SONORAN RETIREMENT ADVISOR

February 2024

The journey of a thousand miles begins with a single step.

IN THIS ISSUE

From Medicare to Retirement Planning. We provide the tools, and expertise to protect your retirement and lifestyle.

Hi,

Happy Valentines's day everyone.

My first article will focus on every one's favorite topic – TAXES.

My second article will focus on credit.

Stay safe and healthy.

Your Tucson Team
www.futurityfirstofsouthernarizona.com

FEATURE STORY

HOT TOPIC – TAX SEASON

It's not easy to keep up with complex tax laws that always seem to be changing, much less figure out how they might affect you personally. Even so, it's important to consider the potential impact of taxes when making many types of financial decisions.

The IRS automatically adjusts the standard deduction and income tax brackets annually for inflation. The rate of inflation rose to 40-year highs in 2022, so the 7% increases for 2023 are the largest since these adjustments began in 1985. The standard deduction is $13,850 for single filers in 2023 (up $900 from 2022) and $27,700 for married joint filers (up $1,800).

The filing deadline for 2023 federal income tax returns is April 15, 2024, (April 17 in Maine and Massachusetts, due to local holidays). Even though the 2024 tax year is well underway, there may still be time to take steps that lower your tax liability for 2023.

Understand "marginal" tax rates

U.S. tax rates increase at progressively higher income levels or brackets (see table). If your taxable income goes up and moves you into a higher bracket, the resulting tax increase might not be as bad as it may appear at first glance. For example, if you and your spouse are filing jointly for 2023 and have a taxable income of $110,000, you are in the 22% tax bracket. However, you will not pay a 22% rate on all of your income, only on the amount over $94,300.

Determining the value of certain deductions also depends on where your income falls in the tax brackets. Using the same example, a $10,000 deduction would reduce your income from $110,000 to $100,000 and theoretically reduce your tax liability by $2,200 (22% x $10,000). For a $20,000 deduction, you would have to calculate the amount of the deduction that falls in the 22% and 12% brackets: 22% x $15,700 + 12% x $4,300 ($3,454 + $516 = $3,970).

Although it's helpful to know your marginal rate, your effective tax rate - the average rate at which your income is taxed (determined by dividing your total taxes by taxable income) - may offer a better way to gauge your tax liability.

2024 Federal Income Tax Brackets

Taxable income ranges		
Single filers	Joint filers	Tax rate
Up to $11,600	Up to $23,200	10%
$11,601 to $47,150	$23,201 to $94,300	12%
$47,151 to $100,525	$94,301 to $201,050	22%
$100,526 to $191,950	$201,051 to $383,900	24%
$191,951 to $243,725	$383,901 to $487,450	32%
$243,726 to $609,350	$487,451 to $731,200	35%
$609,351 and over	$731,201 and over	37%

Deduct large casualty losses

Wildfires, tornadoes, severe storms, flooding, landslides. The United States was struck by a record number of billion-dollar catastrophes in 2023. If something you own was damaged or destroyed by a disaster, and your loss exceeds 10% of your adjusted gross income (AGI) plus $100, you may be able to claim an itemized deduction on your federal income tax return. This typically applies to large losses that are uninsured or subject to a high deductible. For 2018 to 2025, a personal casualty loss is deductible only if it is attributable to a federally declared disaster.

The rules relating to casualty losses can be complicated. If you have suffered a significant loss, it may be worthwhile to consult a tax professional.

Apply for an extension

If you can't meet the filing deadline for any reason, you can file for and obtain an automatic six-month extension using IRS Form 4868. (Otherwise, if you owe taxes, you might face a failure-to-file penalty.) You must file for an extension by the original due date for your return. For most individuals, that's April 15, 2024; the deadline for extended returns is October 15, 2024.

An extension to file your tax return does not postpone payment of taxes. Estimate your tax liability and pay the amount you expect to owe by the original due date. Any taxes not paid on time will be subject to interest and possible penalties.

Pay yourself instead

Making deductible contributions for 2023 to a traditional IRA and/or an existing qualified health savings account (HSA) could lower your tax bill and pad your savings. If eligible, you can contribute to your accounts up to the April 15, 2024, tax deadline.

The 2023 IRA contribution limit is $6,500 ($7,000 in 2024). If you're 50 or older, you can make an additional $1,000 catch-up contribution. If you or your spouse is covered by a retirement plan at work, eligibility to deduct contributions phases out at higher income levels.

If you were enrolled in an HSA-eligible health plan in 2023, you can contribute up to $3,850 for individual coverage or $7,750 for family coverage. (The limits for 2024 are $4,150 and $8,300, respectively.) Each eligible spouse who is 55 or older (but not enrolled in Medicare) can contribute an additional $1,000.

Avoid scams and costly mistakes

Tax season is prime time for identity thieves who may fraudulently file a tax return in your name and claim a refund - which could delay any refund owed to you. Or you might receive threatening phone calls or emails from scammers posing as the IRS and demanding payment. Remember that the IRS will never initiate contact with you by email to request personal or financial information, and will never call you about taxes owed without sending a bill in the mail. If you think you may owe taxes, contact the IRS directly at irs.gov.

The IRS has examined less than 0.5% of all individual returns in recent years, but the agency has stated plans to increase audits on high-income taxpayers and large businesses to help recover lost tax revenue. Wherever your income falls, you probably don't want to call attention to your return. Double-check any calculations you do by hand. If you use tax software, scan the entries to make sure the math and other information are accurate. Be sure to enter all income, and use good judgment in taking deductions. Keep all necessary records.

Finally, if you have questions regarding your individual circumstances and/or are not comfortable preparing your own return, consider working with an experienced tax professional.

Clients of the Month

We appreciate your referrals so much ….
We are happy and grateful for each referral. The only things your friends have to lose are high premiums and that sinking feeling that they just lost money when the market dips again. I'm happy to offer a gift card for every referral that leads to an appointment.

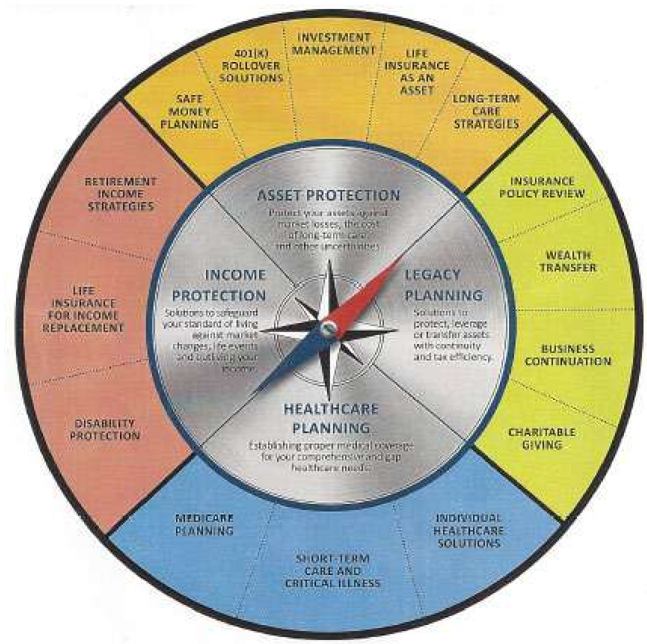
Troy M. referred his friends **Mary and Doug R.** Thank you so much!

Wendy W. referred her friend **Enid S.** Thank you so much!

ASRS referred **Randi Y.** Thank you so much!

Don D referred his friend **Gloria R.** Thank you so much!

The Retirement Planning Compass



Don't Forget About Credit When Planning for Retirement

As you plan for retirement, you might not give credit a second thought, especially if your plan includes paying off your mortgage and other debts and relying more on cash than credit. But retirement could last many years, and your need for credit doesn't necessarily disappear on your last day of work. At some point you may want to buy a second home, move to a retirement community, take out a home equity loan, or buy a vehicle; it's also possible you will face an unexpected expense. Keeping your credit healthy may help you qualify for a lower interest rate or better terms on a loan or credit card, or if a credit check is involved, even help you land a part-time job or obtain a better deal on auto insurance.

When it comes to getting credit, it's not growing older that matters - lenders can't deny a credit application based solely on age. The factors that affect your ability to get credit are the same as for younger people and include your debt-to-income ratio (DTI) and your credit score.

Lenders use your DTI to measure your ability to repay money you borrow. This ratio is calculated by totaling your monthly debt payments then dividing that figure by your gross monthly income. For example, if your retirement income totals $6,000 and your debt payments total $2,000, your DTI is 33%. What's considered a good DTI will vary, depending on lender requirements and loan type, but lenders generally look for a DTI of 43% or less.

If there's a reasonable chance you'll be applying for credit after you retire, consider what your DTI might be as you evaluate your retirement income needs or decide which debts to pay off. And think carefully about taking on new debt obligations, including co-signing a loan for a family member.

Another major factor lenders consider is your credit score. Retirement doesn't automatically affect your score, because credit reports only reflect your history of borrowing and repaying money, not your employment status or your salary. The three things that count the most toward your score are your payment history, the amount you owe on credit cards (including the percentage of available credit you're using), and the length of your credit history. So continue to make credit card or loan payments on time (consider setting up autopay or reminders), aim to use no more than 10% to 30% of your credit limits, and consider the possible negative impact of closing accounts that you've had for years but no longer use.

Another way to help keep your credit healthy throughout retirement is to check your credit report regularly to spot errors or fraudulent transactions. You can order free copies of your credit report from Equifax, Experian, and TransUnion at the official site AnnualCreditReport.com.

UPCOMING MEDICARE WORKSHOPS

For all workshops please email Marilyn at: marilyndeluca@ffig.com or call her at 520-668-9662 to Reserve your free seat.

Tuesday February 20th - 11:00 AM
HILTON EL CONQUISTADOR:
10000 North Oracle Road, Tucson, AZ 85704

Tuesday February 20th - 6:00 PM
HILTON EL CONQUISTADOR:
10000 North Oracle Road, Tucson, AZ 85704

Wednesday February 21st - 12:00 PM
Virtual (video conference) Workshop

Tuesday March 5th - 11:00 AM
FUTURITY FIRST – TUCSON OFFICE:
4400 E Broadway Blvd, Suite 712, Tucson, AZ 85711

Tuesday March 5th - 6:00 PM
FUTURITY FIRST – TUCSON OFFICE:
4400 E Broadway Blvd, Suite 712, Tucson, AZ 85711

Tuesday March 26th - 11:00 AM
MARRIOTT COURTYARD – TUCSON AIRPORT:
2505 East Executive Drive, Tucson, AZ 85756

Tuesday March 26th – 6:00 PM
MARRIOTT COURTYARD – TUCSON AIRPORT:
2505 East Executive Drive, Tucson, AZ 85756

Answers to your important questions

- What's really working on Wall Street and how can I avoid what's not?
- What does volatility mean to my portfolio?
- How do I maintain my income no matter what happens in the market?
- How can I avoid the pitfalls of variable annuities?
- What isn't my broker telling me about mutual funds?
- How to insulate your 401(k), 403(b) from devastating market corrections?
- How you can reduce management fees on your portfolio?
- How can I make sure I never run out of money without putting all of my money into an annuity?

Futurity First
4400 E Broadway Blvd, Suite 712
Tucson, AZ 85711
www.Futurityfirstofsouthernaz.com
520-668-9662

Retirement
Income Planning
Workshop

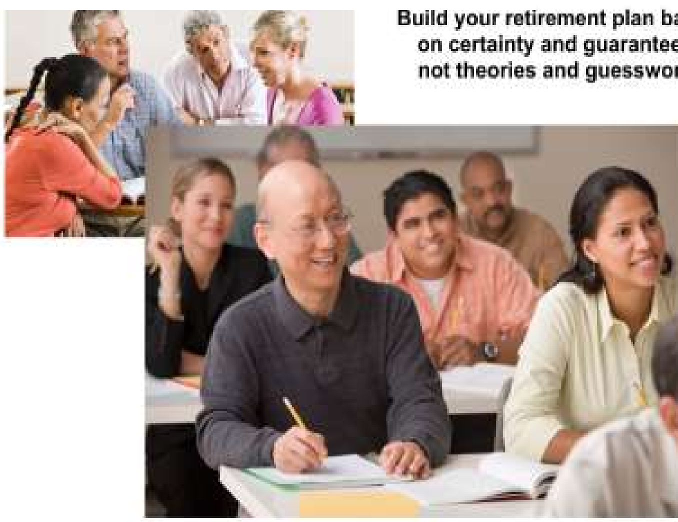
A 60-minute educational program preparing you with the financial basics of retirement planning.

Offered at our office for your convenience
4400 E Broadway Blvd, Suite 712
Tucson, AZ 85711

Wednesday, January 17th
Wednesday, February 14th
Wednesday, March 27th

All workshops begin at either 11:00 am or 6:00 pm

Seating is limited.
Register today for your free seats!
520-668-9662



Build your retirement plan based on certainty and guarantees, not theories and guesswork.

Finally there is a planning model that is easy to understand and provides low cost, high yield, consistent income. This process avoids losses, reduces fees and puts more money where it belongs... in your pocket. It is so simple that you may say, "Why didn't I think of it myself."

This classroom course is focused on empowering you to make fact-based financial decisions. If you are wondering why the markets do what they do, seemingly without any rhyme or reason, this course is for you. Learn how to recognize the dangers in your financial plan and how to side-step their negative effects on your portfolio. Gain the confidence needed to move past daily market performance concerns and interest rates and enjoy retirement.

Course Outline

Part 1
- Our process
- What concerns retirees the most

Part 2
- Today's retirement landscape
- Key retirement ages and decisions
- Income gap

Part 3
- Risks affecting your portfolio

Part 4
- Sources of guaranteed income

Part 5
- Elements of a retirement income plan
- Make your money last a lifetime *(or two)*
- Inflation fighting tools
- How a simple plan can protect you from losing money or income in any market condition