



Accumulating Interest

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THE OFFICE WILL BE CLOSED ON THE FOLLOWING DAYS:

January 2
New Year's

January 16
Martin Luther King, Jr. Day

February 20
President's Day

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Is there a specific topic you would like for us to discuss? Don't be shy.

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A Word from the Investment Department

What's New in 2023

by Sean Guldi, Chief Investment Officer

Happy New Year!!

Most of us are happy to put 2022 in the rear-view mirror, we make New Year's Resolutions (e.g., get in shape, save more, etc.), and we look to the changes in our lives from year-to-year, making plans to accomplish those goals. We wanted to highlight a few items of note for 2023 and give you a preview of a helpful sheet we'll be publishing shortly on our website, and which will be available in PDF form for printing.

Hot off the presses Secure Act 2.0 was passed via the Omnibus Bill on 12/23 and with its passing we have several changes to retirement plans and required minimum distributions (RMD's). The most immediate and substantial impact is that for anyone born between 1951 – 1958 your RMD will start at age 73 **NOT** 72. For anyone born 1959 or later RMDs will begin at age 75. This is a planning opportunity to those who may look to do ROTH Conversions in lower income years. The bill also allows for Qualified Charitable Distributions (QCD's) to adjust for inflation starting in 2024 (\$100,000 limit for 2023) for anyone age 70.5 or older – this is important as it allow for tax planning opportunities before you reach RMD age. There are other provisions governing catch up contributions, ROTH accounts for SIMPLEs & SEPS, other retirement plan items. This is not an exhaustive list – but a highlight of two important changes.

Another topic that continues to be top of mind is **inflation**, and many of you who receive Social Security Payments will see another increase in your monthly check of 8.7%. Medicare premiums decreased approximately 3%. The IRS also considers inflation with respect to more than 60 tax provisions, including but not limited to: the federal income tax brackets, the standard deduction, the Earned Income Tax Credits, child tax credits, capital gains tax brackets, and the annual exclusion for gifts (from \$16,000 to \$17,000).

Additionally, the IRS increased a few of the retirement plan limits – mainly the employee deferral limit for 401(k) is raised by \$2,000 to \$22,500, and the IRA/ROTH contribution phaseout limits were increased. The tables below outline a few of these changes:

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2023 Tax Rate	For Single Filers	For Married Individuals Filing Joint Returns	For Heads of Households
10%	\$0 to \$11,000	\$0 to \$22,000	\$0 to \$15,700
12%	\$11,000 to \$44,725	\$22,000 to \$89,450	\$15,700 to \$59,850
22%	\$44,725 to \$95,375	\$89,450 to \$190,750	\$59,850 to \$95,350
24%	\$95,375 to \$182,100	\$190,750 to \$364,200	\$95,350 to \$182,100
32%	\$182,100 to \$231,250	\$364,200 to \$462,500	\$182,100 to \$231,250
35%	\$231,250 to \$578,125	\$462,500 to \$693,750	\$231,250 to \$578,100
37%	\$578,125 or more	\$693,750 or more	\$578,100 or more

2023 Standard Deduction	
Filing Status	Deduction Amount
Single	\$13,850
Married Filing Jointly	\$27,700
Head of Household	\$20,800

2023 Capital Gains Bracket			
	For Unmarried Individuals, Taxable Income Over	For Married Individuals Filing Joint Returns, Taxable Income Over	For Heads of Households, Taxable Income Over
0%	\$0	\$0	\$0
15%	\$44,625	\$89,250	\$59,750
20%	\$492,300	\$553,850	\$523,050

2023 IRA Phaseout Ranges		
Filing Status	Low End	High End
Single / Head of Household	\$73,000	\$83,000
Married Filing Jointly (spouse covered by workplace plan)	\$116,000	\$136,000
Married Filing Jointly (spouse not covered by plan married to someone who is)	\$218,000	\$228,000
Married Filing Separately (married to someone eligible for workplace plan)	\$0	\$10,000

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2023 ROTH Phaseout Ranges

Filing Status	Low End	High End
Single / Head of Household	\$138,000	\$152,999
Married Filing Jointly	\$218,000	\$227,999
Married Filing Separately	\$0	\$10,000

Employer Retirement Plans

Maximum elective deferral e.g., 401(k), 403(b), etc.	\$22,500
Catch-up contribution limit for 401(k), 403(b), etc.	\$7,500
Maximum elective deferral for SIMPLE Plans	\$15,500
Catch-up contribution limit for SIMPLE	\$3,500
Maximum elective deferral to gov't 457 plans	\$22,500
Limit on annual additions to defined contribution plans	\$66,000
Annual compensation threshold requiring SEP contribution	\$750
Limit on annual additions to SEP plans	\$66,000
Maximum annual compensation taken into account for contributions	\$33,000
Annual benefit limit under defined benefit plans	\$265,000
Limitation used in definition of highly compensated employee	\$150,000

As a reminder the Tax Cuts and Jobs Act (TCJA) of 2017 dramatically changed the structure of the tax brackets. This has allowed most folks to lower their tax bills over last few years. One downside to the act is that the changes to tax laws “sunset” after 2025 – meaning we have two more years (unless Congress and the White House make new laws) to take advantage of lower rates for strategies like ROTH Conversions, accelerating income, etc. before the tax rates increase.

As always, we recommend coordinating with your tax advisor/CPA on any tax-related matter.

Keeping up with B&C



President/CEO Allan Cohen and his wife Kathy enjoyed a trip in NYC with clients (left to right) Ran Tokman, Dorit Tokman, Barbara & Mike Schneider. & Ezi Tokman.



On October 8th B&C had their employee outing at Sawgrass Country Club. The day started with a beautiful brunch overlooking the golf course. After brunch, the team went to the beach to soak in the sun and play games.



President/CEO Allan Cohen and his wife Kathy with clients Ezi & Dorit Tokman.



Vice President Adam Oerther celebrated his birthday!



President/CEO Allan Cohen and his wife Kathy with Jacksonville University's President Tim Cost and his wife Stephanie at the University's Ukrainian Refugee benefit.



CCO Jacque Bos at Mt. Platte in Switzerland.



Administrative Assistant Genny Stephenson celebrated her birthday!

What is an I Bond?

by Sean Guldi, Chief Investment Officer

All About I Bonds

The US Treasury offers individuals and some companies the ability to purchase a type of directly issued treasury savings bond called “Series I Savings Bond” (a.k.a. “I Bond”)– the “I” stands for Inflation.

At its core, the Series I Savings Bond is a 30-year treasury bond that pays a “composite” interest rate, which includes both a fixed rate and an inflation rate. The inflation rate is adjusted every six months (May 1st and Nov 1st) based on the prevailing interest rate (CPI-U). The current fixed interest rate is 0.40% and the semi-annual inflation rate is 3.24%, which combines to yield 6.89% on an annualized basis.

What’s the catch? Why wouldn’t I take all my money and buy I Bonds?

There are a few limitations with these bonds, the biggest of which is the annual dollar limit per Social Security/Tax ID number. A maximum of \$10,000 can be used to purchase electronic bonds, and an additional \$5,000 of paper bonds can be purchased when filing a tax return. This means a married couple could purchase up to \$20,000 in I Bonds and have an additional \$10,000 withheld from their federal taxes (a total of \$30,000 for one calendar year). Another potential downside is the inflation rate gets adjusted every six months, so if inflation comes down (potentially being negative – which is a 0% rate for I Bonds) you are left with a rate much lower than the current 6.89%. Given how high inflation has been over the last year and a half relative to its long-term average of 2-3%, some might expect this rate to drop to a lower yield.

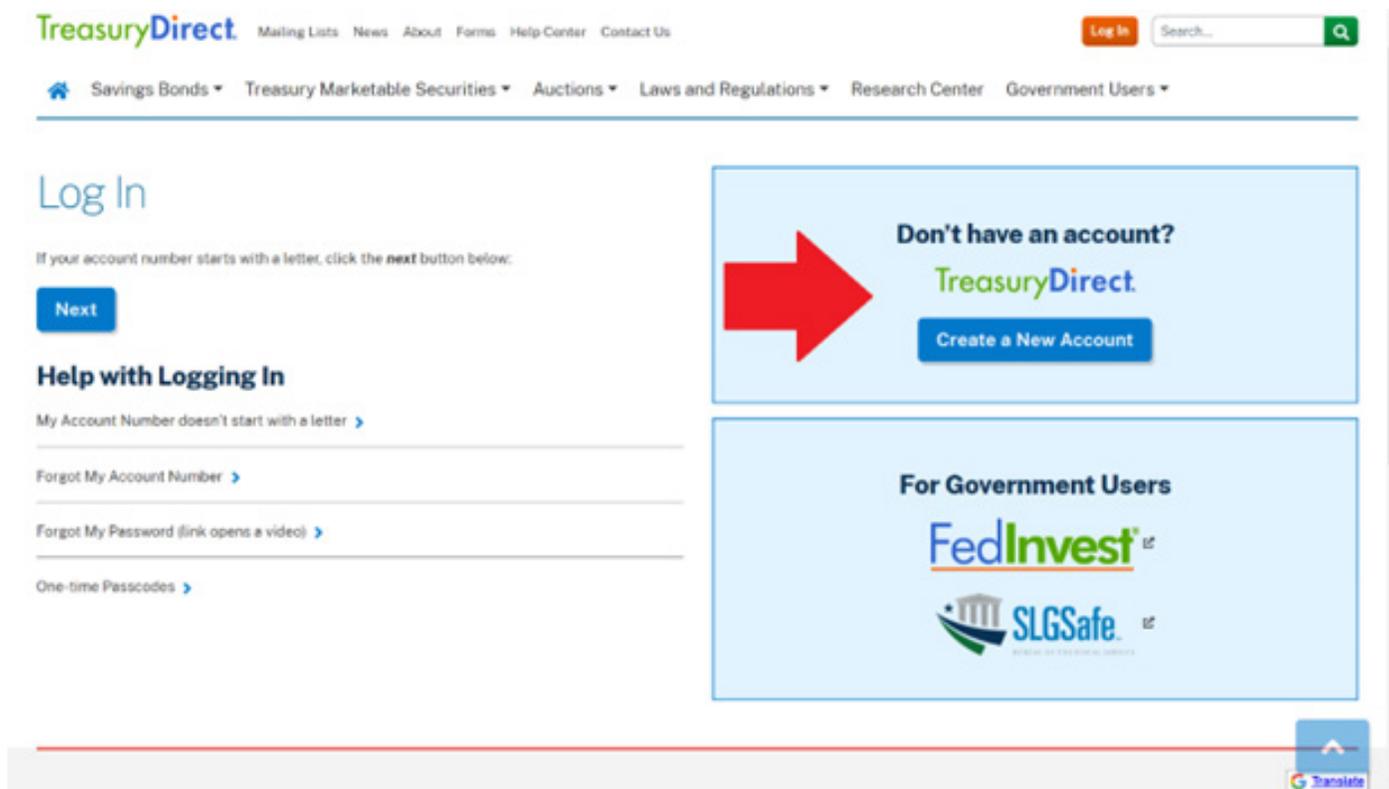
It is important to note the bonds are not liquid in the first year and must be held for 12 months before they are eligible for redemption. If the bonds are sold before the end of the fifth year, three months’ worth of interest is forfeited as a penalty for early withdrawal. Thus, if the bonds are purchased today to yield 6.89%, and the inflation rate stays constant for the next year, redeeming the bond in one year will net the buyer a yield of 5.17%.

The interest paid on the bonds is also treated as taxable income. There is an option to defer payment of taxes until the bond is redeemed (like many folks who received gifts of savings bonds as a child), at which time a lump sum tax would then be paid. Another option is to pay the tax on interest annually, though you must elect to do so in the first year and continue to do so as long as you own the bond.

Where can I buy Series I Savings Bonds?

The bonds must be bought directly from the TreasuryDirect website (<https://treasurydirect.gov/>) by creating a username, setting up an account, linking a bank account and electing to purchase the Series I Bond from the site. One can also elect to purchase gifts for others (spouse, children, etc.) (see screenshots below).

While these bonds have attractive yields, it is important to include them as part of an overall financial plan. It is best to discuss this plan with your advisor before investing funds. If you have an ample cash reserve and are looking for a way to safely invest a portion of the reserve for at least one year, Series I Savings Bonds are a great option.



The screenshot displays the TreasuryDirect website interface. At the top, the TreasuryDirect logo is on the left, and a search bar with a 'Log In' button is on the right. Below the logo, a navigation menu includes links for 'Savings Bonds', 'Treasury Marketable Securities', 'Auctions', 'Laws and Regulations', 'Research Center', and 'Government Users'. The main content area is titled 'Log In' and includes a note: 'If your account number starts with a letter, click the **next** button below.' A blue 'Next' button is visible. Under the heading 'Help with Logging In', there are links for 'My Account Number doesn't start with a letter', 'Forgot My Account Number', 'Forgot My Password (link opens a video)', and 'One-time Passcodes'. On the right side, there are two light blue boxes. The top box, titled 'Don't have an account?', features a large red arrow pointing to the TreasuryDirect logo and a 'Create a New Account' button. The bottom box, titled 'For Government Users', displays the logos for FedInvest and SLG Safe.



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