



FINANCIAL  
ENHANCEMENT  
GROUP, LLC

A photograph of an older man and woman sitting at a table, looking at a document together. The man is on the left, wearing a tan shirt, and the woman is on the right, wearing a blue sweater. They are both smiling and appear to be in a positive, collaborative mood. The background is a bright, modern interior with a white wall and a staircase.

# 2021 TAX PLANNING CONSIDERATIONS

*“We help reduce financial regrets!”*

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800.928.4001

# PLANNING TEAM

Annual tax planning is essential to your financial journey. Don't miss issues that can disrupt Your Life After Work. We work together, focusing on specific areas and developing core processes that we all utilize. At any time, your questions will be answered by the competency of the entire group. You deserve accurate and up-to-date fiduciary guidance, and we are honored to serve you.



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*“Success is never  
dependent upon one  
thing, but failure can be.”  
-James Clear*

**Your annual tax  
planning is only one of  
the Five Critical  
Elements, but it can be  
the one to disrupt  
Your Life After Work.**

There are five categories of how we view your financial journey. We call them the Five Critical Elements, and they are part of our trademarked process known as the Family Focus Process™. Your Financial Vision helps us understand how to best address Your Life After Work, your Annual Tax Planning, the Investment Playbook, dealing with road bumps along the way that we refer to as Life Happens, and your Legacy strategy. This package deals with an annual disruption that is often ignored: Annual Tax Planning.

The double curse of knowledge is apparent in most tax discussions. At FEG, the saying goes “we don’t know what we don’t know”, primarily due to changes in the tax code. Hence the double curse of knowledge.

Likely, you have heard us refer to or discuss the points in this package. We apologize for the redundancy, but we should tell you what we think you already know than presume you know and did not. We must be diligent in thinking proactively about your financial journey and where the IRS is more than an active participant. The rules and regulations change, and they are often the number one reason when financial plans go astray.

Please, don’t forget that there are two tax codes in the United States. The public presumes there is one for the rich and one for the poor. Not true, there is one for the informed and one for the uninformed. We want you to be informed.

We need roads, bridges, and the military. Taxes aren’t evil, but the application of the tax code can appear to be prohibitive to economic growth and distributive to your financial journey. This package is not prepared to find loopholes and cross grey lines. The annual tax package is sent merely as a reminder that we must be proactive. That involves your advisory team and your input.

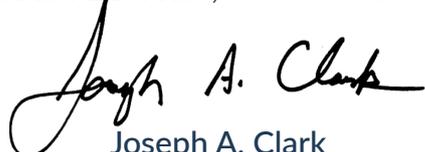
Please take the time to let your Advisor know if changes have occurred in your life that we need to address as we best position your financial journey for success. You are part of our FEG Family because you expect us to provide the guidance we would provide to ourselves if we were in a similar situation. That is the definition of a fiduciary.

Serving your best interests is our calling. The 37 team members at FEG show up every day working to provide you the best solution possible for what we know today and what we believe might present themselves in the future. We intend to give you our best thinking and strategies that have proven to work over the last 24 years.

Let us know what has changed in your life that could alter your tax scenario. The questions in this package are merely considerations. By definition, this will not be all-encompassing. We encourage your communication so that we can best serve your financial needs.

Here is to your financial journey. May it be all that it can be.

Your FEG Team,



Joseph A. Clark  
Managing Partner  
and Senior Advisor



Aaron Rheume, CKA®  
Partner and Director  
of Financial Planning



Adam Harter, CFA®  
Partner and Chief  
Investment Officer

# FINANCIAL CONSIDERATIONS



*“One reason people resist change is because they focus on what they have to give up instead of what they have to gain.”*  
-Rick Godwin

**1. Has your tax filing status changed? Life happens, and change is a certainty, even without a pandemic. Did something occur in your life this year (don't forget to think about your parents and your children if applicable) that would change how you report to the IRS?**

- Was there a marriage?
- Was there a loss of a spouse (death or divorce)?
- Did anyone move to a new state?

**2. In 2021, has your income changed? If your income has been reduced, it is important that we think through whether a distribution is in order even if you don't need the income this year.**

- Will your Adjusted Gross Income be lower this year?
- Will your marginal tax rate be lower this year?

**3. Did you have any unusual investment gains or losses this year caused by market volatility? It will be important that we look to harvest losses to offset gains as the year progresses. We also need to be certain that nothing happened outside of FEG that could have created a gain or loss that we aren't aware of.**

**4. Did you receive an inheritance this year? The rules have changed, especially for IRA's. Keeping your Advisor updated on things that have happened in your family that can flow through to your tax return is essential. The Stretch IRA has been eliminated going forward, and substantial planning for your living beneficiaries (non-charity) is recommended.**

**5. Did you have a pension, or did Social Security start this year for the first time? Understanding your taxable income is necessary for us to provide the best guidance across the spectrum.**

- Did you or your spouse begin to receive a pension?
- Did you or your spouse start taking Social Security?
- Were there any new sources of income this year, such as a new job or consulting work?

**6. RMD's were not required in 2020, but they are for 2021. As a reminder, you have to take your 2021 Required Minimum Distributions from your tax deferred accounts by December 31st, 2021. If not, there can be a 50% IRS penalty applied to any amount missed.**

**7. Did you have any uncommon charitable gifts this year? This may be an ideal period to examine the double stacking of potential itemized deductions. That will depend on your future gifting strategy as well as your taxable income for this year.**

- Do you normally itemize because of charitable gifting?
- Will 2021 charitable gifting be any different than a typical year?
- If you take the standard deduction, is your charitable gifting over \$10,000 annually?
- If you are charitably inclined and are over 70.5, have you considered using Qualified Charitable Distributions (QCDs)?

**8. Did you leave your job this year, or did the company change retirement plans?**

- Will you have earned income next year from retirement or bonus?
- Are you eligible for an in-service, non-hardship distribution?
- Did you leave behind a 401(k) at your old employer?



*“An investment in knowledge pays the best interest.”  
-Benjamin Franklin*

# FREQUENTLY ASKED QUESTIONS

***Question:*** I lost or changed my job and have a 401(k) with my former employer. Can I leave the funds there? Should I? What if I get another job with 401(k) benefits, how would my old plan affect the new one? What other options are available to me? Will moving it affect my taxes?

***Answer:*** Most plans will have a dollar threshold whereby if yours is less than the threshold, then the account is required to be distributed even if you do not consent. Above the threshold you can choose to leave the funds there until your retirement if you wish. Whether or not you should depends on the circumstances. If your new employer also has a plan, they generally will allow you to rollover your old plan assets into the new plan even before you are eligible to contribute to the new plan. If you choose to move your old plan account into your new plan or into an IRA, there is no tax impact to you as long as it is done as a qualified rollover. If you choose to take a distribution from your old account, there likely will be an income tax event of moving pre-tax dollars and perhaps an early distribution penalty as well. You should consult with your Tax Advisor to make sure you understand the consequences of your decision options.

***Question:*** How do I most efficiently gift money to my family?

***Answer:*** With the Annual Gift Tax Exclusion being \$15,000.00 per spouse, we can transfer wealth to anyone, even non-family members with no gift tax. Gifting is typically a matter of helping family and transferring wealth. Just as in charitable gifting, we want the gift to be as tax efficient as possible. It might also be wise to gift certain family members appreciated stock, depending on their tax situation. When in the 12% tax bracket and below, no capital gains or ordinary dividends are taxable. Thus, the sale of appreciated investments nets a bigger gain for your family in lower tax brackets.

***Question:*** What happens to my taxes if my spouse passes away?

***Answer:*** The last conversation a surviving spouse wants to have is about taxes. However, the conversation is vital because there can be significant changes, such as household income, that would impact the taxes in the year that the spouse passed away. More importantly, the death of a spouse can create tax changes that affect the FOLLOWING year after their passing that must be planned for in advance. The most obvious being Filing Status. Going from married filing joint to single status dramatically changes the tax brackets and standard deductions, which can cause a tremendous increase in your average tax rate.

## ***Question:* How do I determine if I should contribute to an IRA vs. a Roth IRA?**

***Answer:*** The IRA vs. Roth question has several factors including AGI, tax bracket and others. The most important thing to remember and to work towards is having a balance of assets when you are looking at retirement. In our One-Stop approach with Financial Enhancement Group, we work to make sure our families have after-tax money, qualified tax-deferred retirement dollars, and money that is tax-free. Those Roth dollars (tax free when you take them out) can be huge in your retirement journey and more importantly, to your heirs. We can avoid RMD (required minimum distributions) with Roth money.

Tax planning questions and answers are a combined strategy from the FEG Planning Team and several CPA affiliates: Ben Smith, CPA, Brett Spangler, CPA and Lincoln Perkins, CPA

## **YOUR NEXT STEPS**

You have worked hard to get here. Over the years, you have watched the stock market rise and fall, but thus far and over time, the market has edged higher and your savings have grown. Your tax return is a one-hit wonder. When the clock strikes midnight on New Year's Eve, your opportunity to utilize tax planning strategies for this year has passed, never to return. Unlike investments that can rebound in the years to come, taxes are year by year. This year, with the changes for 2021 only, our Planning Team doesn't want you to miss an opportunity. We have made this as easy as possible, but we do need your help to provide you the best guidance. Below are Your Next Steps should you choose to take us up on our offer to use our team to assist you. We are more than happy to collaborate with your CPA or Tax Advisor as well.

- **Does FEG have your most up-to-date tax return on file (2020)?**
- **Did you have any income variability issues addressed in the Financial Considerations or on the Frequently Asked Questions page?**
- **Is there anything new from this year that your Advisor needs to know to best serve your needs?**

Serving your best interest as fiduciaries is our passion and calling. We get compensated to manage your assets not your tax planning, although we feel a deep seeded obligation to help you with all financial aspects. As CFP's, CPA's, CFA, CKA, CMT, EA, AIF and other credentials, our team collectively is here for you. We thank you for your faith in our team and wish you a successful financial journey.

# STAY CONNECTED

Getting connected and forming relationships with the families we serve is our top priority. Making sure we understand your vision and who you are is paramount in cultivating a lasting partnership. At FEG, we provide many opportunities to connect, ranging from fun events, such as golf or art, to informative and educational presentations relevant to your financial journey. Although we take care of families who don't want to worry about their money, staying connected and communicating plays a crucial role in our relationship. You can always visit our website to get a current list of ways to stay connected.

## *Contact Us*

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WHBU 103.7 FM - Wednesday 6 AM - 7 AM

WILO 1570 AM - Thursday 4 PM - 5 PM

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