



January 7, 2022

Happy New Year! Let's hope that 2022 brings health, happiness and prosperity across the board.

2022 Tax Changes

These are the current changes to the common tax limitations. Those changes that affect most Americans are highlighted in blue for extra emphasis. Income tax rates of every flavor are on the federal government's radar so expect additional changes coming this year.

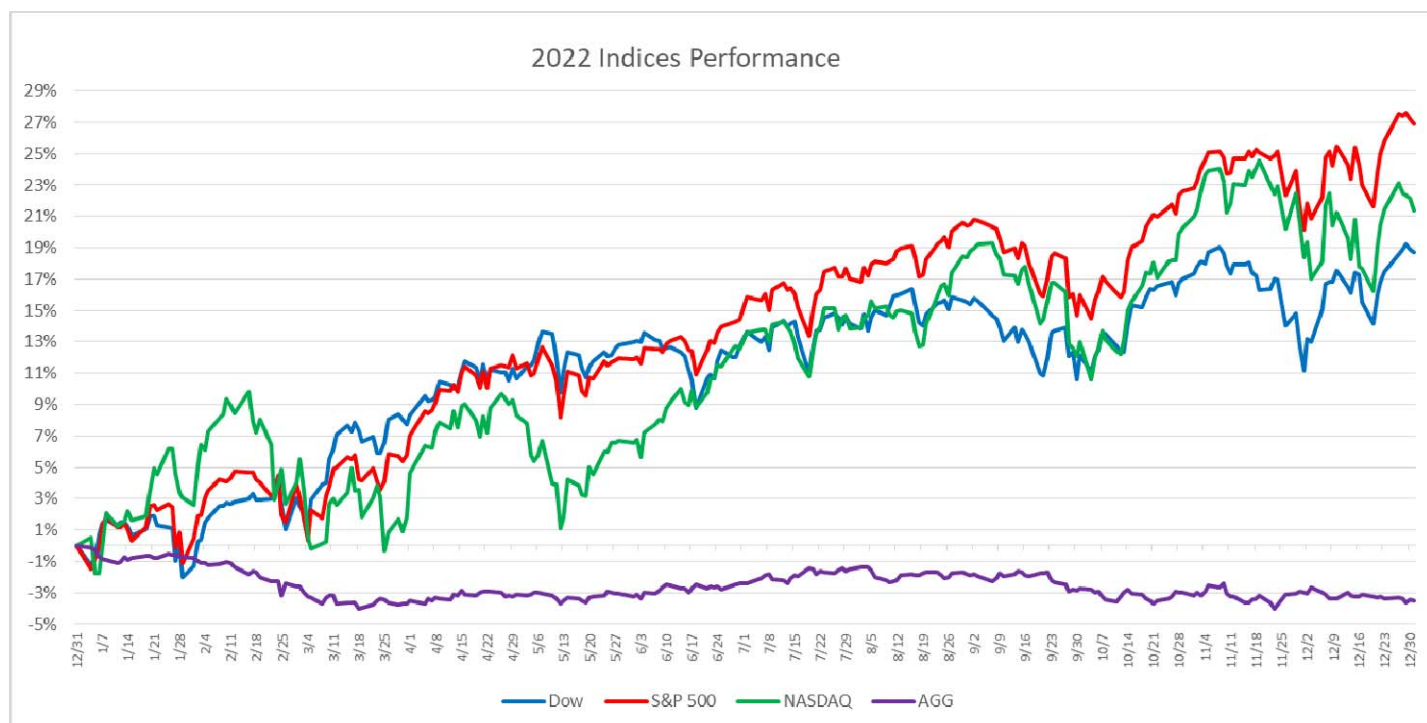
- ◆ **Standard deductions** for 2022 increase to \$12,950 (single), \$25,900 (married filing jointly) and \$19,400 (head of household).
- ◆ **Retirement plan and catch up contributions** have increased for employer-sponsored plan accounts while limits remain the same for personal retirement plan accounts:
 - **\$20,500** for 401(k), 403(b), and 457 plans + **\$6,500** catch up for those 50 and older
 - **\$14,000** for Simple IRA plans + **\$3,000** catch up
 - **\$ 6,000** for IRA and Roth IRA accounts + **\$1,000** catch up
- ◆ **IRA contributions for retirement plan participants** are fully deductible as long as AGI is less than \$109,000 (married filing jointly) or \$68,000 (single or head-of-household).
- ◆ **Adjusted Gross Income limits for full Roth IRA contributions** increase to \$204,000 (married filing joint) or \$129,000 (single or head-of-household).
- ◆ **Maximum contributions for SEP IRA/Individual 401(k) plans** increases to **\$61,000** based upon a maximum considered income limit of \$305,000.
- ◆ **Foreign Earned Income Exclusion** increases to \$112,000 for 2022.
- ◆ **Flexible Spending Accounts** contributions have increased to **\$2,850** per year.
- ◆ **Capital gains federal tax** remains at 15% for assets held at least 12 months with a 0% rate for 10-12% tax bracket taxpayers. Those in the top 35-37% tax brackets incur a 20% long-term capital gains rate. *This is a big blinking spot on the federal government's radar.* An additional **Net Investment Income** tax of 3.8% will be levied against income generated from interest, dividends, capital gains, rental and royalty income, nonqualified annuity income, passive business activities, etc. if modified adjusted income exceeds \$200,000 for single filers or \$250,000 for married filing joint.
- ◆ **The mileage rates deductions for 2022** increases to **\$0.585** for business usage, but remains at \$0.16 for medical or moving and \$0.14 for miles driven in service of charitable organizations.
- ◆ **The Employee-paid Portion of Social Security Tax Rate** is 6.2% for gross income up to **\$147,000**. Medicare taxes remain at 1.45% with no income cap. Earnings over \$200,000 (single), \$250,000 (married filing joint) and \$125,000 (married filing separate) continue to incur an additional 0.9% Medicare tax levied.
- ◆ **Health Savings Account (HSA)** allowable contribution amounts for those taxpayers with high-deductible health insurance plans are increasing just a bit. If your annual deductible is at least

\$1,400 for self-only insured or \$2,800 for families, you may be able to contribute up to **\$3,650 (individuals)/\$7,300 (families)** to your HSA account. A catch-up contribution of \$1,000 is available to those age 55-65.

- ◆ **Social Security Retirement Benefits** will increase in 2022 by 5.9%. However, **Medicare Part B premiums** will also be increasing from \$148.50 in 2021 to **\$170.10** in 2022.
- ◆ **Social Security Retirement Benefit Reductions** for retirees younger than full retirement age begin after the retiree earns over **\$19,560** in earned income for 2022. Earned income is defined as wages, pensions, and self-employment income.
- ◆ **Estate Tax** laws remain similar to previous years but, like the capital gains rate, *changes are on the table*. For now,
 - The maximum rate of estate tax remains at 40%.
 - For gifts made in 2022, the top **gift tax** rate is 40% with the lifetime exclusion amount increasing to \$12.06 million. The annual gift tax exclusion amount has increased to **\$16,000**.

4th Quarter and Full Year 2021 Market Performance*

Index	12/31/2021 Ending Value	4Q 2021 Performance	2022 Performance
Dow Jones	36,336.30	7.37%	18.73%
S&P 500	4,766.18	10.65%	26.89%
NASDAQ	15,633.97	8.28%	21.39%
Lehman Aggregate Bond	114.08	<0.65%>	<3.48%>



Your Individual Investment Reports

The following reports for 4th Quarter 2021 are provided for your review:

- ✚ **Calendar Year 2021 Portfolio Performance** – Compares the Calendar Year 2021 percentage performances of the S&P 500 & Lehman Aggregate Bond Index with your portfolio performance.
- ✚ **Calendar Year 2021 Portfolio Performance vs. Inflation** – Performance of your investment portfolio compared to the rate of inflation as measured by the Consumer Price Index (CPI) for both the since inception period of your accounts and 2021.
- ✚ **Account Summary** – Current market value of each asset within your accounts as of 12/31/2021
- ✚ **Investment Billing Statement** for the 1st Quarter 2022^{**}: Investment advisory fees for the period of 01/01/2022 through 03/31/2022 (based on 12/31/2021 values). *This is an informational billing only.* Your account is automatically debited unless other arrangements have been made.

Please remember that this investment reporting is for informational purposes only. You should also refer to the monthly account statements you receive from TD Ameritrade Institutional.

If you happen to know anyone who might benefit from the services I provide in assisting you in managing your investment portfolio and reaching your financial goals, I would enjoy speaking with them. Don't keep me a secret! ☺ And as always, please do not hesitate to contact me if you have any questions about your reports or wish to discuss any other financial matters.

Sincerely,



Anna M. Popke, CFP[®], RICP[®]

*Index performance is provided as a benchmark only. The performance of your individual investment portfolio will vary from that of any one index. Past performance of an index is never a guarantee of future results.

****PLEASE NOTE:** Clients who hold “cash reserves” within their brokerage accounts will have slightly different portfolio balances depicted on the Statement of Assets Summary and the Billing Statement. This is because “cash reserves” are excluded from the advisory fee. However, cash held awaiting investment in the upcoming quarter *will* be subject to the normal quarterly fee.

Investment Advisory Fee Calculations:

Fees are paid in advance on the 7th (or prior closest business day) of the month following the end of the quarter. The amount due is calculated by applying the prorated annual fee percentage to the previous quarter-end account value(s). Fees are further prorated for accounts opened after the beginning of a new quarter. Fees may be paid directly from the investment account(s) or consolidated and paid from a specified account. Money market/cash reserves are excluded from totals. Statements have been prepared by Majestic Oak Financial from information provided by TD Ameritrade and while deemed reliable, are not guaranteed.