YEAR END NEWSLETTER

Dear Clients and Friends,

As we embrace the holiday season and the close of 2024, we take this opportunity to reflect on the past year and look forward to the future. Next year holds significant planning opportunities even though the expiration of the 2017 Tax Cut and Jobs Act (TCJA) may be postponed.

The uncertainty surrounding Congressional actions related to the TCJA requires effective communication to navigate these potential changes or lack thereof, since the implications of these developments could be far-reaching and relevant to you. Our aim is to identify the best strategies to meet your unique needs and ensure your wealth transfer objectives are met. We're here to discuss and strategize the most effective approach for you and your family.

The chart below highlights the increase in tax liabilities for individuals and trusts that will take place if there is a reversion to pre-2017 tax rules (adjusted for inflation):

TCJA (2024)

ORDINARY INCOME TAX BRACKETS		
TAX RATE	MFJ BRACKETS	SINGLE BRACKETS
10%	$0 - $23,200	$0 - $11,600
12%	$23,201 - $94,300	$11,601 - $47,150
22%	$94,301 - $201,050	$47,151 - $100,525
24%	$201,051 - $383,900	$100,526 - $191,950
32%	$383,901 - $487,450	$191,951 - $243,725
35%	$487,451 - $731,200	$243,726 - $609,350
37%	Over $731,200	Over $609,350

TAX RATE	TRUST BRACKETS
10%	$0 - $3,100
24%	$3,101 - $11,150
35%	$11,151 - $15,200
37%	Over $15,200

ITEMIZED DEDUCTIONS LIMITS (SCHEDULE A)	
STATE & LOCAL TAXES (SALT)	$10,000
MORTGAGE INTEREST	$750,000
CHARITABLE DONATIONS MADE IN CASH	Subject to 60% AGI Limitation
DEDUCTIBILITY OF FINANCIAL ADVISORY FEES3	–
PEASE LIMITATION THRESHOLD (MFJ)	–
PEASE LIMITATION THRESHOLD (SINGLE)	–

SECTION 199A (QBI) DEDUCTION	Up to 20% of QBI
ESTATE & GIFT TAX LIFETIME EXEMPTION	$13,610,000

POST-TCJA (2017 TAX NUMBERS INFLATED TO 2024)[1]

ORDINARY INCOME TAX BRACKETS		
TAX RATE	MFJ BRACKETS	SINGLE BRACKETS
10%	$0 - $23,100	$0 - $11,500
15%	$23,101 - $94,100	$11,551 - $47,050
25%	$94,101 - $189,850	$47,051 - $113,950
28%	$189,851 - $289,250	$113,951 - $237,650
33%	$289,251 - $516,750	$237,651 - $516,750
35%	$516,751 - $583,750	$516,751 - $518,850
39.6%	Over $583,750	Over $518,850

TAX RATE	TRUST BRACKETS
15%	$0 - $3,150
25%	$3,151 - $7,400
28%	$7,401 - $11,300
33%	$11,301 - $15,500
39.6%	Over $15,500

ITEMIZED DEDUCTIONS LIMITS (SCHEDULE A)	
STATE & LOCAL TAXES (SALT)	Unlimited
MORTGAGE INTEREST	$1,000,000
CHARITABLE DONATIONS MADE IN CASH	Subject to 50% AGI Limitation
DEDUCTIBILITY OF FINANCIAL ADVISORY FEES3	Subject to 2% AGI Floor
PEASE LIMITATION THRESHOLD (MFJ)	$389,150
PEASE LIMITATION THRESHOLD (SINGLE)	$324,300

SECTION 199A (QBI) DEDUCTION	–
ESTATE & GIFT TAX LIFETIME EXEMPTION	$6,810,000

Source: fpPathfinder as of 2024

While we wait to see if Congress renews or amends the tax provisions, it's essential for us to stay flexible. Also, the concern that tax rates may rise in the future makes it vital to review your situation and develop strategies to take advantage of a potentially longer timeline. We are exploring options such as accelerating income, deferring deductions, maximizing retirement plans, analyzing the most effective way to give to charity and leveraging tax-advantaged investments to help alleviate future tax burdens. As always, we are here to discuss these topics with you in detail as well as coordinate with your tax preparer and legal counsel.

THE TRANSFER OF FAMILY WEALTH

Each year presents a comprehensive list of actionable items, many of which have deadlines approaching on December 31st. Below, we've provided reminders along with the latest information pertinent to 2024, 2025, and beyond.

Corporate Transparency Act – Reporting Deadline Suspended – Voluntary Submission Only

The Corporate Transparency Act (CTA) is a new federal law in 2024 mandating the disclosure of ownership for corporations (including C and S corporations), limited liability companies, and foreign entities doing business in the US. The new reporting requirement impacts almost all clients but **the deadline for disclosure recently changed from a mandatory deadline of 12/31/24 for companies established before 2024 to voluntary submission**. Reporting companies are not required to file beneficial ownership information with FinCEN at this time and will not face liability for non-compliance. We will continue to monitor this reporting requirement.

Required Minimum Distributions (RMD) in 2024

In 2024, individuals must begin taking required minimum distributions (RMDs) from tax-deferred retirement accounts at age 73. The first RMD must be taken by April 1 of the year following the year you turn 73. For example, if you turn 73 in 2024, your first RMD is due by April 1, 2025. Subsequent RMDs are due by December 31st. As of 2024, pre-death RMDs from Roth 401(k)s and 403(b)s are eliminated. Additionally, the Secure Act 2.0 is set to increase future RMD age to 75 starting in 2033.

Inherited IRA Required Minimum Distributions in 2024

If you have an inherited IRA, you will likely need to take a Required Minimum Distribution (RMD) by December 31st, regardless of your age. However, the SECURE Act has changed how distributions are calculated and the timeline for taking them. "Designated beneficiaries" (DBs) who inherited IRAs on or after January 1, 2020, must fully deplete the account within 10 years of the original account owner's death. A DB is defined as a named beneficiary who is not: a

surviving spouse, a disabled or chronically ill individual, someone not more than 10 years younger than the IRA owner, a minor child of the IRA owner, or a specific type of trust (such as a conduit trust with beneficiaries who meet the new "eligible" designated beneficiary criteria).

As of July 2024, the IRS clarified the interpretation of the 10-Year Rule. If the account owner had begun taking RMDs before their death, the inheritor must also continue to take RMDs during the 10-year period. To err on the side of caution, we are advising our clients to discuss voluntary distributions with their CPAs each year within this 10-year timeframe.

Reviewing one's estate plan and making informed decisions regarding IRA beneficiaries as well as distribution strategies over the 10-year period is important. As always, please consult your tax preparer regarding calculations for RMDs and applicable tax withholdings.

Qualified Charitable Distributions

Because designated beneficiaries of inherited IRAs can no longer "stretch" distributions over their lifetimes going forward, clients with large IRA balances are strategizing the best way to pass these accounts to the future generation.

The use of Qualified Charitable Distributions (QCD) is always something to consider for clients that are charitably inclined and of RMD age and potentially now even more appealing with the 10-year required distribution for inheritors. If you are age 70½ or older, you can still make one or more QCDs from your IRA or inherited IRA to qualified charities up to $105,000 this year. Starting in 2024, the annual QCD limit is adjusted for inflation.

Making Non-Charitable Gifts

Annual Gifts to Individuals, Custodial Accounts, Crummey Trusts, Insurance Trusts, & 529s

The most common method for tax-free gifting remains the annual gift tax exclusion. The annual gift tax exclusion in 2024 is $18,000 ($19,000 in 2025). Married taxpayers can gift up to $36,000 to any one individual free of gift tax ($38,000 in 2025). Gifts to individuals can be made with cash or appreciated securities. Another way to gift to individuals without incurring gift tax is by making gifts for someone else's benefit directly to educational and medical institutions to cover tuition and medical expenses.

Using the annual gift tax exclusion can also be helpful for funding insurance trusts, Crummey Trusts, 529 plans and custodial accounts. All gifts should be coordinated with your tax advisor and trust and estate advisor.

Contributions to 529 Qualified Tuition Plans

Making a gift for the benefit of any child to a state-specific 529 is one way to use some or all of your annual gift exclusion. Picking a plan? Many states offer donors state income tax deductions or credits if they contribute to their resident state plan. When choosing the right 529 plan (especially if the donor does not benefit from a tax deduction or tax credit), we recommend prioritizing researching "direct-sold" plans with low fees which may not necessarily be provided by the donor's home state.

A "bunching" or "superfunding" technique should be considered if you'd like to give more than $18,000 to a 529 plan this year. In 2024 you can put a total of $90,000 into the account ($180,000 if spouses elect to "gift-split"). If you choose to do this, you cannot make annual exclusion gifts up to $18,000 to that person for the next four years.

In 2017, the Tax Cut and Jobs Act expanded the use of 529 plans to allow for tax-free distributions for private, public or religious elementary, middle and high school tuition up to $10,000 per year. Note that 529 plans are sponsored at the state level and there are potential variations in how states adhere to federal tax laws governing these plans. It is possible that the IRS may not tax a distribution for K-12 tuition, but your state might. Before making distributions out of 529 plans for K-12 tuition, please consult your tax advisor.

In 2024, the Secure Act 2.0 permits the rollover of 529 plan funds into a Roth IRA, with a lifetime limit of $35,000, provided the 529 plan has been active for at least 15 years. This new provision is beneficial for clients with overfunded 529 accounts. However, the rollover cannot be completed in a single transaction; it is subject to the annual contribution limit, which for 2024 is $7,000 for individuals under age 50. Additionally, while the beneficiary must have sufficient earned income to make the contribution, there is no earned income phaseout for these 529-to-Roth transfers.

Funding a Spousal Lifetime Access Trust (SLAT)

A SLAT allows you to transfer assets to an irrevocable trust that benefits your spouse during their lifetime. The assets transferred to the trust are completed gifts for estate tax purposes and the value of the assets and any future appreciation or earnings are removed from your taxable estate which is what makes them attractive. Gifts to the trust are shielded from gift tax up to your current unused exemption. You can still indirectly access your wealth through your spouse, who is a beneficiary of the trust; however, It is important to avoid retaining too much control over the trust assets to prevent them from being pulled back into your taxable estate.

A detailed discussion around SLATs is needed to determine whether there is

an opportunity to incorporate into a client's estate plan. SLATs work best when funded with assets that both the donor spouse and the beneficiary spouse do not need to access. There are many scenarios to take into consideration when funding a SLAT such as risk of death or divorce of the nondonor spouse, elimination of a step up in basis at death of either spouse, and decisions on how to fund the trust. SLATs can be funded with investment assets that are expected to grow over the long term. The contribution to the SLAT from the donor spouse should be made from individually owned assets (not joint). SLATs can also own a life insurance policy. When the policy pays out, it will pay out estate tax and income tax free.

GIVING TO CHARITY

It is always tax advantageous to gift long-term appreciated securities (e.g., stocks held for more than 12 months) over cash. This eliminates the capital gains tax and potential Medicare surtax that you would have otherwise incurred on the sale of the stock.

Giving to Charity via a Donor Advised Fund ("DAF")

A DAF is a separate account you set up for the sole purpose of supporting charitable organizations. It can be powerful from a tax planning perspective since "bunching" techniques can be used when contributing to a DAF. If you already have a DAF, please be mindful of the year-end deadlines for making contributions into the account. If you do not currently have a donor advised fund in place and this sounds interesting to you, please let us know. We will coordinate the discussion with your tax advisor.

Charitable Remainder Trusts

Charitable Remainder Trusts (CRTs) offer a unique blend of tax planning and philanthropy, enabling individuals to defer income taxes while making charitable contributions. These trusts can facilitate tax-deferred sales of business interests, appreciated securities, or real estate. There are two primary types of CRTs: Charitable Remainder Annuity Trusts (CRATs) and Charitable Remainder Unitrusts (CRUTs). The key difference lies in how they distribute income to beneficiaries: a CRAT provides a fixed income based on the initial value of the trust, whereas a CRUT offers a variable income based on the current market value of the assets. A comprehensive discussion is essential to understand both the specific limitations and flexibility associated with each option.

Private Foundations

If you have a private nonoperating foundation, please make sure it completes the annual 5% payout requirement before December 31st. It is important to calculate the annual payout with your CPA to take carryover and qualified expenses into consideration if applicable.

SAVING FOR THE FUTURE

Contributing to a Retirement Account

We recommend that clients contribute to a retirement plan, if eligible, to maximize their long-term financial security. Depending on the type of account—such as a Traditional IRA, Roth IRA, or employer-sponsored plans like a 401(k), 403(b), or 457 plan—there are specific contribution limits, phase-out thresholds, catch up contributions and deadlines to be aware of (some of which are as of 12/31 of each calendar year). Self-employed individuals may also have access to additional options, including i401(k), SEP, and SIMPLE IRAs. It's important to understand these details to make informed decisions.

Contributing to an IRA (Traditional, Roth, SEP)

If you are eligible to contribute to a Traditional IRA or Roth IRA, the annual contribution limit in 2024 remains the lesser of the 1) taxpayer's total taxable compensation or 2) $7,000. If you are 50 or older, the contribution limit is $8,000 ($1,000 catch up contribution still remains). The deadline for 2024 contributions is April 15th, 2025 into an IRA or Roth IRA. These limits remain the same in 2025.

A self-employed business owner can contribute to a SEP IRA, but this contribution cannot exceed the lesser of 1) 25% of the employees' compensation or 2) $69,000 for 2024 (increased to $70,000 in 2025). Contributions into a SEP IRA may still be considered a 2024 event and made as late as October 15th, 2026 if you file an extension for your 2024 tax return. The SECURE 2.0 Act of 2022 introduced provisions for Roth SEP IRAs and the option for employer matching contributions to be designated as Roth contributions. Please consult us and your tax advisor to walk through these new SEP IRA Roth options.

Contribution to a 401(k) or 403(b) as well as most 457 plans

If you are under 50 years old, you can contribute up to $23,000 to an employer-sponsored savings plan. If you're 50 or older, you can contribute an additional $7,500—for a total of $30,400 in 2024. The deadline for 2024 contributions depends on your plan but is likely December 31st of the current tax year. The employee salary deferral amount increases to $23,500 in 2025.

Roth IRA Conversions

A focus on Roth conversions has heightened with the possible sunset of the TCJA and associated increase in tax. This is because Roth conversions are attractive if the tax rate paid at the time of the conversion to a Roth is likely lower than the rate expected to be paid when the assets are required to be withdrawn from the traditional IRA. A Roth conversion may make sense for you in any given year if 1) the ultimate beneficiary of your IRA is intended to be your heirs, (2) the taxes on the conversion can be paid from personal assets, and (3) the Roth assets

have a long investment time horizon. A potential Roth IRA conversion requires a conversation with your tax preparer. Please note the recharacterization of a Roth conversion is no longer permitted.

Contributions to Health Savings Accounts (HSAs)

Health Savings Accounts (HSAs) are an effective planning tool for covering medical expenses and can also be leveraged in retirement. HSAs provide triple tax benefits: contributions are tax-deductible, earnings grow tax-free, and withdrawals for qualified medical expenses are tax-free. If you have a high-deductible health plan and are not enrolled in Medicare, HSAs can help you save for future expenses while lowering your current taxable income.

Since an HSA is not a "use-it-or-lose-it account" (the way an FSA is), it is a great way to save for health care costs later in retirement on a tax-free basis. The maximum annual contribution limit for individuals is $4,150 in 2024, while the maximum annual contribution for families is $8,300. Individuals age 55 or older that are not yet enrolled in Medicare may continue to make a catch-up HSA contribution of up to $1,000 per person. The deadline for 2024 contributions into an HSA can be as late as April 15th, 2025. Please note that non-spouse beneficiaries of an HSA may face steep tax consequences so it's important to consider inheritance planning here. Additionally, HSAs can have the same state specific issues as 529s. For example in CA the investment earnings/interest dividends, etc. are taxed at the state level.

OTHER ONGOING PLANNING CONSIDERATIONS

Estate and Gift Taxes

As of 2024, the top marginal federal estate, gift, and GST tax rate remains at 40%. The lifetime federal estate and gift tax exemption currently stands at $13,610,000 per individual ($27,220,000 for married couples). The IRS has announced that in 2025, this exemption will increase to $13,990,000 ($27,980,000 for couples), marking the highest level ever recorded. This exemption is a key focus amid the potential sunset of the TCJA provisions on December 31st, 2025. It is anticipated that the current federal estate and gift tax exemption will automatically reduce to approximately half that amount (adjusted for inflation) following the expiration. While it is likely these high exemption levels will be sustained, if gifting at this level aligns with your family's goals, proactive planning remains essential.

The "portability" of the Federal estate tax exemption remains in place which means when a spouse dies and portability is elected, any unused lifetime Federal estate and gift tax exemption can be transferred to the surviving spouse. To take advantage of the portability election, an estate tax return must be filed. Note that the IRS will allow certain estates to elect late portability relief from a deceased spousal unused exclusion (DSUE) up to five years after the decedent's death.

Estate Planning Documents

It is important to review that your estate planning and insurance documents produce an outcome consistent with your goals and objectives. It is important to review your will, as well as the guardians for minor children, how property is titled, your designated beneficiaries on retirement plans and insurance policies, healthcare proxy and durable power of attorney. A review of these documents is often needed if your family circumstances have changed, such as a birth, death, divorce or change in state residency.

Review of Designated Beneficiaries

Retirement plans, pensions, IRAs, life insurance policies, annuities, payable on death accounts, and certain other accounts transfer to the beneficiaries designated on the respective account forms. These designations have priority over designations in wills and trusts. Because of this, be sure your beneficiary designations are up to date. Be sure to review them!

Educating the Next Generation

Remember, it is vital to educate your children and grandchildren about being diligent and responsible with their finances. We should consider ways to fund IRAs for young adults who have earned income and ensure that employee-sponsored retirement accounts are set up and funded for those starting their careers. Engaging in discussions about the advantages of compounding over multiple investment cycles can be particularly rewarding, especially for young investors with long-term horizons. Effective planning is essential, and involving the next generation is a great way to reinforce long-term goals and objectives.

Communication is Key

We look forward to our ongoing partnership in 2025 and, as always, we're here to support you through the planning opportunities discussed above. Understanding how these details affect you and your family will always be our priority.

Your Team at Angeles Wealth Management

It is important to note that Angeles Wealth Management cannot provide tax or legal advice and this letter should not be construed as such, but we are happy to coordinate these discussions.

Santa Monica
429 Santa Monica Blvd,
Suite 650
Santa Monica, CA 90401
310.857.5832

New York
375 Park Avenue,
Suite 2209
New York, NY 10152
212.451.9290

Houston
5151 San Felipe St
Suite 1480
Houston, TX 77056
713.832.3670