BakerAvenue
WEALTH MANAGEMENT

The Current Tax Landscape

Essential Updates and Election Proposals

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Welcome & Introductions

Gerry O’Connell , Enrolled Agent, Tax Planning, Partner

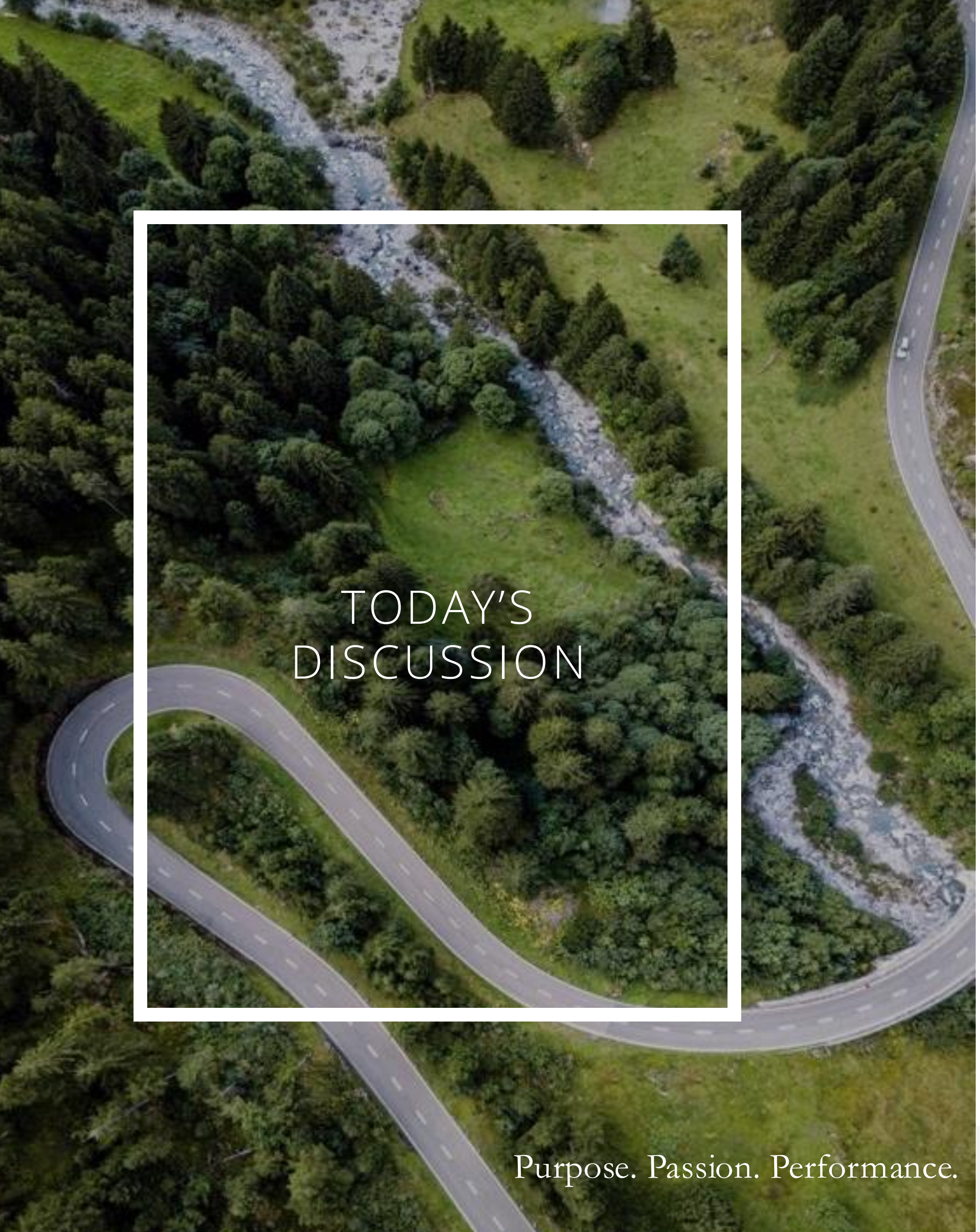
Gerry brings 25 years of tax experience gained at public accounting firms, KPMG and Deloitte, investment banks, Lazard and Sociiete Generale and San Francisco tax law firm, Moskowitz LLP. Gerry is an Enrolled Agent (EA) the premier tax accreditation recognized by the IRS. Areas of special interest include estate planning strategies, retirement planning, real estate tax minimization and US reporting of assets held overseas.

Glen Rives, JD, CFP®, Wealth Advisor Director

Glen Rives has been helping clients plan their futures for over 25 years. He provides comprehensive wealth management, financial planning, and coordination of all aspects of a client’s financial life with strategic partners such as estate attorneys and CPAs.

Moderated by Julia Bialek, CFP®, TEP, Senior Wealth Advisory Manager

Julia is a member of the Wealth Advisory team in New York City, where she collaborates with clients to develop and implement tailored wealth management strategies with a focus on aligning financial goals with long-term planning.



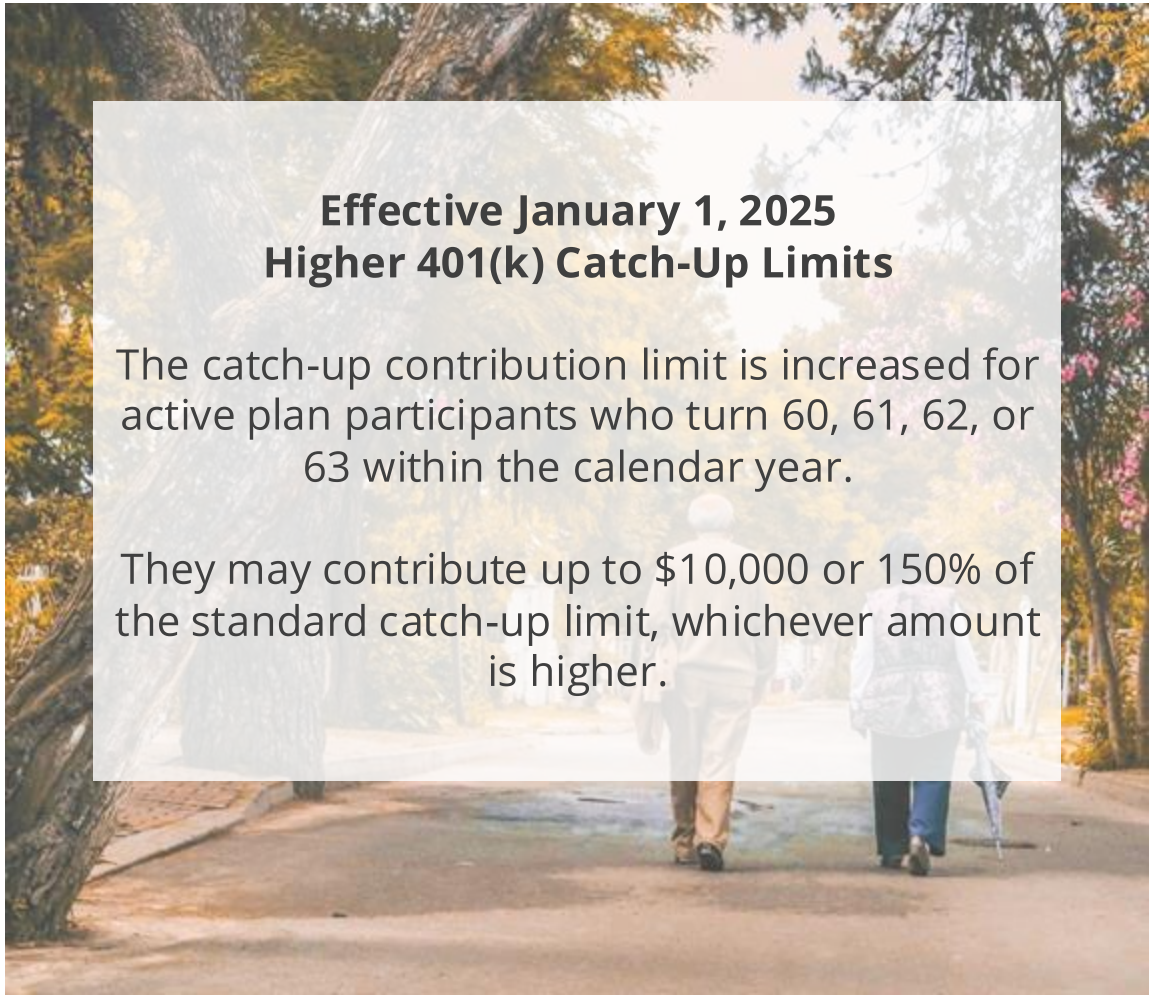
1. Welcome & Introductions
2. Recap of Recent Tax Changes
3. Potential Future Changes
   - Presidential Candidates' Tax Proposals
4. Conclusion and Q&A
   - Summary of Key Takeaways
   - Q&A Session

Summary of Key Tax Changes (2020-2024)

Secure Act and Secure Act 2.0

Required Minimum Distribution (RMD) Age: Owned IRAs

- Secure Act (2019)
  - Increased the RMD starting age from 70½ to the year you turn 72
- Secure Act 2.0 (2022)
  - Further increased the RMD age to the year you turn 73 (for those born between 1951 and 1959) and 75 (for those born in 1960 or later), allowing more time for tax-deferred growth



Effective January 1, 2025
Higher 401(k) Catch-Up Limits

The catch-up contribution limit is increased for active plan participants who turn 60, 61, 62, or 63 within the calendar year.

They may contribute up to $10,000 or 150% of the standard catch-up limit, whichever amount is higher.

Roth IRAs Recap

For Roth IRAs, there are no RMDs regardless of age. Regular distributions from Roth IRAs can be subject to taxation and a 10% penalty if you are not yet 59.5 years old or

- If a distribution is taken within 5 years of your first Roth contribution or within 5 years of completing a Roth Conversion (calculated separately)
- If your Roth distribution is potentially taxable, ordering rules are taxpayer-friendly in that Contributions (which are never taxable) are deemed distributed first as opposed to earnings on the account
- There are also exceptions for those under 59.5 if you have a disability, un-reimbursed medical expenses exceeding 10% of AGI, and distributions under a Substantially Equal Periodic Payment (SEPP) schedule

Inherited IRAs: Traditional and Roth

RMD Calculations Under the 10-Year Rule
RMD amounts depend on factors such as your age, when the descendent passed, the descendant's age when they passed, the beneficiaries' relationship to the original account owner, the account value and whether the account is traditional or a Roth.

- These are some of the most complicated rules in the tax code.
- Reach out to your Advisor at BakerAvenue if you are in any doubt as to your status as a beneficiary or how the new rules may affect your distribution requirements for 2025 and after.

Note: Where the descendent died before 2020, no changes are required to the established distribution requirements.

Inherited IRAs: Traditional and Roth 10-Year Rule

When Did the Death Occur?

ON OR AFTER JANUARY 1, 2020

THE SECURE ACT RULES APPLY

Eligible Designated Beneficiary: **Stretch**

Designated Beneficiary: **10-Year Rule**

Non-Designated Beneficiary: **5-Year Rule**

Lump sum is an option for all beneficiaries

BEFORE JANUARY 1, 2020

THE "OLD RULES" APPLY

All designated beneficiaries could establish a life expectancy distribution schedule and "stretch" RMDs

Who Qualifies and What Are Their Options?

ELIGIBLE DESIGNATED BENEFICIARY

SPOUSE

Treat as your own
- There is no time restriction to change from inherited status to treat as your own

Life Expectancy Stretch
- Must begin to take RMDs by the later of December 31st of the year after the IRA holder's death or the required beginning date of the deceased IRA holder.

DISABLED INDIVIDUAL

CHRONICALLY ILL INDIVIDUAL

NOT MORE THAN 10 YEARS YOUNGER THAN THE IRA HOLDER

- **Life Expectancy Stretch**

MINOR CHILD OF THE IRA HOLDER

- **Life Expectancy Stretch** until they reach age 21, then the **10-year rule applies**

DESIGNATED BENEFICIARY

ALL OTHER HUMAN BENEFICIARIES

10-Year rule applies
- If the **IRA holder passed after reaching their Required Beginning Date (RBD)*,** then the designed beneficiary is required to take annual RMDs in years 1-9 and liquidate the account by December 31st of the 10th year following death.
- If the **IRA holder passes away prior to their RBD,** then no annual RMDs are required for the designated beneficiary. The account must still be completely liquidated by December 31st of the 10th year following death.
- Special rules for ROTH IRA's. Beneficiaries subject to the 10-Year rule do not have an annual RMD requirement in years 1-9 for inherited ROTH IRA's. The account must be completely liquidated by December 31st of the 10th year following death.
- The **Required Beginning Date** is the 1April following the year that you turn 72 or 73

NON-DESIGNATED BENEFICIARY

ESTATE, NON-QUALIFYING TRUST, CHARITY

- Death prior to RBD: **5-year rule**
- Death on or after RBD: life expectancy of deceased IRA holder

SUCCESSOR BENEFICIARIES

INHERITED IRA BENEFICIARY

Successor Beneficiary is the beneficiary of an inherited IRA

ANNUAL RMD REQUIREMENT

The requirement of annual RMDs under the 10-year rule will be determined by whether the original IRA holder had reached their RBD

PRE-SECURE ACT ORIGINAL HOLDER DEATH

Death of original IRA holder is Pre-SECURE Act, then the successor beneficiary is subject to the 10-year rule, they are not allowed to continue the stretch

POST-SECURE ACT ORIGINAL HOLDER DEATH

Death of original IRA holder is Post-SECURE Act, then the successor beneficiary's distribution period is determined by whether the oiginal beneficiary was an EBD or a DB

- **Inherit from an Eligible Designated Beneficiary** // Successor Beneficiary is subject to the 10-Year rule. The successor beneficiary will need to liquidate the account by December 31st of the 10th year following the death of the beneficiary. The successor beneficiary's distribution obligation is determined by the original IRA holders age at death. Death before the RBD, no annual RMD's during the 10-year period. Death on or after the RBD, annual RMD's required in years
  - 1-9 and the entire account liquidated by December 31st of the 10th year following death.
- **Inherit from Designated Beneficiary** // Successor steps into the shoes of the original beneficiary and has only what remains of the original 10-year period.

*The Required Beginning Date (RBD) changed with the passage of SECURE Act 2.0. The RBD is the date by which the first Required Minimum Distribution (RMD) must be taken from an account. For purposes of how the RBD applies to the 10-year we must examine when the IRA holder passed away. For deaths occurring between January 1, 2020, and December 31, 2022, the RBD age is 72. Therefore, the RBD is April 1st the year after the deceased turned 72 for those that passed away in the above timeframe. For deaths occurring on or after January 1, 2023, the RBD age is 73 and the RBD is April 1st the year after the IRA holder reached age 73. According to current legislation, the RBD will remain at 73 until January 1, 2033, when it will increase to age 75. Please note that if an IRA hold passed away after reaching their RBD age, but prior to the actual RBD (April 1st the year after they attained RBD age) they will have been deemed to die prior to reaching the RBD and designated beneficiaries subject to the 10-year rule will not be required to take annual RMD's from the inherited IRA.

Secure Act 2.0 Provisions (2022)

- **Roth 401(k) Employer Contributions**
  - Employers can now offer matching contributions on a Roth basis, allowing for after-tax growth
- **Roth 401(k) no longer required to take RMDs**
  - Calendar year 2024 or later. Bringing Roth 401(k)s into line with Roth IRAs
- **529 Plan to Roth IRA Transfers**
  - Beginning in 2024, up to $35,000 can be transferred from a 529 plan to a Roth IRA for the same beneficiary, subject to conditions

Inflation Reduction Act

Inflation Reduction Act – Residential Credit

Residential Clean Energy Credit (Solar):

- 30% credit for expenditures on solar, geothermal, wind equipment, and installation costs
- Applies to primary or secondary residences (not rentals)
- Unused credit carries forward
- Must purchase the solar / wind equipment rather than lease it
- No annual or lifetime dollar limit

Inflation Reduction Act – Electric Vehicle (EV) Credit

- $3,750 to $7,500 point of sale rebate if purchased in 2024
- Can be used as a down payment on the purchase
- Income - AGI must not exceed $300K for MFJ, $150K for single, may have to pay back credit
- Vehicle - Must be electric or a fuel cell, and MSRP cannot exceed $80K for vans, pickup trucks, or SUVs, or $55K for cars
- Used Vehicles - Used vehicles qualify for 30% of purchase price (up to $4,000 of credit) Adjusted Gross Income (AGI) must not exceed $150K for MFJ, $75K for single, must be at least two-year old vehicle, must cost no more than $25K

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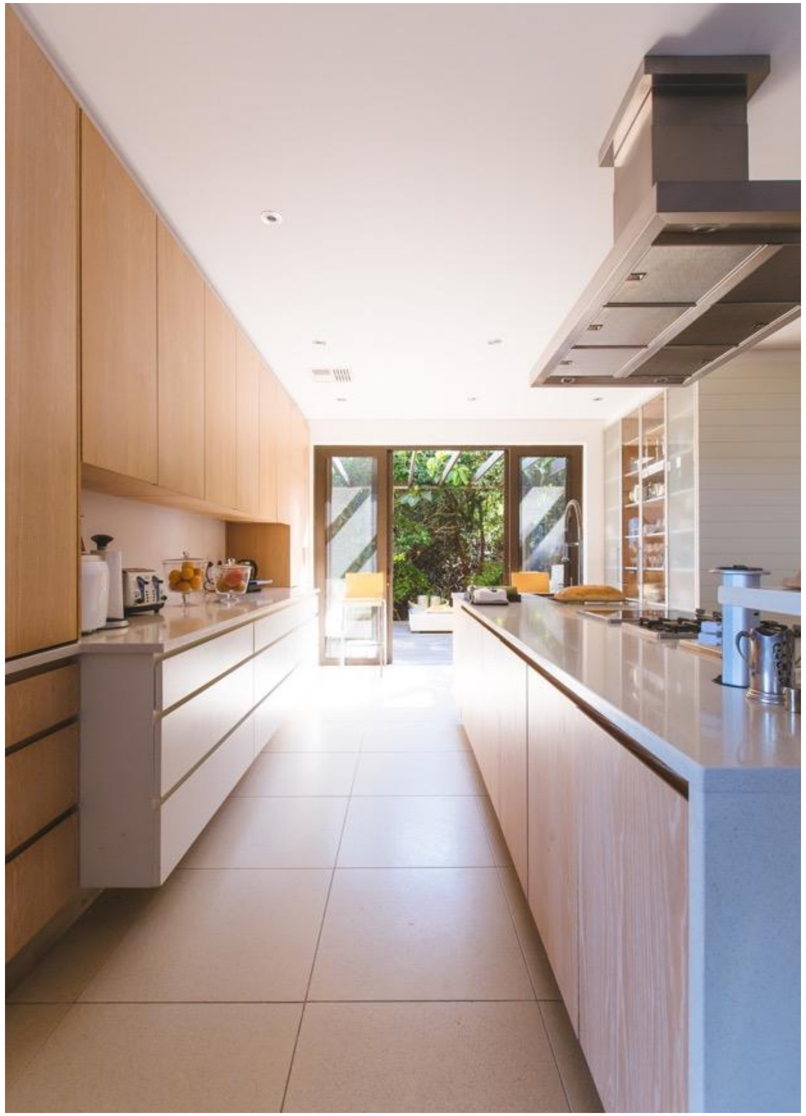
Inflation Reduction Act – Home Improvement Credit

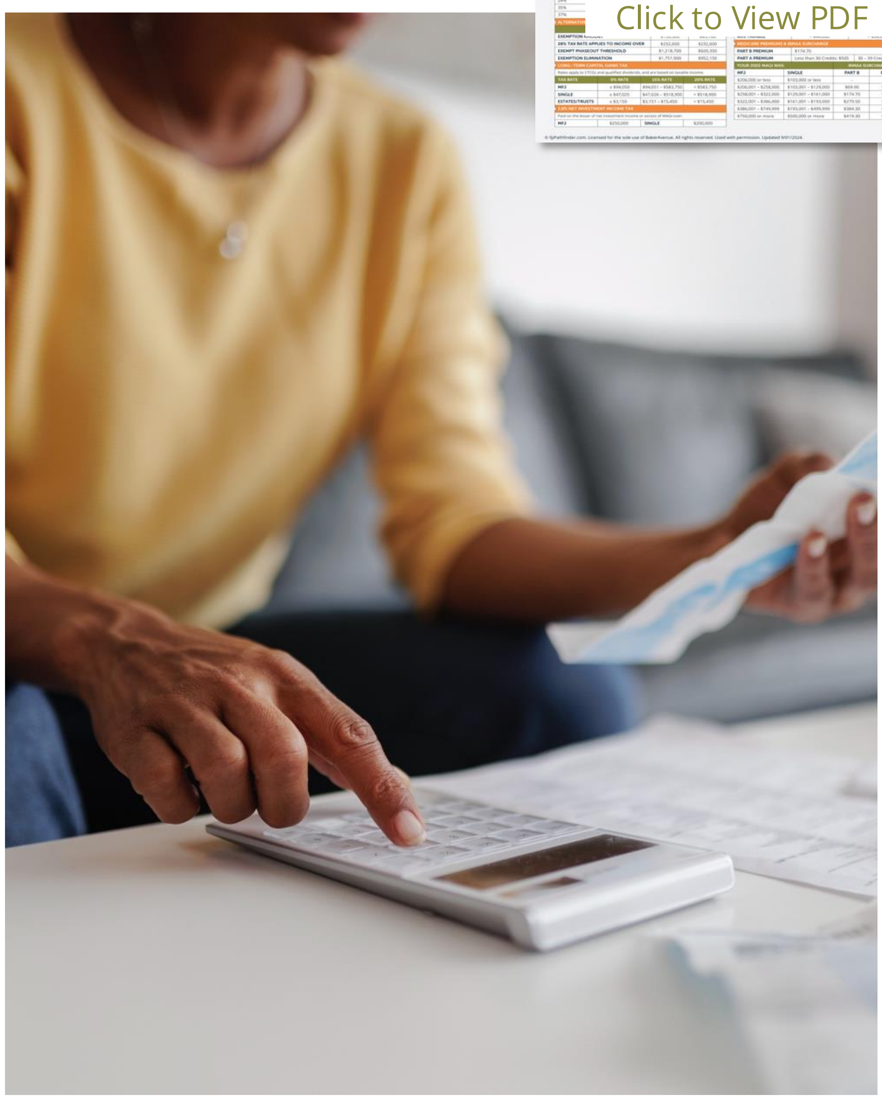
- $3,200 maximum credit per year equal to 30% of certain expenditures being
- $2,000 maximum credit for heat pumps and biomass boilers
- $1,200 maximum credit for other improvements such as Doors—up to $250 each, $500 maximum credit for Windows—$600 maximum credit for AC and $600 maximum for natural gas water heaters and furnaces
- No income limits

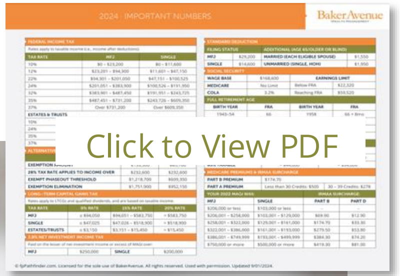


Tax Year 2024 Limits And Look Forward to 2026

Tax Year 2024 Limits

- **Standard Deduction Increase**
  - Adjusted for inflation, with the standard deduction for married couples filing jointly increasing to $29,200. $1,550 additional for each spouse over 65
- **Annual Gift Exclusion**
  - Increased to $18,000 per recipient for each spouse can gift this amount to unlimited number of recipients
- **IRA/401(k) Contribution Limits**
  - Increased to $7,000 for IRAs and $23,000 for 401(k)s
  - If over 50, can contribute an additional $1,000 to an IRA and an additional $7,500 for a 401(k)
- **Long Term Capital Gains Tax Brackets – MFJ**
  - 15% rate where total income between $94,050 and $583,750
- **Direct Roth IRA Contribution Limits**
  - MFJ < $230,000: Single < $146,000 (MAGI). Need earned income





2026 Sunset of Tax Cuts and Jobs Act (TCJA) Provisions

Many TCJA provisions are set to expire after 2025, reverting to 2017 levels unless extended or modified by Congress, these include:

- The Federal Estate and Gift Tax Exemption is set at $13.61 million per person for 2024 vs. $5M plus indexation if TCJA sunsets
- Lower Standard Deduction: If the TCJA sunsets, the standard deduction for a married couple will be approximately $16,525 in 2026 Vs roughly $30,725 with no sunset. Exemptions re-introduced?
- The State And Local Tax (SALT) limitation of $10,000 would disappear
- Charitable Cash Donations deductibility reverts to 50% of AGI as opposed to 60% of AGI under TCJA
- Lower Child Tax Credit $1,000 instead of $2,000, and lower income threshold for the phaseout
- Lower AMT Exemption amount and lower income thresholds for phase-out of the Exemption
- 20% Qualified Business Income (QBI) Deduction for income of pass-through entities would disappear

HIGHER MARGINAL TAX BRACKETS

Bracket	Current Rates	Proposed Rates
Lowest	10%	10%
2nd	12%	15%
3rd	22%	25%
4th	24%	28%
5th	32%	33%
6th	35%	35%
Top	37%	39.6%

Capital Gains Tax rates were unchanged by TCJA
(Will discuss candidate tax proposals)

Presidential Proposals

Blue vs. Red Proposed Tax and Trade Changes

	HARRIS	TRUMP
Tips and Social Security	Favors no tax on tips. No change to Social Security	Exempt tips (and overtime pay) and Social Security from income taxes
Capital Gains & Dividends	• Tax long-term capital gains at 28% to the extent total income is over $1M, with NIIT on top of 5% • Tax unrealized Capital Gains at death on decedent's last tax return with a universal exemption of $5M as well as Exemptions for surviving spouse (with original basis) , donations, family-owned businesses and a primary residence ($500K)	Whispers of Long-Term Capital Gains rate of 15%. Nothing confirmed
Estate & Gift Taxes	• Allow sunset of TCJA larger gift and estate tax exemptions • New tax on appreciated gifts during lifetime, with a $5M exemption per person	Make the higher 2017 TCJA estate tax exemptions permanent
Individual Income Tax	Increase top rate to 39.6% for income over $400K - currently $400K in ordinary income is taxed at 32%, 35% and the top rate 37% kicking in where ordinary income exceeds $731K	• Make 2017 TCJA tax brackets and rates permanent. Suggestions that he favors removing the SALT limitation. • Eliminate Clean Energy Credits for individuals • Would consider replacing income tax with tariffs
Child Tax Credit	Make permanently refundable, increase to $3,600 for younger children. One-off CTC of $6,000 ate birth	Increase the CTC to $5,000 per child
Excise Taxes	Increase stock buyback excise tax to 4%	Increase Tax on large private university endowments
Net Investment Income Tax	Increase from 3.8% to 5% if total income above $400K. Expand NIIT to active income from certain businesses - currently NIIT applies to Long Term Capital Gains	No new policies
Tariffs	No major changes proposed	Impose a universal baseline tariff of 10% on all imports, and a 60% tariff on Chinese imports
Wealth Tax	25% minimum income tax on wealth over $100M	No wealth tax policy proposed
Corporate Income Tax	• Increase to 28% • Preserve Clean Energy Credits	• Lower to 20% (from 21%). 15% for domestic manufacturers • Eliminate Clean Energy Credits

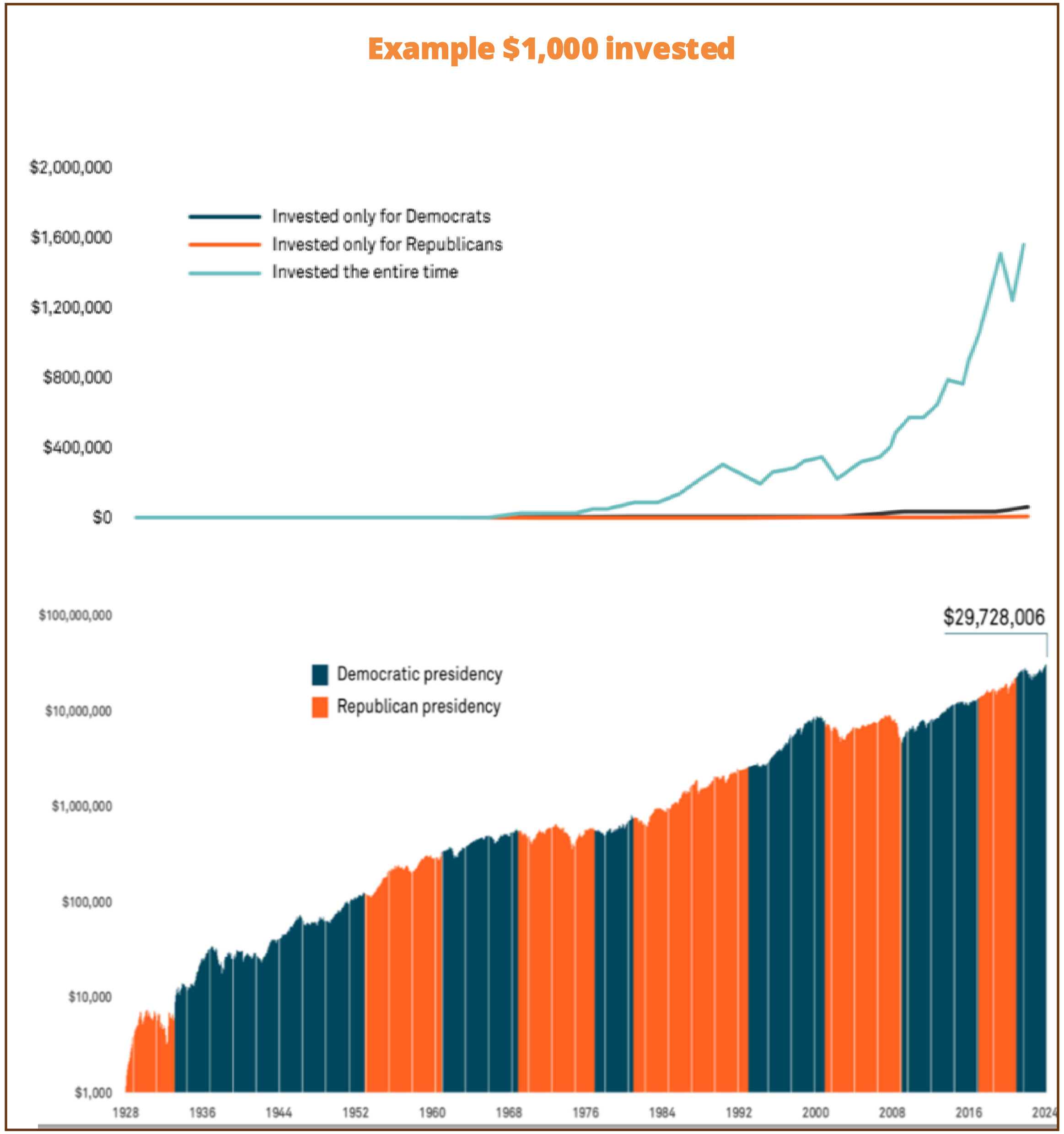
Concluding Thoughts

The Impact?

As it relates to the Elections Outcome…

- Big difference between proposal and actual change. Tax proposals introduced in 2021 didn't pass
- Our approach is planning for what's current and anticipate what may arise.
- Stay invested
- There are greater forces at work than who's in the White House
- Expect choppiness in the short-term leading up to the elections

Speak to your advisor to leverage tax planning within your overall financial plan.



Q & A

Thank You

For additional questions, please contact us at

bakerave.com/contact or **info@bakerave.com**

Purpose. Passion. Performance.

Since 2004, BakerAvenue has guided clients through personal and professional transitions. Our firm provides comprehensive wealth management and investment expertise for high-net-worth individuals, families, trusts, foundations and endowments.

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