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This Issue:

The Power of the Consumer

In recent months, consumer confidence has been falling

A confident consumer can be a powerful ally in an economy. But when the consumer starts to have questions, we can measure consumer confidence in everything from retail sales to home buying to the personal savings rate.

In recent months, consumer confidence has been falling as inflation expectations have been rising. So, if inflation slows, does that mean the consumer will regain confidence? It's possible, but other factors can influence consumer confidence, including perceptions of COVID-19.[1,2]

When the consumer does regain confidence, we may expect it to be a powerful force driving economic growth. Many may base the 2022 U.S. economic outlooks on a rebound in consumer confidence, leading to increased spending.[3]

In some ways, the only consumer confidence that matters is yours. Are you optimistic about 2022, or do you have concerns or doubts that are holding you back? We look forward to hearing from you.

-IWM PARTNERS TEAM

Wise Decisions with Retirement in Mind

Certain financial & lifestyle choices may lead you toward a better future.

Some retirees succeed at realizing the life they want; others don't. Fate aside, it isn't merely a matter of investment decisions that makes the difference. There are certain dos and don'ts – some less apparent than others – that tend to encourage retirement happiness and comfort.

Retire financially literate. Some retirees don't know how much they don't know. They end their careers with inadequate financial knowledge, and yet, feel they can prepare for retirement on their own. They mistake creating a retirement income strategy with the whole of preparing for retirement, and gloss over longevity risk, risks to their estate, and potential health care expenses. The more you know, the more your retirement readiness improves.

A goal to retire debt free – or close to debt free? Even if your retirement savings are substantial, you may want to consider reviewing your overall debt situation.[1]

Retire with purpose. There's a difference between retiring and quitting. Some people can't wait to quit their job at 62 or 65. If only they could escape and just relax and do nothing for a few years – wouldn't that be a nice reward? Relaxation can lead to inertia, however – and inertia can lead to restlessness, even depression. You want to retire to a dream, not away from a problem. The bottom line? Retirees who know what they want to do – and go out and do it – are positively contributing to their mental health and possibly their physical health as well. If they do something that is not only vital to them, but important to others, their community can benefit as well.

Retire healthy. Smoking, drinking, overeating, a dearth of physical activity – all these can take a toll on your capacity to live life fully and enjoy retirement. It is never too late to change habits that may lead to poor health.

Retire where you feel at home. It could be where you live now; it could be a nearby place where the scenery and people are uplifting. If you find yourself lonely in retirement, then look for ways to connect with people who share your experiences, interests, and passions; those who encourage you and welcome you. This social interaction is one of the great, intangible retirement benefits.

- Jim

Estate Taxes May Be Amended Soon

What to know about the budget reconciliation bill.

To help raise revenue to pay for President Biden's Build Back Better Plan, Congress is considering a number of tax law changes, including adjusting estate taxes.

One of the proposals would reduce the estate tax exemption to anywhere between \$3.5 and \$5 million, with an effective date of January 1, 2022. Another proposal would bring new rules to grantor trusts, including a change to how life insurance held in a trust would be taxed.[1,2]

At this point, many ideas are being evaluated, but nothing is final. Corporate tax rates, individual tax rates, and capital gains taxes are also on the negotiating table.

Proposed Tax Changes In Congress

If passed, the \$3.5 trillion Build Back Better Act would alter some federal tax rates.

Investors are watching the Build Back Better Act. This \$3.5 trillion bill, refined through months-long negotiations, may be approaching a final vote in the House of Representatives. If the BBA becomes law, it would finance large-scale infrastructure projects, authorize a major expansion of parts of the country's social safety net, and fund college education, grant, and entrepreneurial programs over the next ten years.[1,2]

This information is designed to provide general information on the subjects covered. It is not intended to provide specific legal or tax advice and cannot be used to avoid tax penalties or to promote, market, or recommend any tax plan or arrangement. Remember that tax laws and tax rates are constantly changing.

The passage of the BBA would mean higher taxes for the wealthy and big businesses. To help pay for all these initiatives, the new law may raise the capital gains tax rate. Americans in the highest federal tax bracket (households earning \$400,000 or more) would again face a 39.6% marginal income tax rate, up from 37%. Itemized deductions for taxpayers earning more than \$400,000 might be capped at 28%. The country's corporate tax rate would be lifted to 26% from the current 21%.[2,3]

At the same time, lower-income and middle-income households could see some of their potential tax credits increase, and Medicare coverage might expand so seniors could use Medicare benefits to pay for dental, vision, and hearing care.[2]

How could these tax changes impact a wealthy household? Bill Hoagland, a senior vice president at the Bipartisan Policy Center, gave CNBC a quick overview this summer. By his estimate, the average federal income tax rate for households earning more than \$1 million would rise more than 2% to 32.5%. Households making between \$500,000 and \$1 million would see their average federal income tax rate climb 4% to roughly 31%.[4]

The implications are clear. High earners and those with high taxable investments may want to consult tax and financial professionals to explore tax management opportunities. As the Tax Foundation notes, investment income typically represents around 40% of household income for America's millionaires – so for the wealthy, the proposed 5% rise for the top capital gains tax rate is particularly concerning.[4]

Tax policy proposals and opinions expressed are subject to change without notice and are not intended as tax advice. Consult a professional before making any tax or investment decision.

-Shawn

The Need for Power of Attorney

POAs and other advanced directives are becoming more important.

The point of the POA. A power of attorney (POA) is a legal instrument that delegates an individual's legal authority to another person. If an individual is incapacitated, the POA assigns a trusted party to make decisions on his or her behalf.

There are *nondurable, springing,* and *durable* powers of attorney. A nondurable power of attorney often comes into play in real estate transactions, or when someone elects to delegate their financial affairs to an assignee during an extended absence.

A springing power of attorney "springs" into effect when a specific event occurs (usually an illness or disability affecting an individual). A "durable" power of attorney allows an assignee, or agent, to act on behalf of a second party, or principal, even after the principal is not mentally competent or physically able to make decisions. Once a principal signs, or executes, a durable power of attorney, it may be used immediately, until it is either revoked by the principal or the principal dies.[1]

Keep in mind this article is for informational purposes only. It's not a replacement for real-life advice. Make sure to consult your legal professional so you can better understand what type of powers of attorney is a best fit for your situation.

What the POA allows in financial terms. Financially, a Power of Attorney is a tremendously useful instrument. An agent can pay bills, write checks, make investment decisions, buy or sell real estate or other hard assets, sign contracts, file taxes, and even arrange the distribution of retirement benefits.

Advanced healthcare directives: HCPOAs and Living Wills. Some illnesses can eventually rob people of the ability to articulate their wishes, and this is a major reason why people opt for a Health Care Power of Attorney (HCPOA) or a living will. There are differences between the two.

A Health Care Power of Attorney (also called a "healthcare proxy") allows an agent to make medical decisions for a principal, should they become physically or mentally incapacitated. A living will gives an assignee similar powers of decision, but this advanced directive only applies when someone faces certain death. The assignee has the authority to carry out the wishes of the incapacitated party.

Would you like to learn more? It may be time to meet with an attorney who specializes in these issues. You can find one with the help of an insurance or financial professional who has assisted families with legacy planning.

-Mico

For now, the federal estate tax exemption remains at $11.7 for 2021, with a married couple having a combined exemption for 2021 of $23.4 million.[3]

But it wouldn't be a surprise if the estate tax law changed as part of the overall plan. In 2019, 2,570 taxable estate-tax returns were filed, and they owed a combined $13.2 billion. Lowering the estate tax exemption to $5 million would raise an estimated $52.3 billion over five years.[1]

As difficult as it may be, the best approach is to wait-and-see. It would be hasty to make any estate changes based on current discussions.

-Barbie

Facts about California

- Its Mediterranean climate allows CA to produce 17mil. gallons of wine annually.
- The Gold Rush was the largest mass migration in United States history.
- California is the third-largest state, following Alaska and Texas. It is about the same square miles as France, Spain, and Sweden

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2022 Contribution Limits

Is it time to contribute more?

Preparing for retirement just got a little more financial wiggle room. This week, the Internal Revenue Service (IRS) announced new contribution limits for 2022.

Staying put for 2022 are traditional Individual Retirement Accounts (IRAs), with the limit remaining at $6,000. The catch-up contribution for traditional IRAs remains $1,000 as well.[1]

For workplace retirement accounts (i.e. 401(k), 403(b), amongst others), the contribution limit rises $1,000 to $20,500. Catch-up contributions remain at $6,500.[1]

Eligibility for Roth IRA contributions has increased, as well. These have bumped up to $129,000 to $144,000 for single filers and heads of households, and $204,000 to $214,000 for those filing jointly as married couples.[1]

Another increase was for SIMPLE IRA Plans (SIMPLE is an acronym for Savings Incentive Match Plan for Employees), which increases from $13,500 to $14,000.[1]

If these increases apply to your retirement strategy, give us a call to help make some adjustments to your contributions.