

Federal Individual Income Tax Rates

Col. 1	Single Individuals		Joint Returns & Surviving Spouses		Heads of Household	
	Taxable Income	Tax on Col. 1	Rate on Excess	Tax on Col. 1	Rate on Excess	Tax on Col. 1
\$ 0	\$ 0	10%	\$ 0	10%	\$ 0	10%
11,000	1,100	12%			1,570	12%
15,700			2,200	12%		
22,000					6,868	22%
44,725	5,147	22%				
59,850			10,294	22%		
89,450					14,678	24%
95,350						
95,375	16,290	24%				
182,100	37,104	32%			35,498	32%
190,750			32,580	24%		
231,250	52,832	35%			51,226	35%
364,200			74,208	32%		
462,500			105,664	35%		
578,100					172,623.50	37%
578,125	174,238.25	37%				
693,750			186,601.50	37%		

“Taxable Income” is your total income minus deductions for business expenses, contributions to retirement plans and other “adjustments,” from which you subtract the standard deduction or itemized deductions, whichever is larger. Net long-term capital gains (on assets held more than 12 months) and dividends are taxed at a maximum of 20% for taxpayers in the 37% tax bracket; 15% for taxpayers in the 22%, 24%, 32% and 35% tax brackets; and 0% for taxpayers in the 10% and 12% tax brackets. High-income taxpayers are also subject to a 3.8% tax on net investment income. Taxpayers must compute regular taxes and also “alternative minimum tax” and pay whichever is more.

Four Time-Tested Ways To Reduce Your Income Tax

- DEDUCT** as much as the tax laws allow. Strive to itemize your deductions rather than use the standard deduction. Establish tax credits where possible. Try to bunch deductions in a year of high income, perhaps by prepaying some of the coming year’s expenses. Maximize charitable contribution deductions.
- CONVERT** fully taxed investment income (such as taxable interest) to income that is tax-free (such as municipal bonds) or taxed at a maximum rate of 20% (qualified dividends and long-term capital gains).
- DIVERT** investment income to a family member who is in a lower tax bracket than you through gifts of investments or by establishing trusts. *Note:* Investment income in excess of \$2,500 of a child under 19 or a full-time student under age 24 will be taxed at their parents’ highest tax rate.
- DEFER** receiving some income until a time when you are in a lower income tax bracket. A common example is contributing to a qualified retirement savings plan that allows you a current income tax deduction and postpones tax until you retire.

Equivalent Yields of Municipal Bonds Compared to Taxable Investments

Bond Yield	12% Bracket	22% Bracket	24% Bracket	32% Bracket	35% Bracket	37% Bracket
2.5%	2.8%	3.2%	3.3%	3.7%	3.8%	4.0%
3.0	3.4	3.8	3.9	4.4	4.6	4.8
3.5	4.0	4.5	4.6	5.1	5.4	5.6
4.0	4.5	5.1	5.3	5.9	6.2	6.3
4.5	5.1	5.8	5.9	6.6	6.9	7.1

THE RULE OF 72: How Fast Will an Investment Double?

To estimate how many years it will take for an investment to double in value, divide 72 by the annual interest rate you expect to receive (assuming tax-free compounding annually).

$$\frac{72}{\text{Interest Rate}} = \text{Number of years money will take to double in value}$$

What Annual Investments of \$1,000 Will Grow To Over Time*

Years	4%	5%	6%	8%	10%	12%
1	\$1,040	\$1,050	\$1,060	\$1,080	\$1,100	\$1,120
2	2,122	2,153	2,184	2,246	2,310	2,374
3	3,246	3,310	3,375	3,506	3,641	3,779
4	4,416	4,526	4,637	4,867	5,105	5,353
5	5,633	5,802	5,975	6,336	6,716	7,115
6	6,898	7,142	7,394	7,923	8,487	9,089
7	8,214	8,549	8,897	9,637	10,436	11,300
8	9,583	10,027	10,491	11,488	12,579	13,776
9	11,006	11,578	12,181	13,487	14,937	16,549
10	12,486	13,207	13,972	15,645	17,531	19,655
11	14,026	14,917	15,870	17,977	20,384	23,133
12	15,627	16,713	17,822	20,495	23,523	27,029
13	17,292	18,599	20,015	23,215	26,975	31,393
14	19,024	20,579	22,276	26,152	30,772	36,280
15	20,825	22,657	24,673	29,324	34,950	41,753
16	22,698	24,840	27,213	32,750	39,545	47,774
17	24,645	27,132	29,906	36,450	44,599	54,750
18	26,671	29,539	32,760	40,446	50,159	62,440
19	28,778	32,066	35,786	44,762	56,275	71,052
20	30,969	34,719	38,993	49,423	63,002	80,699
21	33,248	37,505	42,392	54,457	70,403	91,503
22	35,618	40,430	45,996	59,893	78,543	103,603
23	38,083	43,502	49,816	65,765	87,497	117,155
24	40,646	46,727	53,864	72,106	97,347	132,334
25	43,312	50,113	58,156	78,954	108,182	149,334
26	46,084	53,669	62,706	86,351	120,100	168,374
27	48,968	57,403	67,528	94,339	133,210	189,699
28	51,966	61,323	72,640	102,966	147,631	213,583
29	55,085	65,439	78,058	112,283	163,494	240,333
30	58,328	69,761	83,802	122,346	180,943	270,293

* Assuming tax-free growth of principal with investments made at the start of each year.

Years Until Exhaustion of \$100,000 in Retirement Savings

Monthly Withdrawal	Interest Rate on Savings									
	3%	4%	5%	6%	7%	8%	9%	10%		
\$ 400	32	43	*	*	*	*	*	*		
500	23	27	34	62	*	*	*	*		
600	18	20	23	29	*	*	*	*		
700	14	16	18	20	25	*	*	*		
800	12	13	14	16	18	22	30	*		
900	10	11	12	13	14	16	19	26		
1,000	9	10	10	11	12	13	15	17		
1,200	7	8	8	9	9	10	10	11		
1,400	6	6	7	7	7	8	9	9		
1,600	5	5	6	6	6	6	7	7		

* The asterisk shows withdrawals that can be made without time limitation.

Social Security Benefits

How much will you receive in retirement benefits? Call your local Social Security office for assistance, or you can use the “Retirement Estimator” at <https://www.ssa.gov/prepare/> plan-retirement for an estimate of future retirement benefits.

How will part-time employment affect retirement benefits?

Retirees under the full retirement age can earn up to \$21,240 in 2023 without loss of Social Security benefits; above \$21,240 they lose \$1 in benefits for every \$2 of earnings. There is no cutback in Social Security benefits for retirees who continue to have earnings from employment after full retirement age.

What portion of Social Security benefits can be taxed?

Up to half of Social Security benefits is taxable for single people with “provisional income” over \$25,000 (\$32,000 for joint returns). Up to 85% is taxable if income exceeds \$34,000 (singles) or \$44,000 (joint returns).

Life Expectancy Tables

Age	Male	Female	Age	Male	Female	Age	Male	Female
41	37.8	41.8	56	24.8	28.2	71	13.9	16.0
42	36.9	40.8	57	24.1	27.3	72	13.2	15.2
43	36.0	39.9	58	23.3	26.4	73	12.5	14.5
44	35.1	39.0	59	22.5	25.6	74	11.9	13.8
45	34.2	38.0	60	21.7	24.8	75	11.3	13.1
46	33.3	37.1	61	21.0	23.9	76	10.7	12.4
47	32.5	36.2	62	20.2	23.1	77	10.1	11.7
48	31.6	35.3	63	19.5	22.3	78	9.5	11.0
49	30.7	34.4	64	18.8	21.5	79	8.9	10.4
50	29.8	33.5	65	18.0	20.7	80	8.4	9.8
51	29.0	32.6	66	17.3	19.9	81	7.9	9.2
52	28.1	31.7	67	16.6	19.1	82	7.4	8.6
53	27.3	30.8	68	15.9	18.3	83	6.9	8.0
54	26.5	29.9	69	15.2	17.5	84	6.4	7.5
55	25.7	29.0	70	14.6	16.7	85	6.0	7.0

Tables are based on estimates provided by the Social Security Administration. See <https://www.ssa.gov/oact/STATS/table4c6.html>.

Tax-Smart Ideas To Stretch Your Support for Charitable Organizations

- Give securities instead of cash.** You can magnify your support for worthwhile causes by giving stocks or other assets that have (a) gone up in value and (b) been owned by you for more than 12 months. You can deduct your cost plus your untaxed “paper profit” (capital gain) up to 30% of your adjusted gross income (AGI). Excess deductions can be carried over and deducted for up to five years. Cash gifts are deductible up to 60% of AGI.
- Make a large gift, receive a partial deduction but keep lifetime income.** You can make a gift of significance today yet reserve income for life for yourself or others. You can choose between a fixed income or variable payments. You’ll receive a charitable deduction for part of what you give, and if you fund your gift with securities, you may reduce or avoid capital gains taxes. Lifetime payments may be taxed under favorable rules. Call us for details.
- Make gifts from your business.** If you own a business, you may have two “pockets” from which to give. Owners of closely held corporations should consider contributing stock in their companies. In some cases, it may be more favorable for the corporation to make charitable gifts. Ask your advisors.
- Make “temporary” gifts of cash or income-producing property.** Letting charity “borrow” income-producing assets for several years (through a charitable lead trust), with the assets later passing to children or grandchildren, can reduce income taxes and future gift taxes, estate taxes and generation-skipping transfer taxes.
- IRA gifts.** People age 70½ and older may direct the custodians of their IRAs to make distributions of up to \$100,000 directly to public charities. Transfers are tax-free for those subject to required minimum distributions, saving income tax even though no charitable deduction is available. A one-time election allows IRA gifts up to \$50,000 to charitable remainder trusts and charitable gift annuities.

Special Gift Planning Opportunities

Call our office before you ...

- Sell investments at a profit.
- Make or amend your will or establish a living trust.
- Make qualified IRA charitable contributions.
- Roll over low-interest CDs or bonds.
- Name beneficiaries for pension plans or life insurance.

The purpose of this publication is solely educational, namely to provide general gift, estate, financial planning, and related information. It is not intended as legal, accounting, or other professional advice, and you should not rely on it as such. For assistance in planning charitable gifts with tax and other implications, the services of appropriate and qualified advisors should be obtained. Consult an attorney for advice if your plans require revision of a will or other legal document. The figures in this publication are accurate as of December 2022. Any updates in tax laws hereafter may change the numbers and the validity and should be discussed with your advisors. Consult a tax and/or accounting specialist for advice regarding tax- and accounting-related matters. © Copyright MMXXIII by Sharpe Group. All Rights Reserved.



Your 2023 Tax & Estate Planning Guide



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Rate Your Estate Plan

Here is a quick way to rate the effectiveness of your current estate plan. Add up your score and rate yourself on the plans you have made for disposing of your estate and protecting your beneficiaries' security.

Will/Living Trust. Score 10 points if you have a will or living trust. People who have revocable living trusts still need wills (to dispose of assets not placed in the trust and to name executors or guardians). Add 5 points if you have stored your will or trust document in a fire-safe place and notified responsible people of the location. Add 5 points if you review your will or trust every year to ensure it remains up to date.

Score _____

Life Insurance. Do you have enough protection for your beneficiaries? Does your life insurance still serve its original purpose? Score 5 points if you have reviewed your life insurance coverage in the last year.

Score _____

Health Care Decisions. Give yourself 5 points if you have a living will or health care power of attorney (arrangements for making health care decisions if you are incapacitated).

Score _____

Disability. Add 5 points if you have established a trust or general durable power of attorney that allows others to make financial decisions for you if you become incapacitated.

Score _____

Special Beneficiaries. Subtract 5 points if you have not established trusts or other arrangements to provide for beneficiaries (if any) who need special care.

Score _____

Business Interests. Subtract 5 points if you have not arranged for an orderly transfer of business interests (if any) at death, including payment of "death taxes."

Score _____

Net Worth. Add 5 points if you can estimate, within \$20,000, your current net worth. Subtract 5 points if you have not determined whether your estate will be affected by state or federal "death taxes."

Score _____

Worthwhile Causes. Give yourself 2 bonus points if you have arranged through your will, trust or life insurance to continue your support for worthwhile causes and institutions after death.

Score _____

Total Score:

35–42: Excellent

30–34: Good

25–29: Fair

Less than 25 (or if you had to subtract points):

See an estate planning advisor at an early opportunity!

Total _____

Twelve-Step Estate Planning

- 1. Make an appointment with an attorney.** If you don't know one, ask a relative, friend or co-worker for a referral.
- 2. Inventory your assets.** Your attorney can help determine the most tax-effective way to distribute your property.
- 3. Choose your beneficiaries.** Reflect on the people and organizations you wish to benefit.
- 4. Calculate your gross estate.** State or federal estate tax may be a concern if your estate exceeds the amount sheltered by the applicable exemptions (\$12,920,000 for singles, \$25,840,000 for married couples for the federal estate tax).
- 5. Consider other estate planning documents.** You may need a living trust in addition to a will.
- 6. Plan for medical decisions.** Ask your advisor about a health care power of attorney and living will.
- 7. Write a letter of instruction to your executor.** In your letter, you can name specific individuals to receive certain personal assets.
- 8. Follow through on your estate planning.** Execute all necessary documents. Make sure that living trust assets are transferred into the trustee's name.
- 9. Store your will, living trust and other estate planning documents in a safe place.** These documents should be readily accessible by your executor.
- 10. Retain copies of income tax and gift tax returns.** These will assist your executor in filing income and estate tax returns.
- 11. Review your estate plans regularly.** Many events can make your plans obsolete: death of a spouse or beneficiary, a move to another state, a change in tax laws, to name a few.
- 12. Call our office for suggestions on incorporating gifts in your estate plans.** You can help us achieve worthwhile goals by providing for a charitable bequest that will perpetuate your thoughtful lifetime support.

Estimate Your Gross Estate

Add up the market value of your assets. Your assets will be taxed at their *date-of-death* value, so you might want to factor inflation into your estimate. If your assets will exceed \$12,920,000, consult an attorney about reducing these taxes.

Stocks and bonds	\$ _____
Notes and debts due to you	\$ _____
Real estate (home, etc.)	\$ _____
Bank accounts and cash	\$ _____
Business interests	\$ _____
Personal property	\$ _____
Life insurance (face value)	\$ _____
Retirement savings	\$ _____
Other taxable property	\$ _____
Total assets (gross estate)	\$ _____

State Inheritance and Estate Taxes

At last count, 17 states and the District of Columbia imposed an inheritance tax, state estate tax or both, in some cases. Note that taxes may be imposed on real estate or personal property that you own outside your home state. Keep in mind, state "death tax" laws change periodically, and you should consult your advisors for the current tax situation in states where any of your assets are located. Here is a listing of states with "death taxes" at time of publication:

Connecticut	Maine	New York
District of Columbia	Maryland	Oregon
Hawaii	Massachusetts	Pennsylvania
Illinois	Minnesota	Rhode Island
Iowa	Nebraska	Vermont
Kentucky	New Jersey	Washington

Charitable Gifts From Your Estate

Gifts by Will or Living Trust. A bequest is the most traditional way to provide important help for worthwhile causes. With a gift through your will or living trust, you retain full use of your gift property during your life. It's also possible to make a gift at death but reserve lifetime income for a spouse or other family member. Ask us for details. As a minimum bequest, you might consider using the table to the right. We will be happy to provide you or your attorney with sample bequest language.

Life Insurance. You can name a charity as the beneficiary of your life insurance—just contact the company. A better idea may be to transfer actual ownership of the policy to an organization or to buy and contribute a new policy. Such a gift will entitle you to an income tax deduction, and future premium payments will be tax deductible.

Financial Accounts. Most accounts at financial institutions can be made payable at death to a person or a charitable organization. Ask the manager of the institution how you can arrange to designate a death beneficiary for your CD, savings account, brokerage account, etc. These gifts are revocable during life.

Benefits from IRAs and Pension Funds. Your estate can save both income taxes and estate taxes if you make a charity the death beneficiary of a portion or all of your individual retirement account or other retirement savings plan. You also can arrange for lifetime income to be paid to a family member after your death, with the charity's benefit coming later.

Your Bequest Can Memorialize Your Annual Contributions*

If your annual gifts total:	\$ 100 \$ 200 \$ 300 \$ 500 \$ 1,000 \$ 2,000 \$ 5,000	You can perpetuate them with a bequest of at least:	\$ 2,000 \$ 4,000 \$ 6,000 \$ 10,000 \$ 20,000 \$ 40,000 \$ 100,000
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* A 5% annual return on your bequest, as represented in these tables, would ensure that you can always continue your thoughtful annual contributions.

Required Minimum Retirement Plan Distributions

Current Age	Distribution Period (Years)	Percent	Current Age	Distribution Period (Years)	Percent
73	26.5	3.77%	95	8.9	11.24%
74	25.5	3.92	96	8.4	11.90
75	24.6	4.07	97	7.8	12.82
76	23.7	4.22	98	7.3	13.70
77	22.9	4.37	99	6.8	14.71
78	22.0	4.55	100	6.4	15.63
79	21.1	4.74	101	6.0	16.67
80	20.2	4.95	102	5.6	17.86
81	19.4	5.15	103	5.2	19.23
82	18.5	5.40	104	4.9	20.41
83	17.7	5.65	105	4.6	21.74
84	16.8	5.95	106	4.3	23.26
85	16.0	6.25	107	4.1	24.39
86	15.2	6.58	108	3.9	25.64
87	14.4	6.94	109	3.7	27.03
88	13.7	7.30	110	3.5	28.57
89	12.9	7.75	111	3.4	29.41
90	12.2	8.20	112	3.3	30.30
91	11.5	8.70	113	3.1	32.26
92	10.8	9.26	114	3.0	33.33
93	10.1	9.90	115	2.9	34.48
94	9.5	10.53	116	2.8	35.71