will adjust for inflation. The limit applies on an individual basis, so for a married couple, each person who is 70½ years old and older can make a QCD as long as it remains under the limit.¹¹

Remember that just because retirement rules have changed does not mean that adjusting your current strategy is appropriate. Each of your retirement assets plays a specific role in your overall financial strategy, so a change to one may require changing another.

Also, retirement rules can change without notice, and there is no guarantee that the treatment of specific rules will

remain the same. This article intends to give you a broad overview of SECURE 2.0. It's not intended as a substitute for real-life advice. If changes are appropriate, we will outline an approach and work with your tax and legal professionals, if applicable.

A fresh look at your plan can start the year reminding you of the strength of your financial position, and give you confidence that as tax laws and distribution rules change, you are ready for the impact. Join us at our upcoming educational event to learn more about SECURE Act 2.0 and how it may impact your plan.

Let us know if you're ready to schedule your next review.

Jason

KEY PLANNING DEADLINES: Winter 2023

	FINANCIAL DATES & DEADLINES	SPECIAL OBSERVANCES	
JANUARY FOCUS: 2023 Key Numbers	January 1. Medicare Advantage Open Enrollment Period starts January 1. Medicare General Enrollment Period starts January 18. 4Q 2022 estimated taxes due	Financial Wellness Month January 1. New Year's Day (markets closed) January 16. MLK Day (markets closed)	Where are your opportunities for 2023? Let's talk...
FEBRUARY FOCUS: Financial Numbers	February 1. W-2's & 1099-Misc due	February 12. Super Bowl February 14. Valentine's Day February 20. President's Day (markets closed)	How can I serve you better?
MARCH FOCUS: Tax Planning	March 15. 2022 S-Corp returns due (cal yr) March 15. 2022 partnership returns due March 31. Medicare Advantage Open Enrollment Period closes March 31. Medicare General Enrollment Period closes	March 12. Daylight Savings Time begins March 17. St. Patrick's Day March 14. March Madness begins March 20. First day of Spring March 22. Ramadan begins	Let's review your quarterly statement!
IF YOU HAVE ANY QUESTIONS ABOUT THIS OR ANYTHING ELSE, PLEASE CALL US! (925) 370-3750			

1. [Fidelity.com](#), December 23, 2022
2. [CNBC.com](#), December 22, 2022
3. [Fidelity.com](#), December 22, 2022
4. [Fidelity.com](#), December 22, 2022
5. [Paychex.com](#), December 30, 2022
6. [PlanSponsor.com](#), December 27, 2022
7. [CNBC.com](#), December 23, 2022
8. [Forbes.com](#), January 5, 2023
9. [Forbes.com](#), January 5, 2023
10. [Paychex.com](#), December 30, 2022
11. [FidelityCharitable.org](#), December 29, 2022

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