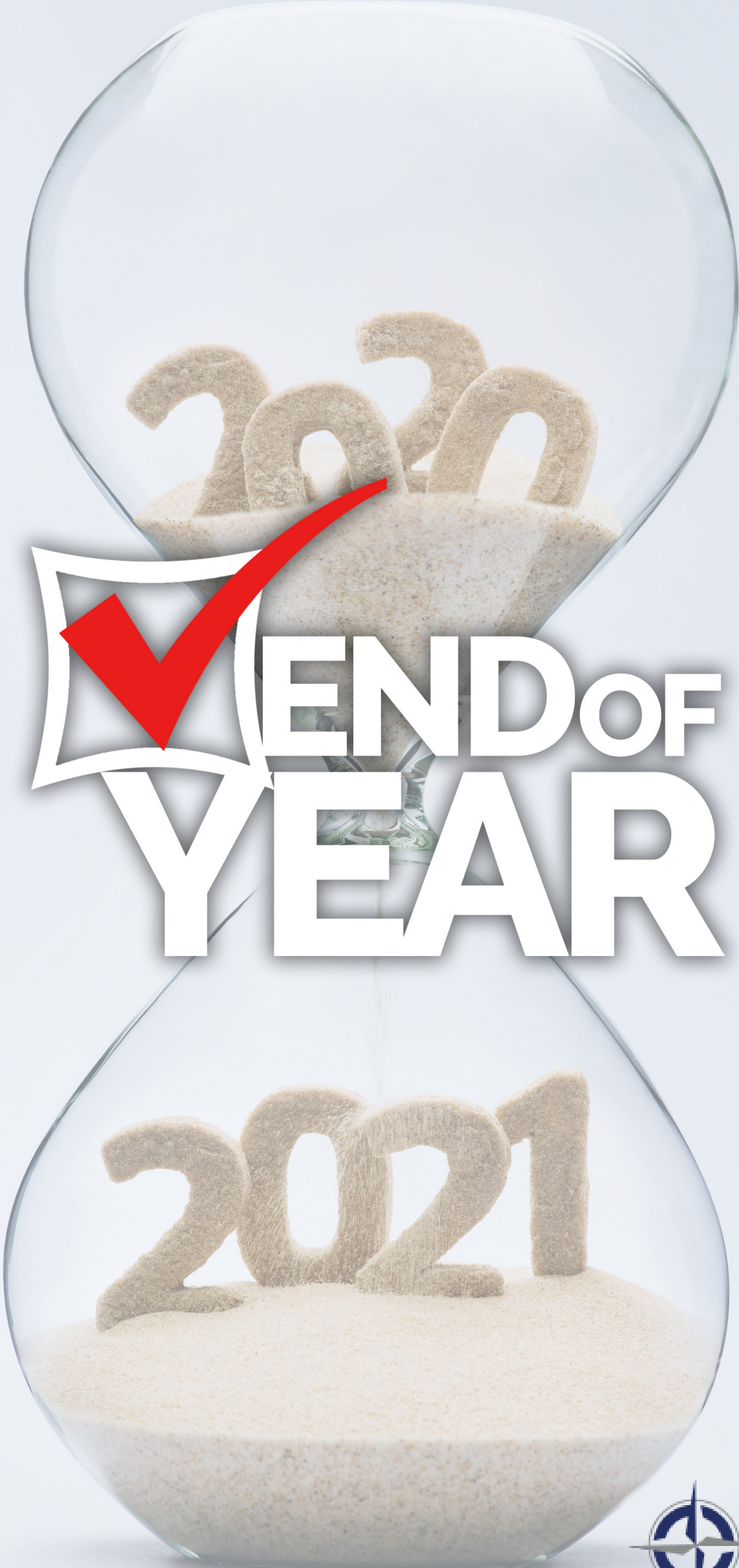
END OF YEAR



JANUARY
FEBRUARY
MARCH
APRIL
MAY
JUNE
JULY
AUGUST
SEPTEMBER
OCTOBER
NOVEMBER
DECEMBER

RSG

YOUR END OF YEAR CHECKLIST

Here come the holidays and everything that goes with them – traveling, cooking, buying gifts, and of course, spending time with the people we love. Your holidays might look a bit different this year and so might your financial situation. Even though it's a busy time of year when finances can end up taking a back seat to decorating and wrapping presents, it's important to take the time to make an end of year financial checklist. Check it once, twice, or however many times are necessary and review where 2020 has left you.

LOOKING BACK AT 2020:

2020 was a year like no other. America went from having low unemployment and a 12-year long bull market to mass unemployment, record market drops, as well as canceled weddings, graduations, and travel plans. Many developed a sense of isolation when cut off from friends and family, and of course, many contracted the virus or knew someone who did. And on top of it, we experienced one of the most high-stakes and contentious election seasons in our nation's history. Let's look at some important events, trends, and policy changes from 2020 that could affect your end of year financial checklist.

THE SECURE ACT

The Setting Every Community Up for Retirement Enhancement (SECURE) Act was the biggest piece of retirement legislation to be passed in years and included many important changes for those in and preparing for retirement, such as:

Changed the age at which Required Minimum Distributions (RMDs) start from 70 ½ to 72. [1]This allows retirees more time to have their tax-deferred savings grow in a 401(k), IRA, or similar account before starting yearly RMDs.

Eliminated the age limit on IRA contributions. Before, you could not contribute to a traditional IRA after the age of 70 ½. 3

Preserved the ability to make qualified charitable distributions (QCDs) at age 70 ½, even though RMDs do not start until age 72. This means up to $100,000 can go to a qualified charity tax-free directly from an IRA.

Expanded 529 Plan Benefits. Plan owners and beneficiaries can now distribute a maximum of $10,000 to cover qualified student loan repayments.[3]

Eliminated the "Stretch" IRA that allowed heirs to stretch out distributions based on their own life expectancies instead of the life expectancy of the previous owner. Now, most non-spouse beneficiaries must drain an inherited account within ten years of the original owner's death. [4]

5

1 https://waysandmeans.house.gov/sites/democrats.waysandmeans.house.gov/files/documents/SECURE%20Act%20section%20by%20section.pdf
2 https://waysandmeans.house.gov/sites/democrats.waysandmeans.house.gov/files/documents/SECURE%20Act%20section%20by%20section.pdf
3 https://www.savingforcollege.com/article/new-law-allows-529-plans-to-repay-student-loans
4 https://waysandmeans.house.gov/sites/democrats.waysandmeans.house.gov/files/documents/SECURE%20Act%20section%20by%20section.pdf

THE RESPONSE TO THE PANDEMIC

THE CARES ACT

President Trump signed the Coronavirus Aid, Relief, and Economic Security (CARES) Act into law to help Americans combat the economic effects of the coronavirus.

1 Required Minimum Distributions were suspended for the 2020 tax year, including from inherited retirement accounts.[5] This presents tax planning opportunities to those who do not need their full RMD amount.

2 Many 401(k) and other defined-contribution plans allow for loans of up to $50,000 or half of the vested account balance. Normally these loans can be repaid over a five-year period. The CARES Act has temporarily modified this loan rule: Most 401(k) participants could borrow up to $100,000 or 100% of the vested amount – whichever was less.

3 Those who have been diagnosed with the coronavirus, been laid off, had their hours reduced, or been furloughed could take an in-service distribution from their IRA. Normally, there is a 10% early withdrawal penalty for those who withdraw from their retirement account before age 59 ½. The CARES Act waives this penalty for withdrawals of up to $100,000. You can also take up to three years to pay the tax on the distribution.[6]

4 Normally, there is a cap (60% of a taxpayer's AGI) on how much someone can donate to charity tax-free. The CARES Act raised this limit to 100% of AGI for the 2020 tax year. There is also a provision that allows taxpayers who don't itemize to deduct up to $300 in charitable donations.[7]

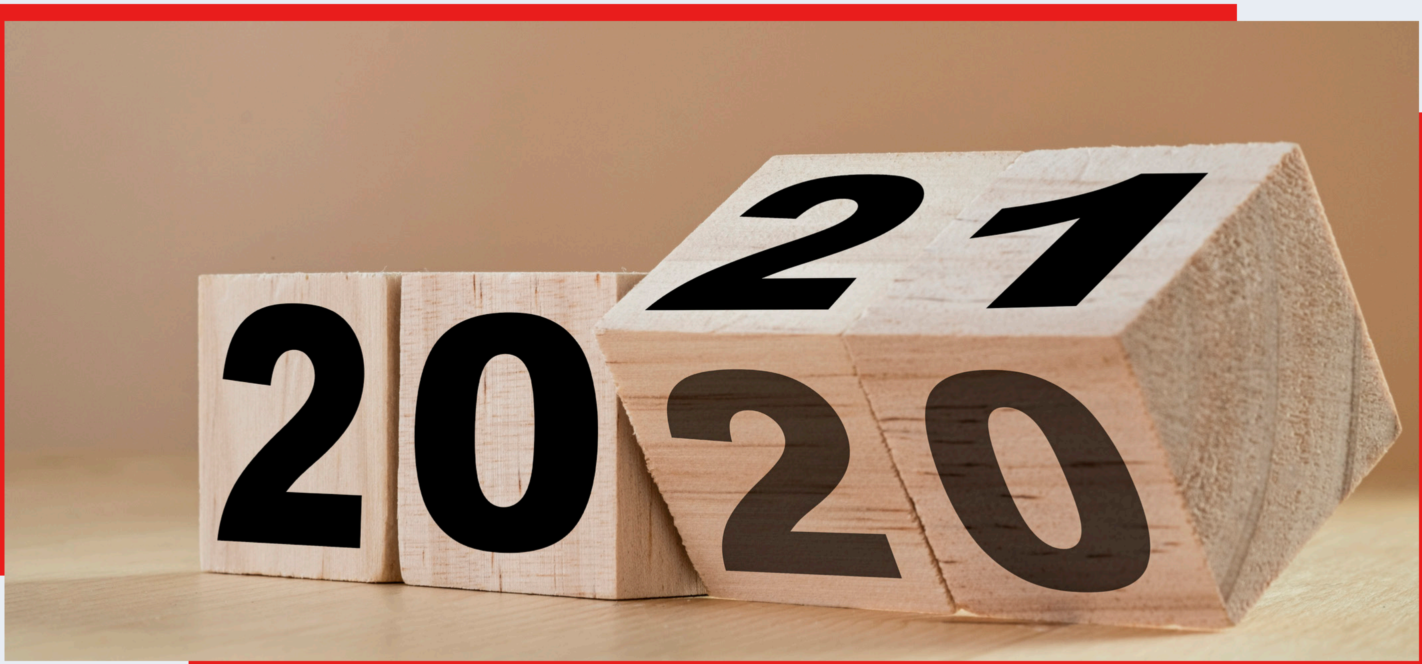
5 (Sec. 2203) https://www.congress.gov/bill/116th-congress/house-bill/748
6 https://www.congress.gov/bill/116th-congress/senate-bill/3548/text?q=product+update#toc-H638004C502804947B4CFB9B4B770C2F2
7 (Sec. 2205) https://www.congress.gov/bill/116th-congress/house-bill/748

HEALTHCARE TRENDS

An average 65-year-old couple retiring today will need an estimated $285,000 to cover their healthcare costs, [8]but between rising healthcare costs and the likelihood of needing long-term care, overall costs could be much higher. The pandemic's impact on healthcare spending is uncertain but will likely accelerate market consolidation due to private practices' loss in revenue this year. And, market consolidation tends to lead to higher prices paid by private payers.[9] For today's retiree, the important point to note is that there could be changes to our healthcare system in the next 20 years, and a truly comprehensive financial plan takes healthcare and long-term care costs into account.

FINISHING UP 2020

2020 could very well be summarized by one word: Uncertain. From March onward, so many aspects of life were uncertain, from whether travel plans would be canceled to who would be president in 2021. In the midst of this uncertainty plus the busyness of the holidays, it can be easy to forget about your end of year financial checklist. If you don't already have one, let's make this simple: Before the end of the year, make sure to review your tax situation, your estate plan, and your healthcare costs.



8 https://www.investopedia.com/retirement/how-plan-medical-expenses-retirement/
9 https://www.healthaffairs.org/do/10.1377/hblog20200728.592180/full/

REVIEW YOUR TAX SITUATION

Don't wait until 2021 to review your 2020 tax situation: There are several end-of-year planning moves you can make to potentially reduce your 2020 tax bill.

12/31 **Review Your Retirement Account Contributions**

It's not too late the max out your 401(K), IRA, or another retirement account for 2020. At age 50, workers with certain qualified retirement plans can make annual "catch-up" contributions in addition to their normal contributions. In 2020, you can contribute up to $6,000 to an IRA if you are under 50 and an additional $1,000 if you are 50 or older. Those who are 50 or older and participate in a Simple IRA or Simple 401(k) plan can contribute up to $16,500 per year for 2020. Those 50 and older can contribute an additional $6,500 to a 401(k), 403(b), most 457 plans, and a government Thrift Savings Plan in 2020 for a total of $26,000[10]

Check Your Withholding

You should check your withholding at the end of every year, especially as you near and enter retirement. If you've retired, keep in mind that pension and annuity payments are subject to withholding just as wage income is. Other examples of non-wage income you may be receiving in retirement are stock dividends, income from side businesses, and interest. If these increase, you may need to adjust your withholding to avoid a large tax bill come tax time. If you picked up a side job, know that you can't claim the same allowances for both jobs, but you may split allowances between the two. Or, if you've gone from working two jobs to one, you might be able to claim more allowances on your remaining job.

12/31 **Make 2020 Charitable Donations**

Tis the season of giving, and you may be making a few charitable donations. If you itemize your taxes, you can deduct qualified charitable contributions. Normally, there is a cap on how much someone can donate to charity tax-free—this cap is 60% of a taxpayer's AGI. The CARES Act raised this limit to 100% of AGI for the 2020 tax year. There is also a provision that allows taxpayers who don't itemize to deduct up to $300 in charitable donations in 2020.[11]

10 https://www.irs.gov/retirement-plans/plan-participant-employee/retirement-topics-catch-up-contributions
11 (Sec. 2205) https://www.congress.gov/bill/116th-congress/house-bill/748

12/31 Decide If You Will Withdraw From Your 401(k), IRA, or Other Retirement Account

The CARES Act suspended Required Minimum Distributions for 2020, but you may still choose to withdraw from your 401(k), IRA, or another retirement account this year. The deadline for a withdrawal to count for the 2020 tax year is December 31st. Note that the CARES act allows those affected by COVID-19 to borrow up to $100,000 or 100% (whichever is less) from a 401(k) without incurring the early withdrawal penalty in 2020 and take up to five years to repay the amount. Additionally, those who have been diagnosed with COVID-19, been laid off, had their hours reduced, or been furloughed could take an in-service distribution from their IRA of up to $100,000 without incurring the early withdrawal penalty and take up to three years to pay the tax on the distribution.[12]

12/31 Review Your Investments

If you've had investment losses this year, you can deduct part of them to offset your gains. Tax-loss harvesting allows you to take your losses earlier, delay payment on the gains, and - as a result - pay a similar total tax bill, but at a later date. With this approach, you can help reduce your income tax liability from your investment losses. If you have more capital losses than you have gains for a given year, then you can claim up to $3,000 of those losses and deduct them. If you have more capital losses than that, then you're allowed to carry the excess forward for use in future years. There's no time limit for using the capital loss deductions that you've carried forward.[13]

12 https://www.congress.gov/bill/116th-congress/senate-bill/3548/text?q=product+update#toc-H638004C502804947B4CFB9B4B770C2F2
13 https://www.irs.gov/taxtopics/tc409

12/31 **Review Other Itemized Deductions**

If you itemize your taxes, consider how you might "bunch" your deductions this year if that strategy would work for you. Depending on your individual situation, here are some deductions you may be able to take advantage of for the 2020 tax year:

- **Qualified medical and dental treatments, potentially deductible if add up to 7.5% of 2019 gross adjusted income.**[14]
- **Qualified mortgage interest paid on the first $1 million of mortgage debt for homes bought before December 15th, 2017.**[15]
- **Charitable contributions to qualified charities worth 100% of your 2020 Adjusted Gross Income.**[16]
- **Qualified education expenses of up to $4,000 for single filers with income of up to $80,000, or $160,000 for married couples filing jointly.**[17]
- **Half of the 15.3% payroll tax imposed on the self-employed.**[18]
- **Health insurance for the self-employed.**[19]
- **A certain portion of long-term care insurance premiums**[20]
- **Home office deduction.**[21]
- **Early withdrawal penalties from a CD.**[22]
- **Up to $10,000 in state and local property taxes.**[23]

12/31 **Consider a Roth Conversion**

There's evidence to suggest that we might be experiencing historically low tax rates right now. The Tax Cuts and Jobs Act will expire in 2025, and by the end of the year, total government debt is expected to almost equal the size of the U.S. economy.[24] One popular long-term tax minimization strategy is to use a Roth IRA. You have the option to convert funds from a traditional IRA, 401(k), or similar qualified retirement account into a Roth IRA. Converting to a Roth is one potential strategy in a year when you have suffered market losses. In this case, you would pay tax on the funds converted and then be able to withdraw them tax-free later on.

Keep in mind that Roth IRA conversions are now irreversible and that money can't be withdrawn penalty-free until five years after it's converted, and typically until age 59 ½.[25]

14 https://www.irs.gov/taxtopics/tc502#:~:text=You%20may%20deduct%20only%20the,of%20your%20adjusted%20gross%20income.&text=Medical%20care%20expenses%20include%20payments,or%20function%20of%20the%20body.
15 https://www.irs.gov/publications/p936
16 https://www.irs.gov/charities-non-profits/charitable-organizations/charitable-contribution-deductions
17 https://www.irs.gov/publications/p970#en_US_2019_publink1000177994
18 https://www.irs.gov/businesses/small-businesses-self-employed/self-employment-tax-social-security-and-medicare-taxes
19 https://www.irs.gov/taxtopics/tc502
20 https://www.irs.gov/taxtopics/tc502
21 https://www.irs.gov/businesses/small-businesses-self-employed/home-office-deduction
22 https://www.thebalance.com/early-withdrawal-penalty-deduction-3193010
23 https://www.irs.gov/taxtopics/tc503#:~:text=Your%20deduction%20of%20state%20and,your%20other%20itemized%20deductions%20also.
24 https://www.wsj.com/articles/u-s-debt-is-set-to-exceed-size-of-the-economy-for-year-a-first-since-world-war-ii-11599051137
25 https://www.irs.gov/retirement-plans/designated-roth-accounts-in-plan-rollovers-to-designated-roth-accounts#:~:text=In%2Dplan%20Roth%20rollover%20is%20irreversible&text=The%20rolled%20over%20amounts%20can,also%20can't%20be%20recharacterized

REVIEW YOUR ESTATE PLAN

Estate planning is an important part of retirement planning for many reasons. You've worked hard for your money and want to see it passed down in the most efficient way possible for your loved one's benefit. Unfortunately, even small mistakes can lead to big problems down the road – both financial and personal. This can be a good time to think about your legacy and estate plan and start the conversation with your loved ones about why you're doing what you're doing.

Review Your Retirement Account Beneficiaries

Maybe you designated a beneficiary when you first established your retirement account and haven't looked at the paperwork since. During that time, you may have gotten married, divorced, had children, or become involved with a charity you would like to leave money to. Even if you updated your will or set up a trust, you need to update your retirement account beneficiary because beneficiary designations trump your will and trust directives. If you never designated a beneficiary, federal or state law may determine one after you pass away. For qualified plans such as 401(k) s, the automatic designation is the spouse of the account owner. If you are divorced, widowed, or have another beneficiary in mind, you should review your beneficiary designation. If you decide you want to leave your retirement account to a charity, make sure it's a qualified charity and continues to operate as such.

Consider How The Eliminated "Stretch" IRA Strategy Could Affect You:

The "stretch" IRA option allowed heirs to stretch out distributions based on their own life expectancies instead of the life expectancy of the previous owner. Now, most non-spouse beneficiaries must drain an inherited account within ten years of the original owner's death.[26] This means funds have less time to grow tax-free and larger distributions could potentially result in a bigger tax burden for your heirs. There are several ways to minimize taxes for your heirs, depending on their own tax burdens.

12/31

What Kind of Gifts Will You Give This Year?

Anyone can give up to $15,000 per year per person without paying federal gift tax. This can be a way to pass on your wealth during your lifetime and can be part of your overall estate plan. In 2020, the total lifetime estate and gift tax exemption is $11,580,000 for singles, and $23,160,000 for couples. Gifts made during your lifetime count towards this amount.

26 https://waysandmeans.house.gov/sites/democrats.waysandmeans.house.gov/files/documents/SECURE%20Act%20section%20by%20section.pdf

REVIEW YOUR HEALTHCARE COST

An average 65-year-old couple retiring today will need an estimated $285,000 to cover their healthcare costs,[27] and this does not include long-term care costs. Today's retirees should make planning for these costs part of their overall retirement plan. There may be ways to save on costs by minimizing your tax burden and thinking ahead. Here are some items to check off your end of year list:

12/7 or 3/15

Review your Medicare Options and Healthcare Needs If You Are a Medicare Beneficiary:

Medicare Fall Open Enrollment period ends December 7th, and during that time you can switch from Original Medicare to Medicare Advantage, change to a different Medicare Advantage Plan, and change your Part D Prescription Drug Plan. If your prescription drug needs have changed in the last year, a different Part D prescription drug plan might work better for you. The same drug cost can vary widely between plans, and plans can change the list of drugs they cover each year. For example, this can happen when the generic equivalent of a drug is introduced.

Don't worry if you miss the deadline because Medicare Advantage Open Enrollment season runs from January 1st to March 31st. During that time, you can switch to a different Medicare Advantage Plan and join a Medicare Prescription Drug Plan. This is a good time to review your healthcare needs to see if your current plan still suits them.

12/15

Note That the Affordable Care Act Enrollment Period Ends December 15th

Those who do not receive health insurance through their employer, Medicare, or Medicaid may have the option of purchasing private insurance on a health exchange, the virtual marketplaces for health insurance created by the Affordable Care Act. The open enrollment period runs from November 1st to December 15th, and there is a Special Enrollment Period for those who qualify. Depending on your income, you may qualify for assistance under the Affordable Care Act.[28]

12/31

Consider Itemizing Your Medical Expenses Now or In The Future:

For the 2020 tax year, taxpayers who itemize can deduct qualified, unreimbursed medical expenses equal to more than 7.5% of their 2019 adjusted gross income. The threshold used to be 10% but was changed in 2019. Some examples of qualified expenses are hospital and nursing home care, acupuncture, and payments to doctors, dentists, surgeons, and chiropractors.

27 https://s2.q4cdn.com/997146844/files/doc_news/archive/b6f07a26-3aa9-4a98-af00-b1b783cfd552.pdf
28 https://www.investopedia.com/articles/personal-finance/080516/top-3-health-insurance-options-if-you-retire-early.asp

12/31 or 3/15

Spend Down Your Flexible Spending Account FSA dollars If You Have an Account:

An FSA allows workers to put away pre-tax dollars to spend on eligible healthcare products and services. For many FSA users, money must be spent by December 31st of each year, and no rollovers are allowed. Some FSA users have a grace period and have until March 15th of the following year to use them.[29] Here are some of the goods and services you can buy with FSA money:

- Co-Pays
- Dental Care
- Vision Care
- Thermometers
- Sunscreen
- Vitamins
- At-home Defibrillator
- Vibrating Shoe Insoles
- Travel Pillows
- Certain Brands of Glasses
- Many Popular over the Counter Drugs
- For a complete list, see the FSA store website: https://fsastore.com/FSA-Eligibility-List/l.aspx

Review Your Health Savings Account (HSA) If You Have One:

HSA contributions are generally made with pre-tax dollars. Funds can grow tax-free in the account and then can be withdrawn tax-free if they're used on qualified medical expenses.[30] Unlike money in an FSA, money in an HSA does roll over to the next year, so there's no need to spend it by the end of the year. However, you may want to review your contributions, see if any future healthcare expenses you plan to use funds on are covered, and consider how your HSA savings will factor into your retirement plan.

29 https://www.businessinsider.com/how-to-use-fsa-money
30 https://www.investopedia.com/articles/personal-finance/090814/pros-and-cons-health-savings-account-hsa.asp

WHAT'S NEXT?

Now that you've covered these important checklist items, it's on to the most important ones:

- Spend time with the people you love
- Relax, overeat, and watch that one Christmas movie you watch every year
- Get ready to ring in the New Year!

We would love to be part of your financial team this time of year and all times of year – through thick and thin and through all the changes you'll go through as you enjoy retirement. This checklist is a jumping-off point that you can use to assess your financial situation and strategize. We can help you take it further and create a comprehensive retirement plan designed for the long term. We're committed to providing you with the highest level of service to get you to and through the retirement you deserve.

DISCLOSURE

Advisory services are offered by Retirement Solutions Group, Inc. an investment adviser.

The information contained herein should in no way be construed or interpreted as a solicitation to sell or offer to sell advisory services to any residents of any State other than the State of Tennessee or where otherwise legally permitted. All written content is for information purposes only. It is not intended to provide any tax or legal advice or provide the basis for any financial decisions. Moreover, this material has been derived from sources believed to be reliable, but is not guaranteed as to accuracy and completeness and does not purport to be a complete analysis of the materials discussed. The opinions expressed do not necessarily reflect those of Retirement Solutions Group, Inc. and are subject to change without notice.

RETIREMENT SOLUTIONS GROUP

101 SE Pkwy Court, Suite 210
Franklin, TN 37064

(615) 467 - 6300

https://rsgtn.com