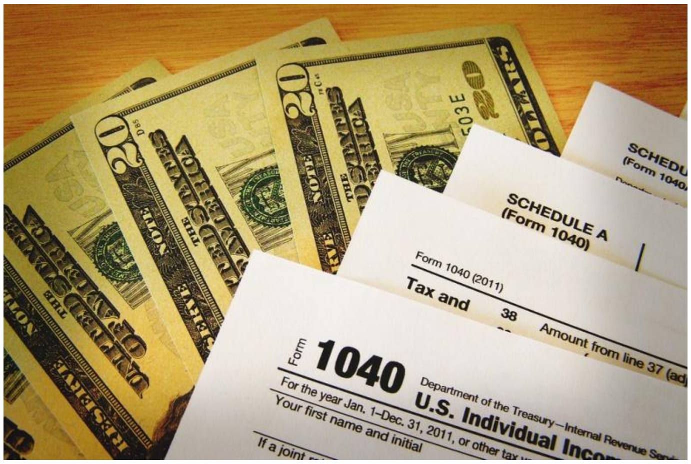
The ADVISOR

Winter 2020/2021 Newsletter

UNITED FINANCIAL CENTER
INVESTMENTS* INSURANCE TAXES
4763 E Camp Lowell Dr Tucson, AZ 85712
(520) 321-1777 www.unitedfinancial.net



$1,200 Economic Impact Payments

How will they affect your 2020 return?

As part of the *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act), the IRS made economic impact payments (EIPs) to certain taxpayers. The amount of an EIP generally depended on the taxpayer's 2019 federal income tax return. If one wasn't filed at the time of eligibility, the IRS used the taxpayer's 2018 federal income tax return.

The EIP is considered an advance credit against your 2020 tax. You are not required to include the payment in taxable income on your 2020 tax return or pay income tax on the payment. When you file your 2020 federal income tax return next year, the EIP will not reduce your refund or increase the amount of tax you owe.

If the EIP was based on your 2018 tax return and your circumstances changed in 2019, you may claim any additional credit for which you are eligible on your 2020 return. This may occur if you had a child or if your income was lower in 2019. Conversely, if your payment was based on your 2018 return and circumstances changed so that you would have received a smaller amount based on your 2019 return, you are not required to repay the excess or reduce your 2020 refund.

New Charitable Contribution Rules

Non-itemizers can claim a deduction

The CARES Act makes two significant changes to the rules governing charitable deductions for individuals.

Individuals will be able to claim a $300 above-the-line deduction for cash contributions made to public charities in 2020. This rule effectively allows a limited charitable deduction to any taxpayer claiming the standard deduction. For this deduction, married taxpayers who file a joint return are considered one taxpayer and are limited to $300.

For individuals, the limitation on 2020 charitable deductions, which is generally 60% of the modified adjusted gross income (MAGI), can be as much as 100% of the MAGI.

Note: This higher limit does not apply to donations to private foundations or donor-advised funds.

United Financial Center Services

Investments, Insurance, and Tax Preparation

There are many facets to planning for retirement, let United Financial Center help you. Our services include:

- Wealth Management
  - Retirement Planning
- Risk Management
  - Auto/Home, Life/Health Insurance
  - Long Term Care/Disability Insurance
- Tax Planning and Preparation
- Estate Planning
- Cash Budgeting
- Philanthropy Guidance
- Life Centered Planning
  - Life and Emotional Transitions

UFCIns.com – Our free Auto / Home multiple quote website at your convenience. Simple 'n Easy.

Legislation changes IRA rules

How does this affect you?

The CARES Act suspends the required minimum distribution (RMD) rules for 2020. This means any RMD that a taxpayer would have been required to make before Dec. 31, 2020 no longer needs to be made/distributed. This is for the 2020 year only.

If you received distributions from your IRA in 2020, you might be able to spread the tax over the course of three years if you, your spouse or dependent was diagnosed with COVID-19 or if you experienced adverse financial consequences while being quarantined, furloughed, laid off or had work hours reduced; were unable to work due to lack of child care because of the disease; or a business you operated closed or had reduced hours due to the pandemic.

The *Setting Every Community Up for Retirement Enhancement Act of 2019* (SECURE Act) also made changes to the RMD rules, including raising the RMD to age 72 for individuals who had not yet attained age 701/2 by Dec. 31, 2019, and limiting the type of beneficiaries who can continue to receive RMDs over the beneficiary's life expectancy. Non-spouse beneficiaries can no longer stretch inherited IRA distributions over their lifetime. Distributions must be made within 10 years of the IRA owner's death.

The additional 10% tax on early distributions from IRAs and defined contribution plans such as a 401(k) is waived for distributions made between Jan. 1 and Dec. 31, 2020, if you or a family member was infected or were economically harmed by COVID-19. Penalty-free distributions are limited to $100,000 and may be re-contributed to the plan or IRA. Income arising from the distributions is spread out over three years unless you elect to not have the three-year spread apply.

Year-End Tax Saving Strategies

What makes sense for you?

- If you have investments that are doing poorly, you might want to consider selling them so you can claim a capital loss. You can claim a capital loss to the extent you have capital gains, plus an additional $3,000. If you sold stock earlier in the year at a gain, selling stocks at a loss now will offset that gain and reduce your taxable income.

- Do you have a high deductible health plan? Consider contributing to a health savings account (HSA). For 2020, you can contribute $3,550 for self-only coverage or $7,100 for family coverage. If you're age 55 or older, you can contribute an additional $1,000 per year. You can contribute up until the due date of your return.

- Another strategy is to increase 401(k) contributions. The pre-tax 401(k) contribution limit for 2020 is $19,500. Employees age 50 or older by year end are also permitted to make an additional contribution of $6,500, for a total limit of $26,000 in 2020. Take advantage of your employer matching contribution. Review and make appropriate adjustments to the contributions you make to your employer's 401(k) retirement plan for the remainder of this year and for next year. It's also a good idea to review your investment elections and their periodic performance.

- Finally, consider adjusting your federal withholding. If you face a penalty for underpayment of federal estimated tax, you may be able to eliminate or reduce it by completing a new Form W-4 and increasing your withholding. You should review your withholding to ensure enough tax is withheld if you hold multiple jobs, you and your spouse both work or someone else can claim you as a dependent. If you became married or single in 2020, have added or lost a dependent or expect increased itemized deductions, be sure to provide your employer with an updated Form W-4 reflecting the new filing status. Remember, due to tax law changes, you cannot claim personal exemptions or dependency exemptions.