



FERGUSON WELLMAN  
CAPITAL MANAGEMENT



WEST BEARING INVESTMENTS  
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# Certain Strategies for Uncertain Times

**Today's session is being recorded**

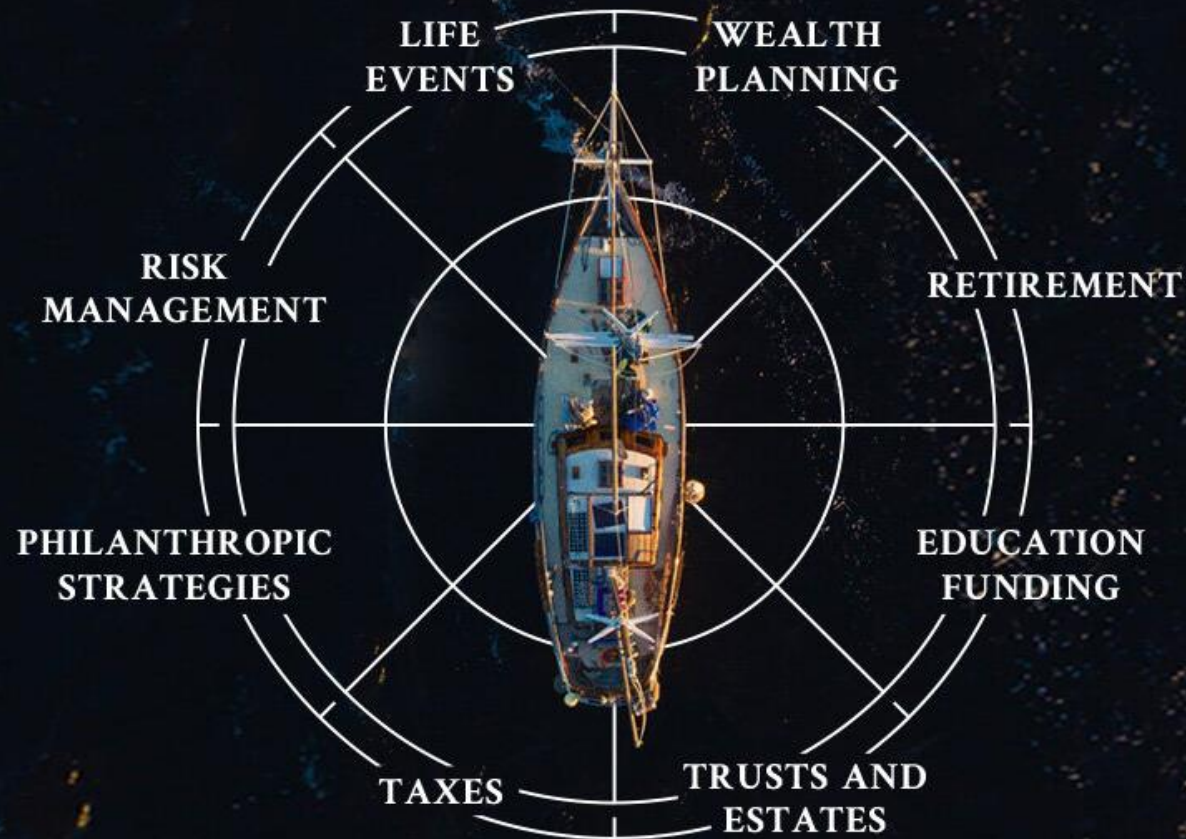
**Use the Q&A button below for questions**

**Chat is disabled**

**All participants are muted and video off**

**Survey at the end**

# Helping Clients Navigate Financial and Life Decisions



*In collaboration with your professional partners*

# Wealth Management Team

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**Samantha Pahlow**  
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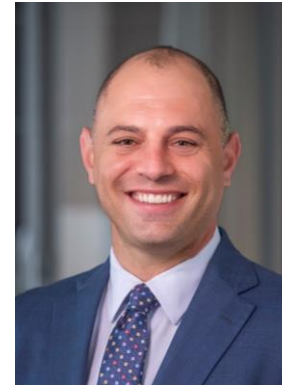
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**Josh Frankel**  
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**Matt Sampson**  
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# Today's Agenda and Presenters

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- Firm update
- Fourth-quarter market themes
- Income-tax planning
- Evolving retirement rulebook
- Philanthropic strategies
- Estate planning
- Q&A



## Our Disclosures

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Ferguson Wellman and West Bearing do not provide tax, legal, insurance or medical advice. This material has been prepared for general educational and informational purposes only and not as a substitute for qualified counsel. You should consult qualified professionals to understand how this information may, or may not, apply specifically to you.

A scenic autumn landscape featuring a pond in the foreground, a wooden bench on the right, and a dense forest of trees in various shades of yellow, orange, and red. The text "Certain Strategies for Uncertain Times" is overlaid in white on the central part of the image.

# Certain Strategies for Uncertain Times

Don't lose the forest through the trees

# How to Prioritize Taking Action

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## **Select Few - Immediate Action**

Desire to employ complex estate mitigation strategies such as intentionally defective grantors trusts

Can afford to complete \$11.7 million lifetime exemption gifts now and still support lifestyle

Have potential to accelerate large capital gain or other income in 2021 rather than future years



## **Majority - Ongoing Planning**

Traditional thoughtful and tax-smart planning

A scenic autumn landscape featuring a pond surrounded by trees with vibrant yellow, orange, and red foliage. A wooden bench is visible on the right side of the pond, and a paved path leads towards the water. The scene is captured in a soft, natural light, typical of a park setting in fall.

# Income-Tax Planning



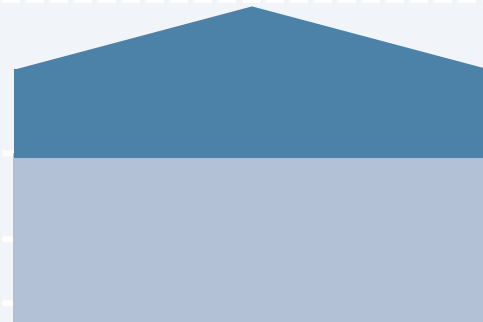
# Strategically Manage Your Tax Bracket

## 2021 Individual Income Tax Brackets Married Filing Jointly (MFJ)

\$628,300	37%
	35%
\$418,850	32%
\$329,850	24%
\$172,750	22%
\$81,050	12%
\$19,900	

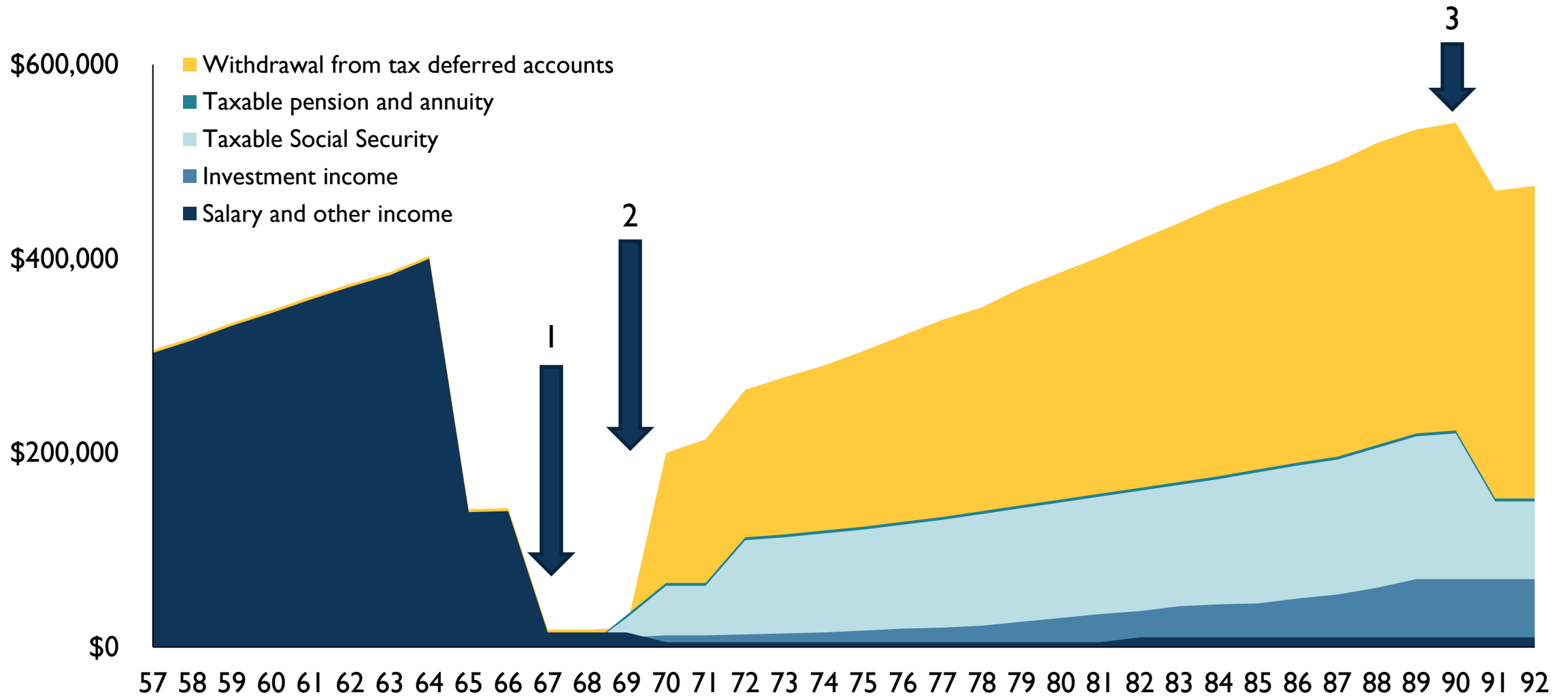
Consider **increasing**  
taxable income in  
lower rate years

Consider **decreasing**  
taxable income in  
higher rate years



Source: IRS.gov

# Strategic Life-Long Tax Bracket Management



# How to Shift Income Between Tax Years

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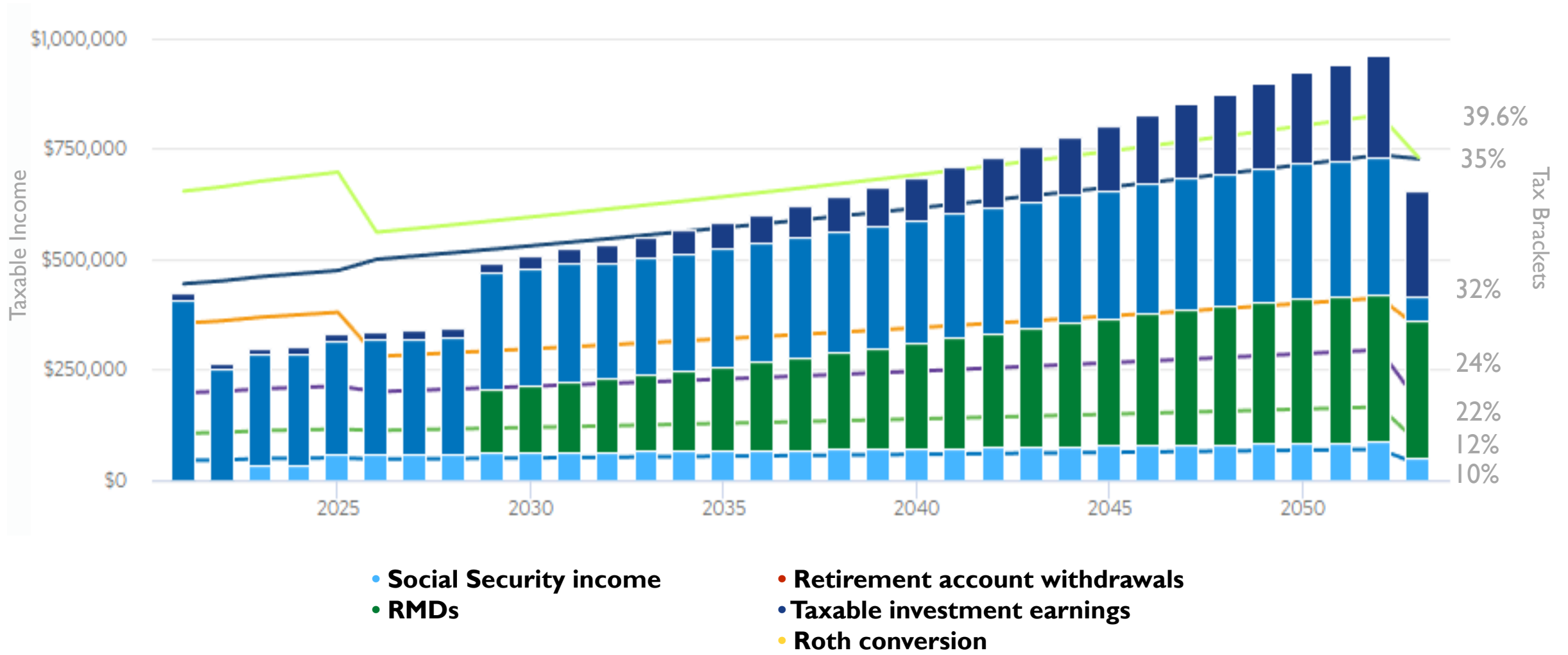
## **Accelerating Income**

- Withdrawals from retirement accounts
- Partial Roth IRA conversions
- Selling appreciated assets
- Take bonuses or other compensation where you can control timing
- Exercise stock options

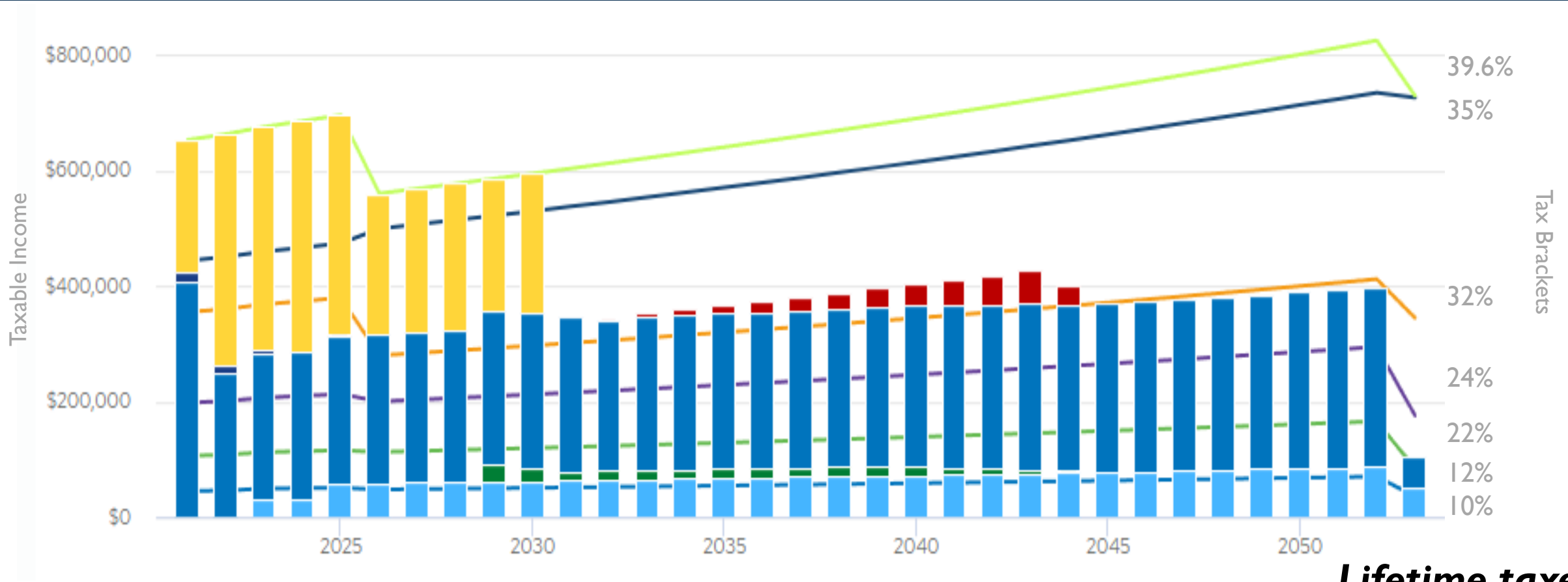
## **Deferring Income**

- Retirement contributions
- Installment sales
- Harvest losses
- 1031 like-kind exchange

# Example of Income Shifting Using Roth Conversion



# Example of Income Shifting Using Roth Conversion



- Social Security income
- RMDs
- Retirement account withdrawals
- Taxable investment earnings
- Roth conversion

**Lifetime taxes saved: \$1.2 million**

# Bunching Deductions

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## **Common “Bunchable” Itemized Deductions**

- Charitable contributions
- Medical expenses (*7.5% of AGI floor*)
- Property taxes (*beware the \$10,000 SALT cap*)

## **Other Deductions From Income**

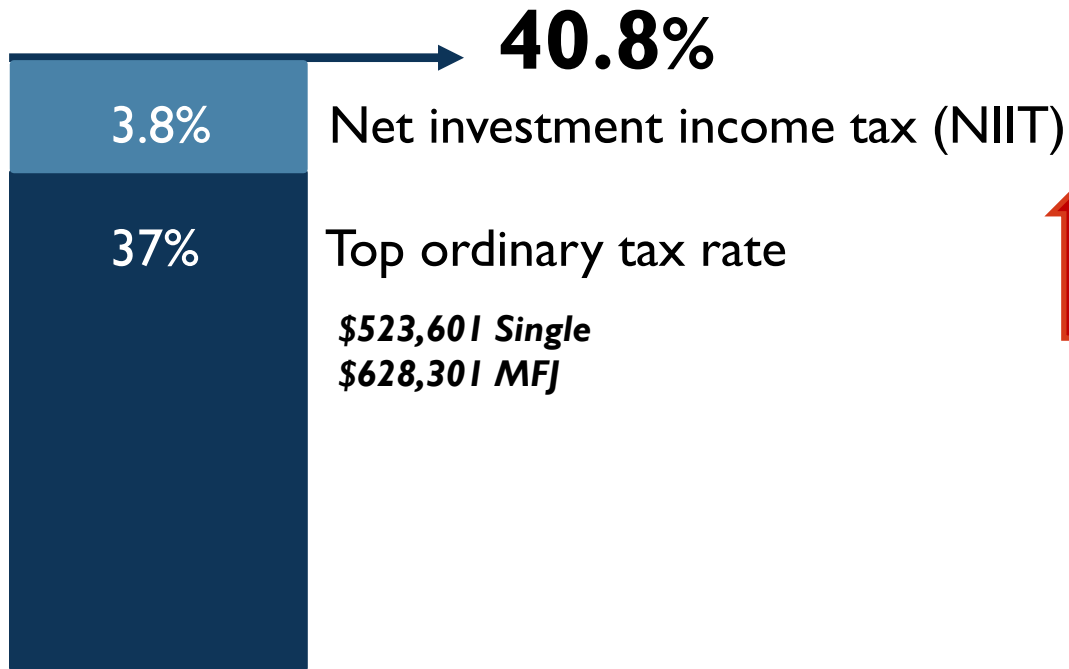
- Business owners can accelerate or defer business deductions

A scenic autumn landscape featuring a pond surrounded by trees with vibrant yellow, orange, and red foliage. A wooden bench is visible on the right side of the pond, and a paved path leads towards the water. The scene is captured in a soft, natural light, typical of a park setting in fall.

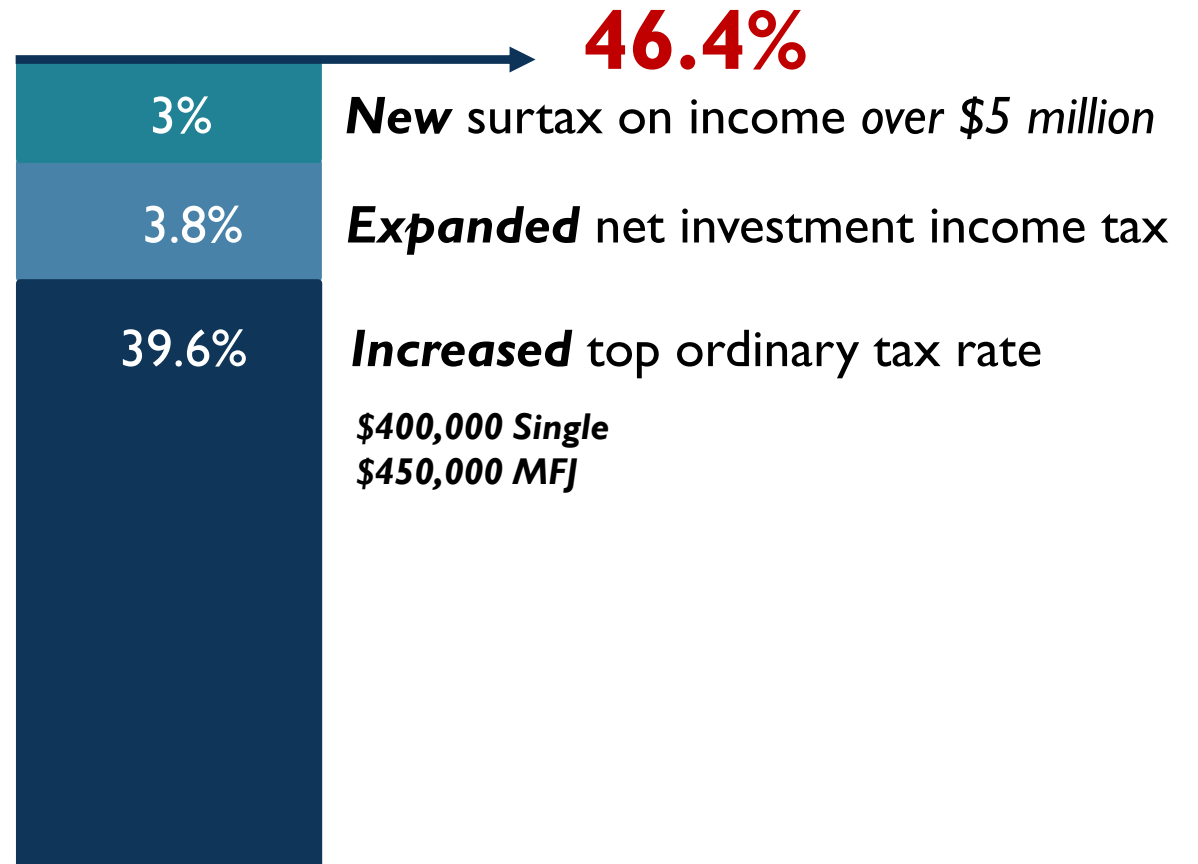
# Potential Income Tax Changes

# Top Federal Ordinary Income Tax Rates

Current



Proposed

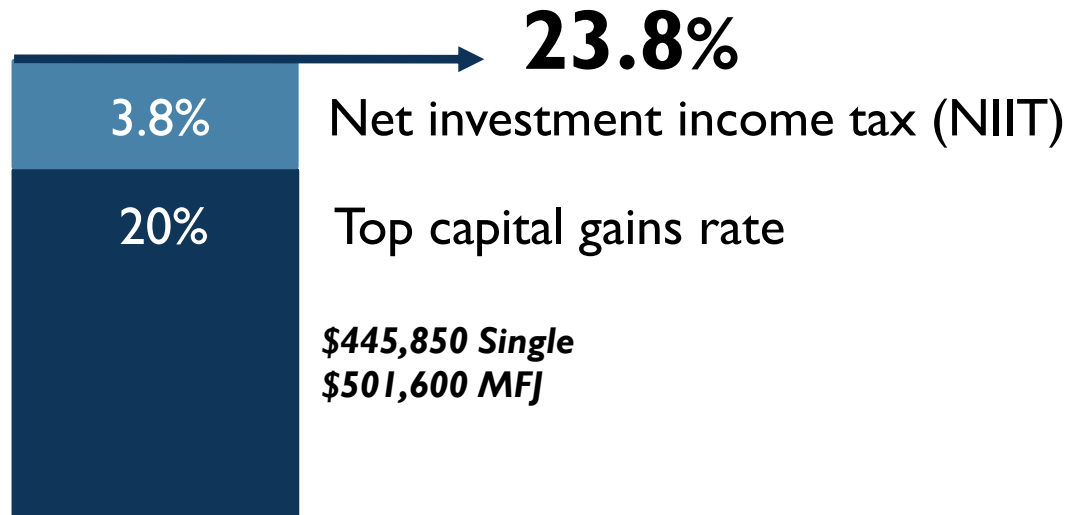


Proposed effective date: January 1, 2022

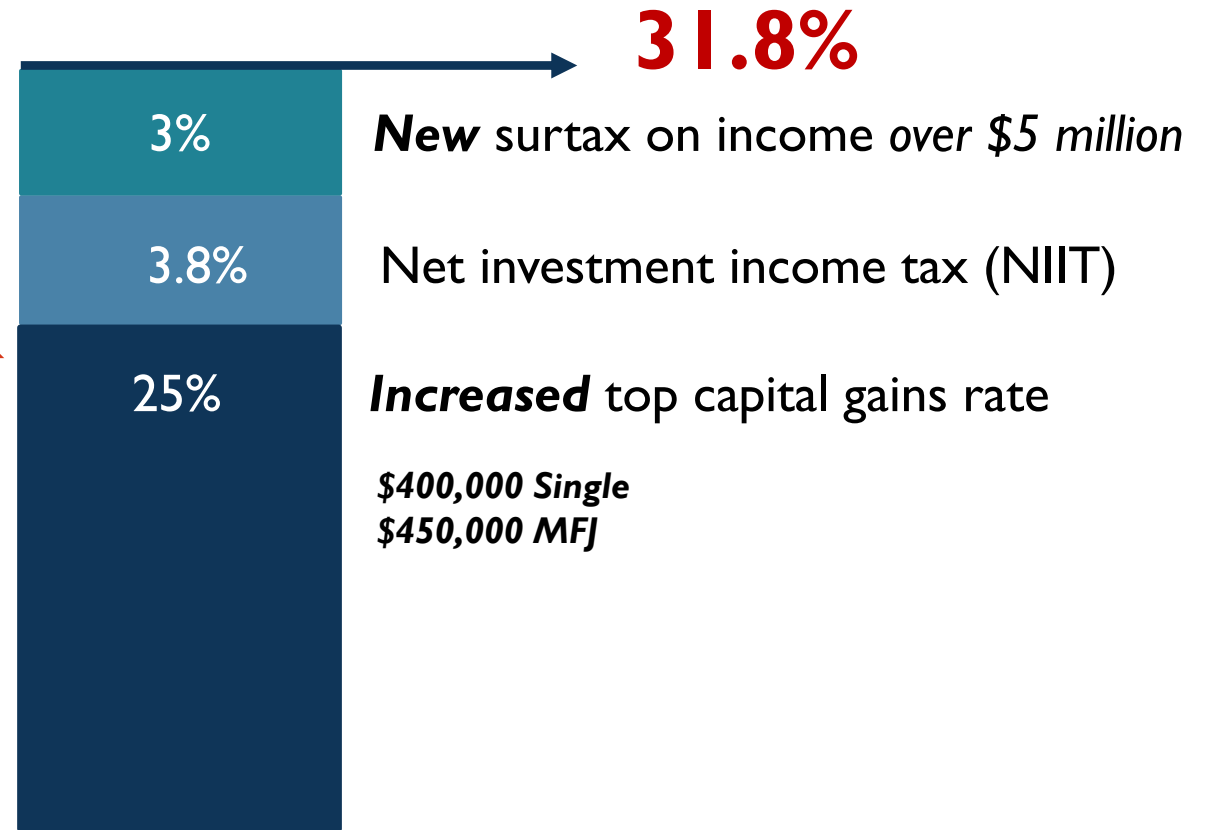


# Top Federal Capital Gains Tax Rates

## Current



## Proposed



Proposed effective date: January 1, 2022

## Other Proposed Changes

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Limit the amount of deduction available for the 20% qualified business income deduction

Reduce benefit of capital gain exclusion on qualified small business stock

Eliminate "backdoor" Roth IRA strategy

Create required minimum distributions for ultra-large retirement accounts

Eliminate Roth IRA conversions for high earners

*(Effective in 2032)*

## Items Not Included in House Proposal, but Previously Discussed

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Social Security tax on wages over \$400k

Cap or phase out of itemized deductions

Unlimited SALT deduction

Changes to 1031 like-kind exchange

Taxation of unrealized gains annually ("mark to market")

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# The Evolving Retirement Rule Book

# A Philosopher's Take on Retirement Planning

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The only certainty is uncertainty.  
- Pliny the Elder

# Pre-Retirement

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Aggressively save into your employer-sponsored plans

- 401(k) - \$19,500/year, \$26,000 if over age 50
- Deferred compensation, stock purchase, HSA

Consider tax-free savings options

- Roth 401(k)
- Roth IRA
- Backdoor Roth

Which option to use will depend on your unique tax circumstances

SECURE Act 2.0 (proposed)

- Increase catch-up contributions
- Roth employer matching allowed
- Indexed for inflation

# Post-Retirement

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## Have an investment withdrawal strategy

- Avoid spikes in taxable income
- Plan for required minimum distributions
- Keep appropriate investment allocation

## Consider a Roth conversion

## Plan for medical expenses

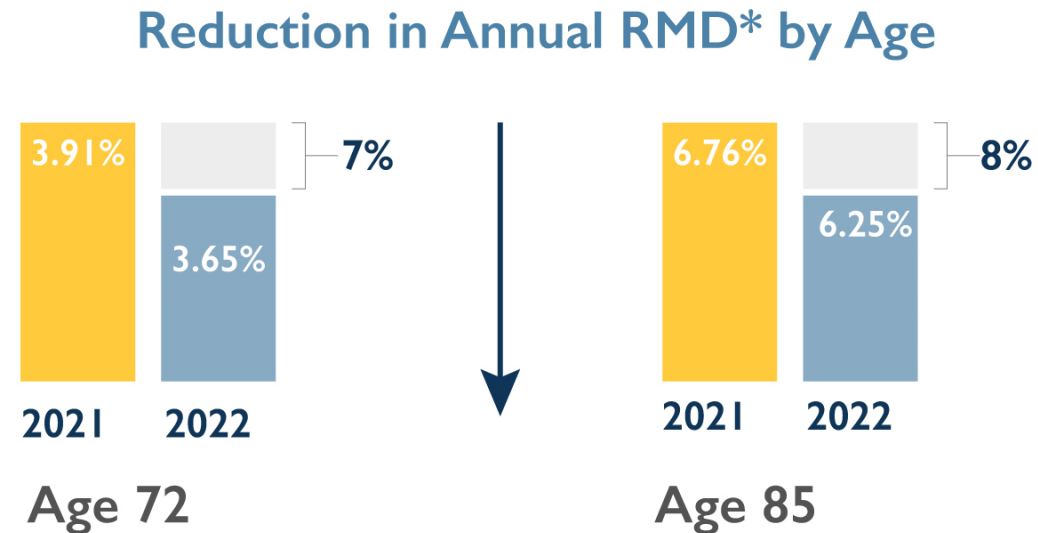
## Changes to required minimum distributions (RMDs)

- Change in formula reduces annual distribution – effective 2022
- Age increased to 75 from 72 over 10 years (proposed)

## Coming Attractions ... Smaller RMDs Next Year

The IRS has reduced the annual minimum amount required to be drawn from a retirement account for those subject to RMDs.

For example:



Resulting in:

- Longer tax deferral
- Lower current income tax

\*Annual RMD as a percentage of account value  
Source: Uniform Lifetime Table



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# Philanthropic Strategies

# Leverage Established Philanthropic Strategies

Retirement accounts continue to be strong candidates for charitable giving

- *Estate gifts are not subject to income or estate tax*
- *Lifetime gifts of qualified charitable distributions from IRAs are not subject to ordinary income and may have other benefits*

Donating appreciated assets avoids capital gains tax for the donor, generates a tax deduction and the charity receives full benefit

For non-itemized tax filers, grouping donations may help maximize the tax benefits of philanthropy

Special rule for 2021 allows charitable deduction of up to 100% of adjusted gross income for cash donations to public operating charities

If you plan to leave an estate gift to charity, a charitable trust may offer a current income tax deduction and other benefits

If tax rates increase, charitable deductions may become more valuable, or deductions could be capped



# Charitable Deduction of Required Minimum Distribution (RMD)

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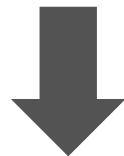
**IRA**

Taxable RMD



**Owner/Donor**

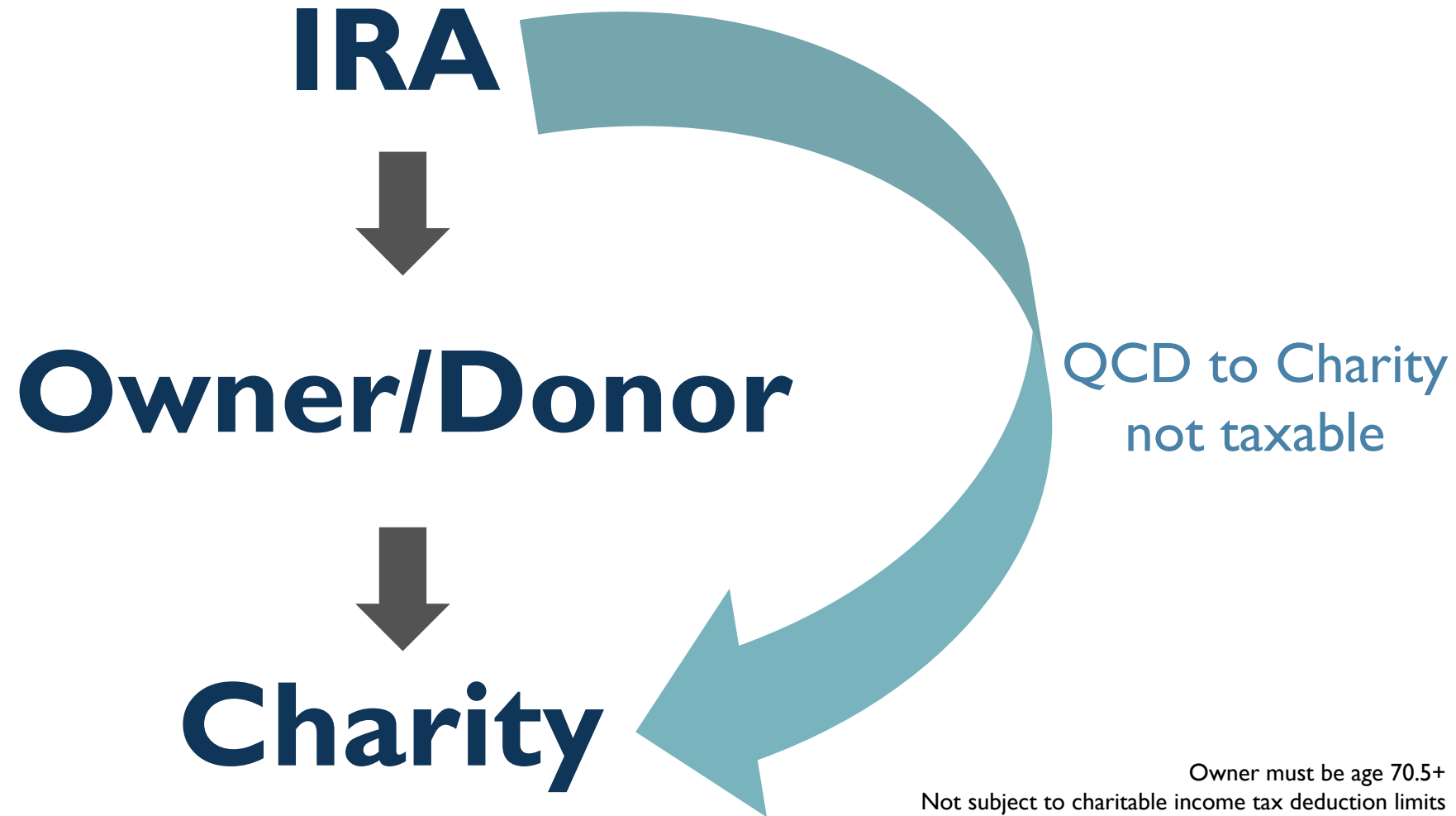
Tax Deduction



**Charity**

Subject to charitable income tax deduction limits

# Qualified Charitable Distribution



*QCDs avoid taxation of IRA distributions, including RMDs up to \$100,000*

# Who Should Consider a Qualified Charitable Distribution (QCD)

- Over age 72 (allowed at age 70½)
- Desire and capacity to make significant charitable gifts
- Currently not itemizing tax deductions
- Exceeding charitable deduction limits based on AGI
- Would not receive better tax benefits from donating appreciated securities
- Seeking to lower AGI to reduce Medicare premiums
- Have named charity as ultimate beneficiary of IRA



*Be sure to inform your tax preparer when doing a QCD!*

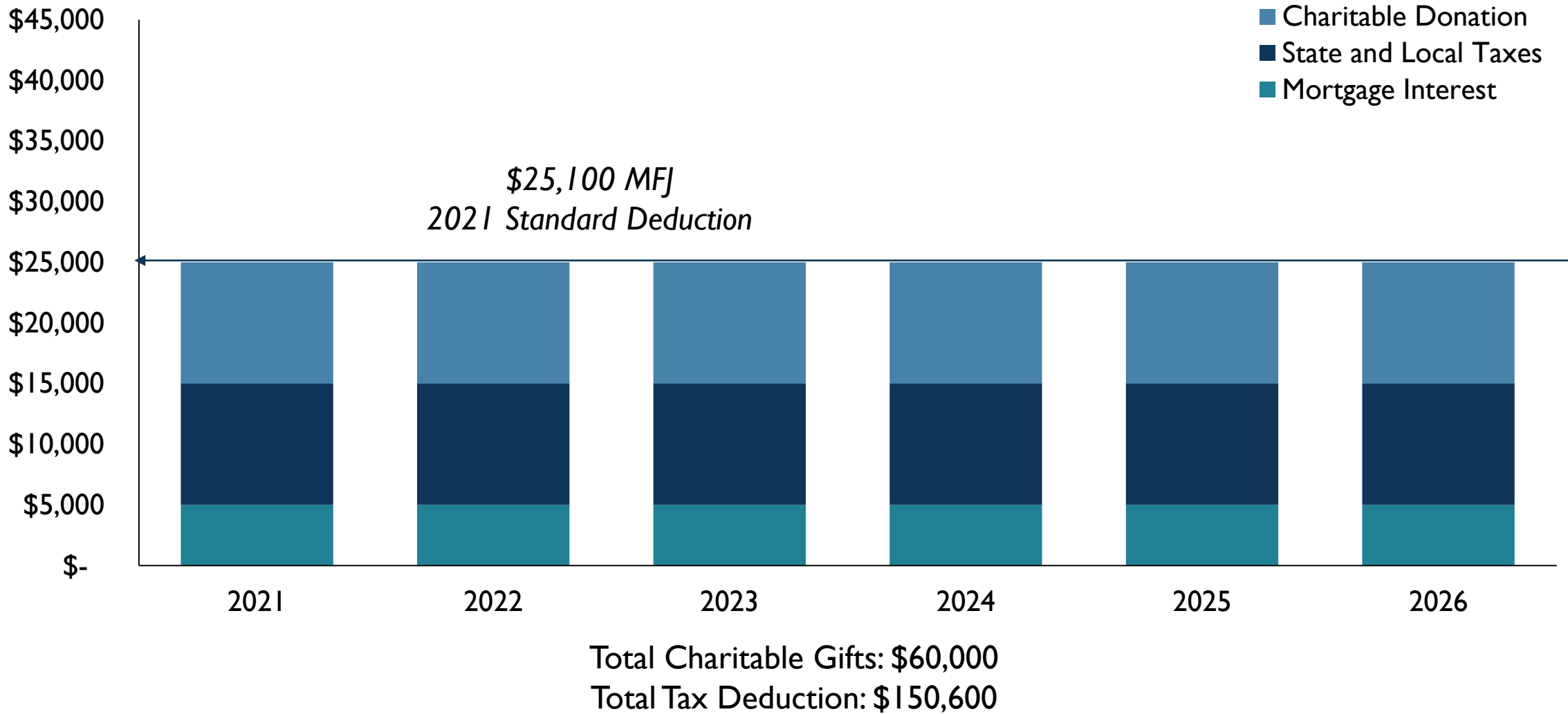
## After Tax Cost of a \$10,000 Charitable Gift – Appreciated Securities

	<b>Non-Itemized Filers</b>	<b>Itemized Filers</b>
Cash	\$10,000	\$5,310
IRA Qualified Charitable Distribution	\$5,310	\$5,310
Appreciated Securities	\$6,630	\$1,940

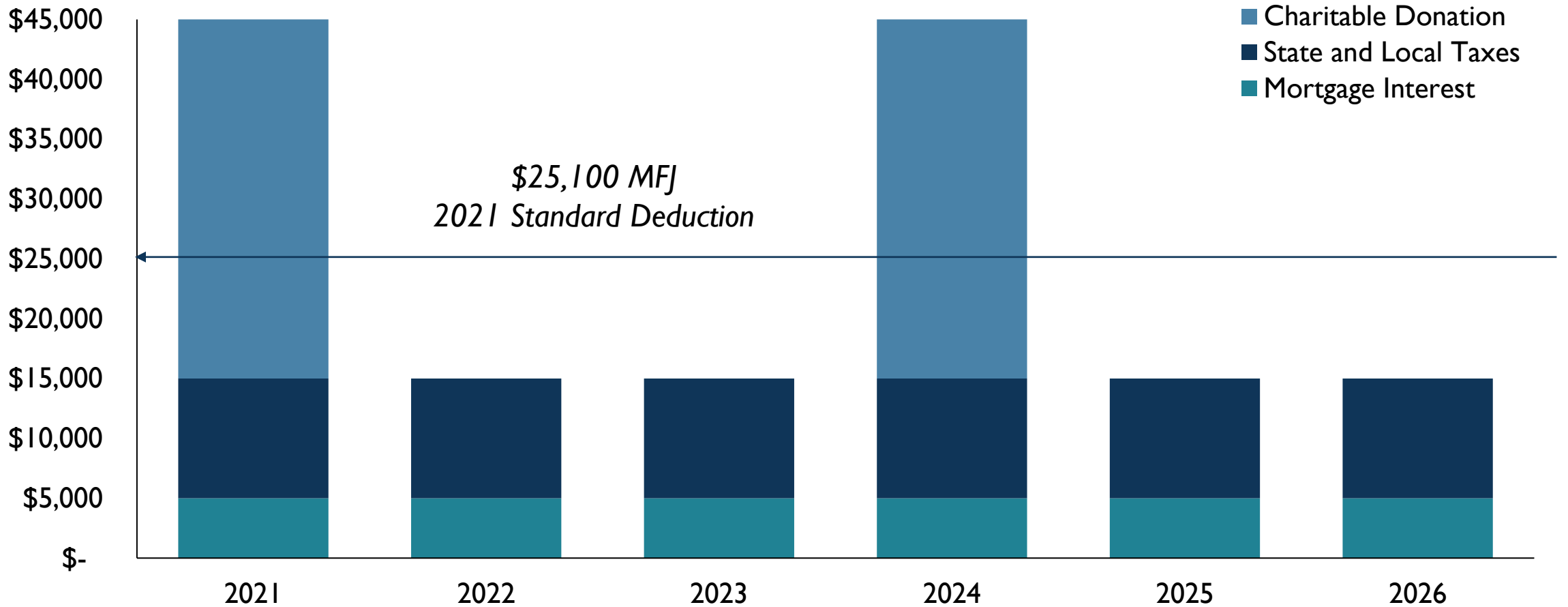
- Charitable tax deduction based on full market value of long-term gain assets (held > 12 months)
- No recognition of capital gain by donor or charitable recipient

\*Assuming maximum current federal and Oregon tax rates and the sale of appreciated securities with zero cost basis

# Tax Impact of Charitable Grouping



# Tax Impact of Charitable Grouping

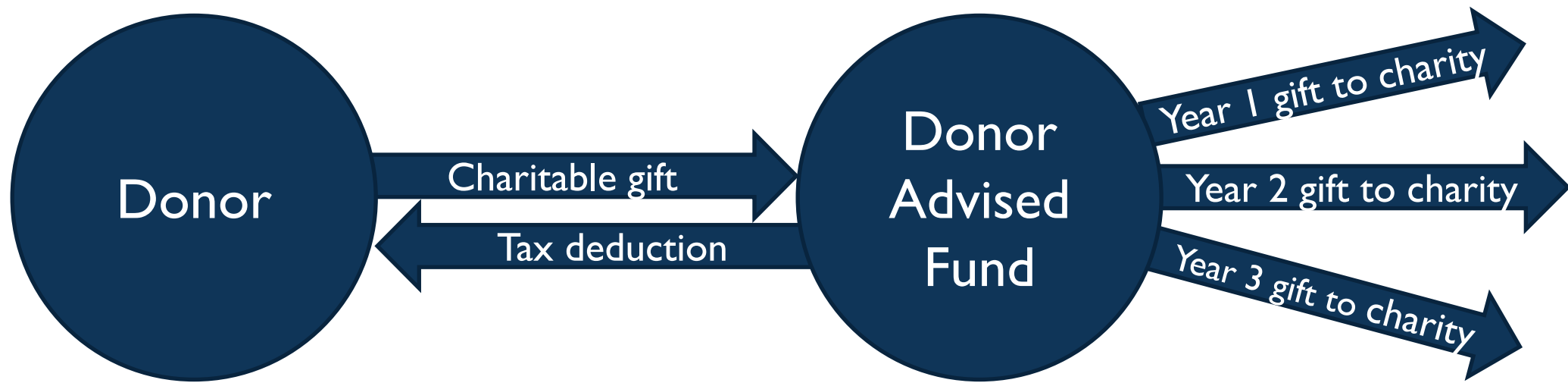


Total Charitable Gifts: \$60,000  
 Total Tax Deduction: \$190,400 (vs. \$150,600)

**Potential Tax Savings: \$18,665** (37% Federal, 9.9% Oregon)



# Donor Advised Funds (DAF)



- Donor avoids capital gain by gifting appreciated stock to a DAF
- Receives charitable tax deduction for full amount of gift in the year of funding
- Ability to spread gifts to charities over multiple years
- Maintains limited control over the investment strategy of the DAF
- Administrative ease of single gift receipt
- DAFs are public “30%” charities

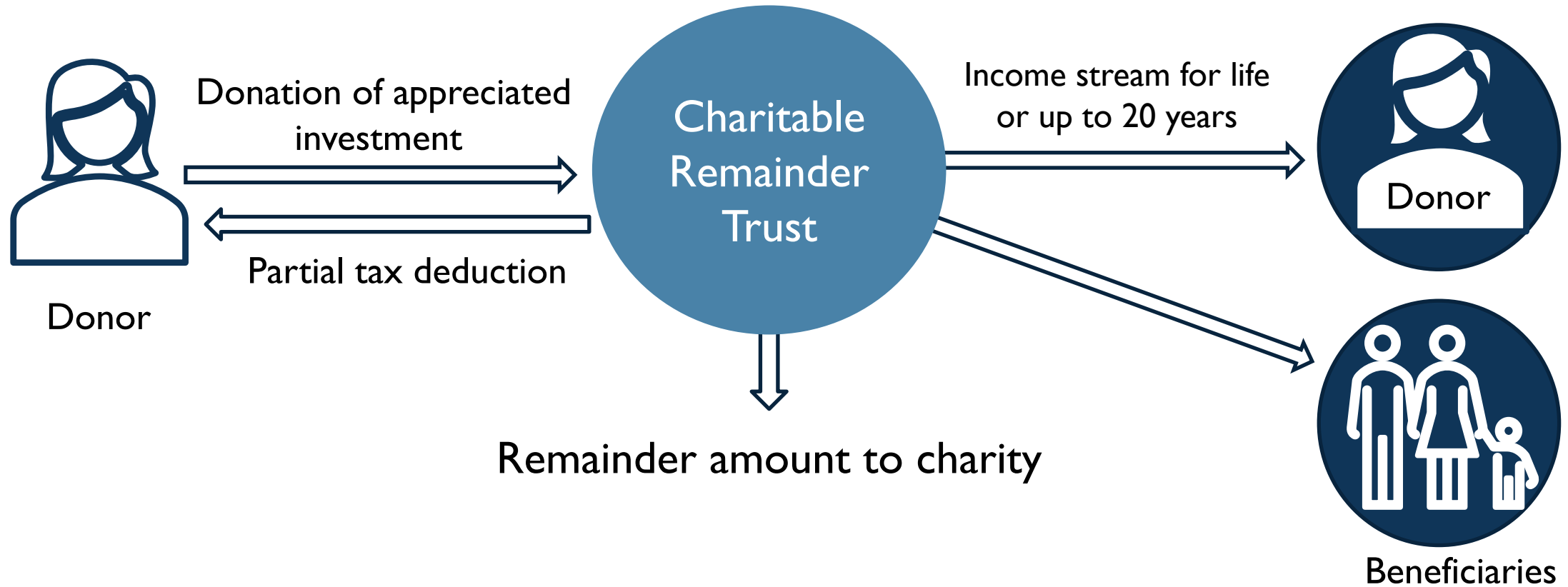
**DAFs allow donors to control timing of BOTH tax deduction AND distribution to charity**

# Charitable Tax Deduction Landscape

Percentage of Adjusted Gross Income (AGI) that can generally be deducted		
	Type of Property	
Charity Type	Cash	Appreciated Property
Public Charity	<b>NEW: 100% of AGI (20/21 Only)</b>	
Donor Advised Fund Private Operating Foundation	60% of AGI	30% of AGI
Private Foundation	30% of AGI	20% of AGI

- Unused amounts carryover for five years
- **Reminder: Never donate stocks at a loss or short-term gain**
- **New:** Permanent \$300 above-the-line deduction for those who do not itemize

# Charitable Remainder Trusts (CRTs)



CRTs allow donors to receive current income tax deduction for future gift AND defer taxation on diversification of appreciated assets while creating an income stream

# Potential Policy Changes

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Charitable deductions  
potentially become more  
valuable if tax rates increase

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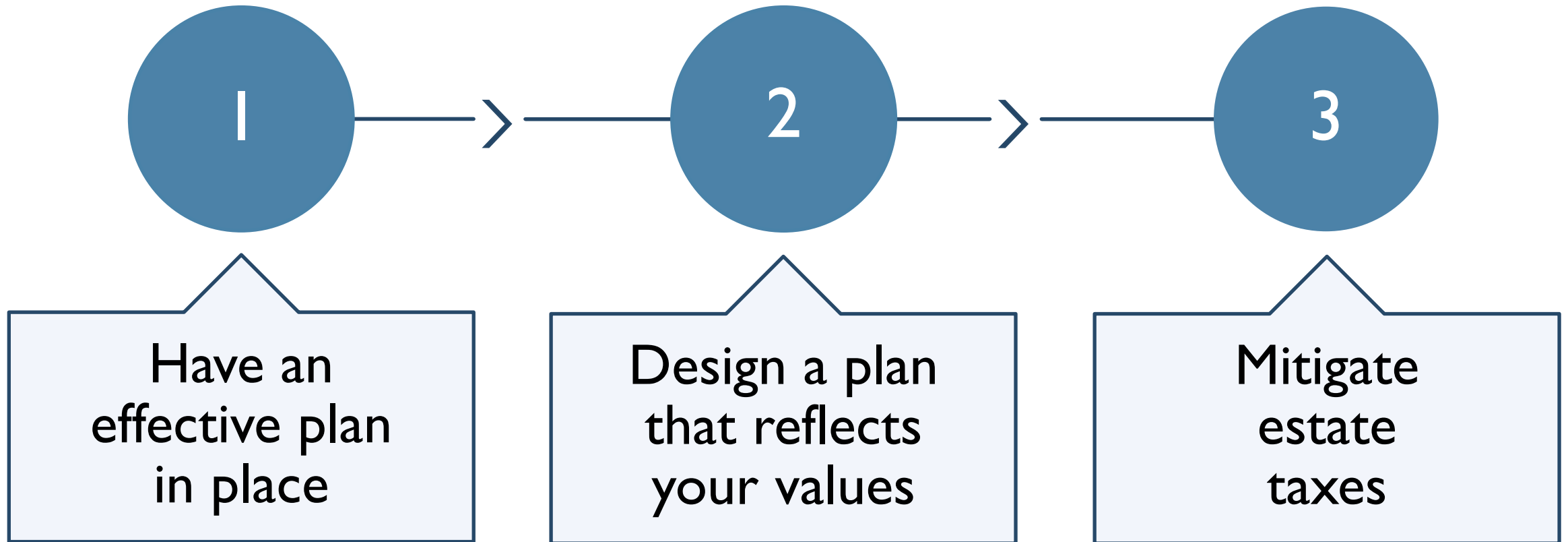
The value of charitable  
deductions could decline if  
limitations on deductions  
are reintroduced

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# Estate and Gift Planning

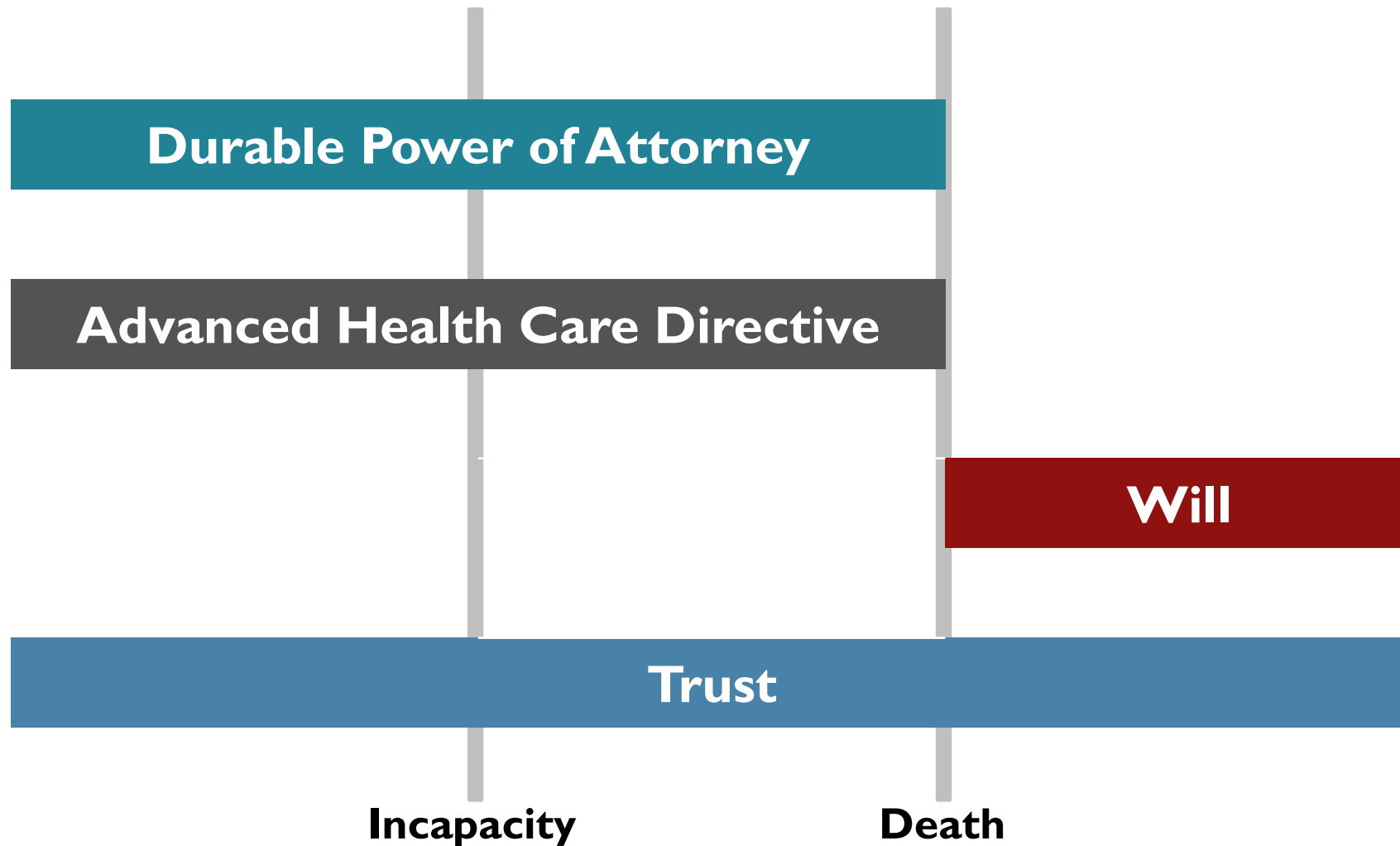
# Estate Planning Priorities


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# Have an Effective Estate Plan in Place

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Reward hard  
work and  
success

Community

Protecting  
future  
generations

Aggressive  
tax planning

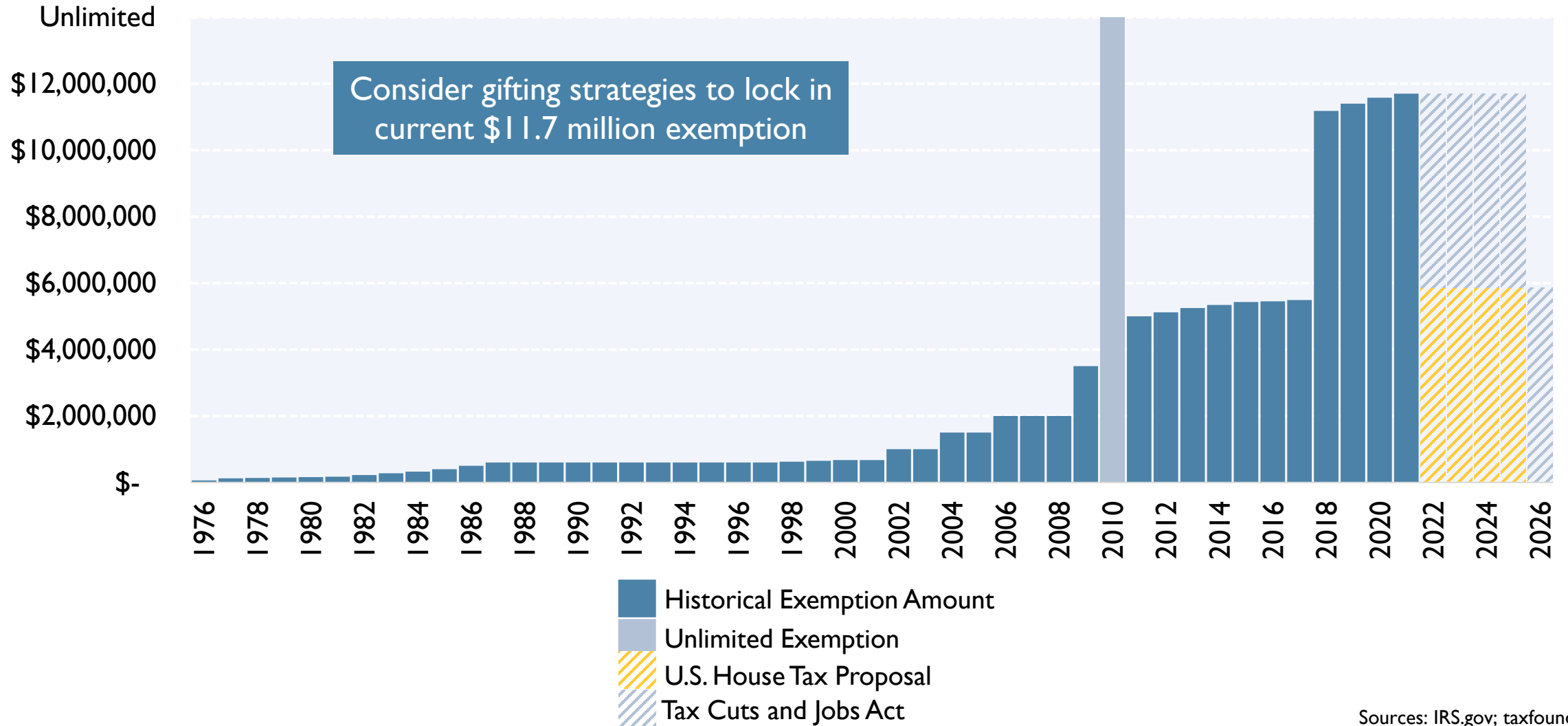
Special needs

Education  
health care  
basic needs

**Design Your Plan to  
Reflect Your Values**



# Understand Federal Estate-Tax Exemption Through History



Sources: IRS.gov; taxfoundation.org

# Include the Spectrum of Lifetime Giving in Your Estate Planning

Net Worth

Simple Giving Strategies

Increased Complexity

- Annual gifting of \$15,000 per person, per recipient
- “Superfunding” 529 accounts
- Direct payment of tuition and medical expenses
- **Plan for gifting additional assets after one spouse dies (step-up)**

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- Pre-funding the exemption trust(s) based on personal needs
- Charitable remainder trust
- Generation-skipping trusts
- **Creating/gifting LLC interest for fractional discounts**
- **Roth conversions to limit estate taxes**
- **Spousal lifetime access trust (SLAT)**
- **Life insurance trust (ILIT)**

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- Taxable lifetime gifts
- **Grantor retained annuity trusts (GRAT)**
- **Intentionally defective grantor trusts**
- **Charitable lead trust**

Strategies in **bold** may be restricted or eliminated by proposed legislation.

# Potential Policy Changes

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Reduce exemption to  
~\$6 million effective 2022

Eliminate intentionally  
defective grantor trusts

Restrict valuation discounts

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# Year-End Planning

# Certain Strategies for Year-End Planning



## Retirement and Savings

- ✓ Maximize retirement contributions including spousal IRA and possible backdoor Roth
- ✓ Consider tax diversity (pre-tax/ post-tax) of retirement saving buckets
- ✓ Max out health savings account contributions



## Philanthropic Strategies

- ✓ Finalize charitable budget and complete gifts
- ✓ Consider gifts of appreciated securities potentially using a donor advised fund (DAF)
- ✓ Evaluate qualified charitable distributions (QCDs) from IRA



## Estate Planning

- ✓ Consider larger lifetime gifts (current federal lifetime exemption \$11.7 million, scheduled to drop to about \$6 million in 2026 or sooner)
- ✓ Annual exclusion gifts (2021 limit \$15,000) and direct payment of tuition and medical expenses
- ✓ Fund or “superfund” 529 college savings plans



## Income Tax Planning

- ✓ Consider if you are in a lower or higher taxable income year and adjust income and deductions
- ✓ Evaluate distribution strategy from retirement accounts and consider Roth conversions
- ✓ Explore harvesting unrealized capital losses