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NOV
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2020

2020 Year-End Tax Planning

Last-minute tips to help minimize your 2020 taxes!

plus

GIVING THE GIFT OF EDUCATION

REBALANCING YOUR PORTFOLIO

PLANNING FOR LONG-TERM CARE

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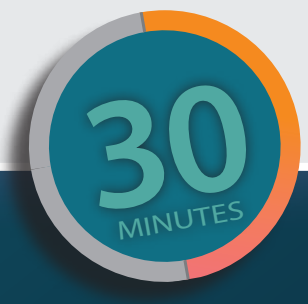
FINANCIAL

3 Financial Tasks You Can Tackle In Under 30 Minutes Each

1. **Redeem your credit card rewards.** Have a cash-back credit card? Log into your account or rewards portal and redeem your rewards. If your rewards program offers automatic redemptions, consider signing up for them so you never have to do this task again.

2. **Inventory your wallet.** Make a copy or a list of your important cards so that you have a record of your account numbers and who to call if your wallet is ever lost or stolen. Remove those cards that you don't use frequently (e.g., Social Security card) and store them in a secure location.

3. **Review your credit reports.** Reviewing your credit reports can help you spot mistakes and fraud before they harm your credit. In response to the COVID-19 outbreak, the three major U.S. credit reporting companies are offering free weekly credit reports online through April 2021 at AnnualCreditReport.com. ■



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Giving the Gift of Education with a 529 Education Savings Plan

If you want to give a gift to a child that will have a lasting impact on his or her life, consider contributing to the child's college savings using a 529 Education Savings Plan.

WHY USE A 529 PLAN?

529 plans are state-sponsored education savings plans with tax benefits that may help your gift stretch further.

With a 529 plan, investment earnings grow free from taxes while in the account.

Withdrawals are free from federal taxes, and perhaps state taxes also, if used for qualified education expenses. Examples of qualified college expenses include tuition, fees, computers, and books, as well as room and board if the student is enrolled at least half time.

Plus, some states offer a state tax deduction or credit for contributions to a 529 plan. In most of those states, the tax benefit can only be claimed for contributions to the state's own 529 plan, but there are a few states that offer a state tax benefit for contributions to any state's 529 plan.

TWO WAYS TO CONTRIBUTE

1. **You can open a 529 account yourself** and name the child as the account's beneficiary. Opening the account yourself gives you control of the account. As the account owner, you control how the account is invested and the amount and timing of the withdrawals. You can change the beneficiary on the account to a member of the beneficiary's family—a handy feature if your original beneficiary decides not to go to college. You can even withdraw money for reasons unrelated to education as long as you pay income tax and a 10% tax penalty on the earnings portion of the withdrawal.
2. **You can generally contribute to an existing 529 account** that someone else, such as the child's parent, has set up for the child.

A TAX-EFFICIENT WAY TO TRANSFER WEALTH

Funding a 529 account may be an attractive option for individuals with taxable estates who want to help a child save for college. Here's why.

You can fund a 529 plan account with up to $75,000 ($150,000 for married couples) in a single year and not trigger the federal gift tax. That's five times the annual gift tax exclusion amount for 2020.

A special tax provision, unique to 529 plans, allows contributions between $15,000 and $75,000 (2020 amounts) to be treated for federal gift tax purposes as if they were made in equal portions over five years. This enables you to apply the annual exclusion to a portion of your contribution in each of the five years.* Please consult your tax or financial professional for more information. ■

Please seek advice from your financial professional about 529 plans.

PLEASE NOTE: *All investing involves risk, including the possible loss of the amount you invest. For more complete information about a 529 education savings plan, including investment objectives, risks, fees, and expenses associated with it, please carefully read the issuer's official statement before investing. It can be obtained from your financial professional. Some states offer state residents additional benefits, such as a state tax deduction for contributions to the plan, reduced or waived program fees, matching grants, and scholarships to state colleges. Any state-based benefit offered with respect to a particular 529 education savings plan should be one of many appropriately weighted factors to be considered in making an investment decision. You should consult with your financial, tax, or other professional to learn more about how state-based benefits (including any limitations) would apply to your specific circumstances. You also may wish to contact your home state or any other 529 education savings plan to learn more about the features, benefits, and limitations of that state's 529 education savings plan. * If you do not outlive the five-year period, part of your gift will be added to your estate for estate tax purposes.*

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Rebalancing Your Portfolio: Why, When, and How to Do It

Rebalancing your portfolio by restoring it to your target allocation can help you manage risk and keep your investment plan on track. Here are a few things to know about rebalancing. Please consult your financial professional for specific advice.

WHY REBALANCE YOUR PORTFOLIO

Ups and downs in the market can cause the proportions of stocks, bonds, and other investments in your portfolio to stray from your target allocation. For example, what started out as 60% stocks and 40% bonds may now be 70% stocks and 30% bonds if stocks have performed well recently. An increase in the proportion of stocks in your portfolio generally means that your portfolio now has more risk than you intended when you chose your target allocation. Alternately, if stocks have performed poorly and the proportion of stocks in your portfolio has decreased, your portfolio may have less potential for growth than you had planned on. Rebalancing your portfolio—that is restoring it to your target allocation—can help bring it back into alignment with your tolerance for risk and desire for growth.

WHEN TO REBALANCE

One strategy is to pick a date and rebalance every quarter or year on that date. Another strategy is to rebalance only when the proportions in the portfolio have strayed by a predetermined amount, such as 5 or 10 percentage points. Some investors combine the strategies and review their portfolios on set dates, but only rebalance if their actual allocations have strayed from their target allocations by a predetermined amount.

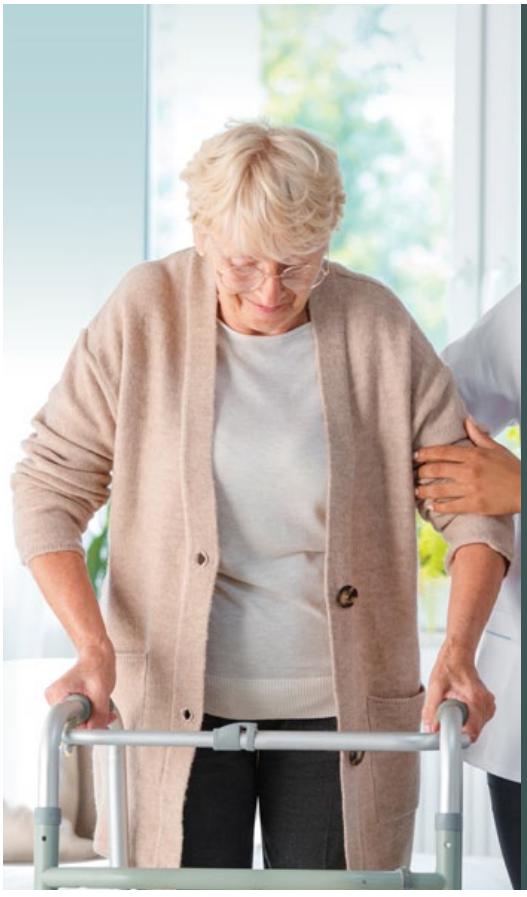
HOW TO REBALANCE

One way to rebalance your portfolio is to sell some investments in the over-weighted asset class and invest the proceeds in the underweighted asset class until your target allocation is restored. Another way is to direct new money you invest into the underweighted asset class until your target allocation is reached. If you decide to sell some investments, be sure to consider the potential impact that the sale of those investments may have on your taxes. ■

Please note: Asset allocation does not ensure a profit or protect against loss in declining markets.

PLANNING FOR LONG-TERM CARE

Long-term care (LTC) is the type of care you may need one day if you ever need help with the basic activities of daily living, such as eating, bathing, and dressing. Planning for its cost now may help you afford quality care in the future and reduce the risk of LTC expenses draining your retirement savings.



Who covers long-term care?

Medicare only covers long-term care in limited circumstances, such as a short stay in a skilled nursing facility after a hospitalization. It does not cover long-term care if that is the only type of care you need.

Medicaid will pay for some LTC services, but your income and assets must be extremely low to qualify for Medicaid.

The Veterans Health Administration provides some LTC services to individuals enrolled in its health care system.

WHAT ARE THE CHANCES THAT YOU'LL NEED LONG-TERM CARE?

Greater than you may think. A 2015 report by the U.S. Department of Health & Human Services estimates that about half (52%) of Americans turning age 65 today will require long-term care services at some point in their lives.

52%

3 WAYS TO PLAN FOR LTC EXPENSES

BUILD UP YOUR SAVINGS

One way to prepare for the possibility that you may need long-term care one day is to save enough money to cover LTC expenses on your own. The advantage of this approach is that if you do not need LTC services, your heirs will eventually inherit the money you set aside for long-term care.

PURCHASE A TRADITIONAL LTC INSURANCE POLICY

This type of insurance policy generally covers part of the cost of LTC services received at home or in a nursing home, assisted living facility, or adult day services center.

PURCHASE A COMBINATION OF LTC AND LIFE INSURANCE

Combined coverage generally pays benefits for long-term care if you ever need it and a death benefit to your beneficiaries, reduced by any LTC benefits you received. ■

Please talk to your financial professional about how to plan for the cost of long-term care.

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2020 Year-End Tax Planning

There is still time to potentially reduce your 2020 federal income taxes, but you'll need to act soon. Several tax minimization strategies for individuals are presented here—many of which need to be completed by the end of the year to be effective. Not all of the strategies may be appropriate for you so please seek advice from your tax and financial professionals before the end of the year for personalized advice regarding your taxes and investments. Also please note that this article reflects the laws in place as of September 1, 2020. Changes before the end of the year are a possibility.

Time your income and deductions. Many tax planning strategies involve timing. For instance, you may be able to defer some tax until next year by postponing the receipt of some income until next year and paying some of next year's deductible expenses this year. The benefit of deferring tax is that you gain another year to use or invest the money you otherwise would have paid in taxes this year.

But before postponing or accelerating anything, it is important to consider whether your financial situation may be different next year. If you expect to be in a higher tax bracket next year, you may find it more beneficial to accelerate income into this year so that it is taxed at a lower rate and to postpone paying deductible expenses until next year when your deductions will be worth more to you. Using this strategy may help reduce your total taxes over the two-year period.

There are several ways to time income and deductions. For example, to postpone the receipt of income, you might wait until next year to sell appreciated assets or to make taxable withdrawals from your tax-deferred retirement accounts. If you itemize deductions, you may be able to accelerate some deductions into this year by making deductible contributions to charity this year that you planned to make next year or by paying some deductible expenses early, such as paying your 2021 property taxes in 2020.

Please note that timing income and deductions can sometimes have unintended consequences, such as boosting your income to a degree that you are no longer eligible for certain tax breaks with income limits. To help avoid unintended consequences, please consult your tax professional before timing your income and deductions.

2020 Federal Income Tax Brackets

These tax rates apply to ordinary income, such as wages, self-employment income, taxable interest, short-term capital gains, non-qualified dividends, and taxable distributions from IRAs and retirement plans.

SINGLE

Taxable income	*Rate*
$0 - $9,875	10%
$9,876 - $40,125	12%
$40,126 - $85,525	22%
$85,526 - $163,300	24%
$163,301 - $207,350	32%
$207,351 - $518,400	35%
Over $518,400	37%

MARRIED FILING JOINTLY

$0 - $19,750	10%
$19,751 - $80,250	12%
$80,251 - $171,050	22%
$171,051 - $326,600	24%
$326,601 - $414,700	32%
$414,701 - $622,050	35%
Over $622,050	37%

MARRIED FILING SEPARATELY

$0 - $9,875	10%
$9,876 - $40,125	12%
$40,126 - $85,525	22%
$85,526 - $163,300	24%
$163,301 - $207,350	32%
$207,351 - $311,025	35%
Over $311,025	37%

HEAD OF HOUSEHOLD

$0 - $14,100	10%
$14,101 - $53,700	12%
$53,701 - $85,500	22%
$85,501 - $163,300	24%
$163,301 - $207,350	32%
$207,351 - $518,400	35%
Over $518,400	37%

ESTATES AND TRUSTS

$0 - $2,600	10%
$2,601 - $9,450	24%
$9,451 - $12,950	35%
Over $12,950	37%

New Federal Tax Provisions for Individuals

WHO IS AFFECTED?	NEW
People who normally must take RMDs	• Required minimum distributions (RMDs) are waived for 2020.
Retirement savers	• The starting age for RMDs is increased to 72. This change applies to retirement account owners who reach age 70½ after 2019. • The age limit for contributing to a traditional IRA is eliminated.
Families	• The old "kiddie tax" rules are back for 2020 and beyond. This means that a young child's unearned income above $2,200 will once again be taxed at the parent's tax rate. • Parents can withdraw up to $5,000 from their IRAs and defined contribution retirement plans upon the birth or adoption of a child without incurring the 10% early withdrawal tax penalty. • Many non-spouse beneficiaries who inherit an IRA or workplace retirement plan from someone who dies after 2019 must withdraw all of the assets within 10 years. They no longer have the option to stretch the withdrawals over their lifetimes.
People affected by COVID-19	• Up to $100,000 can be withdrawn from IRAs and some retirement plans in 2020 without incurring the 10% early withdrawal tax penalty.
Charitable donors	• People who claim the standard deduction can deduct up to $300 of the cash contributions they make in 2020. • For people who itemize deductions, the AGI limit for cash contributions (normally 60%) is suspended for contributions made in 2020.

Federal Tax Provisions for Individuals Extended Through 2020

Late in 2019, many temporary tax provisions were extended through 2020, including these.

- The tuition and fees deduction.
- The 7.5% AGI threshold for deducting unreimbursed medical expenses.
- The nonbusiness energy credit for homeowners who add qualified, energy-efficient equipment and materials to their existing main homes.
- The exclusion for debt cancelled on a principal residence.
- The deduction for mortgage insurance premiums for qualified homeowners.

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Retirement Accounts

2020 MAXIMUM CONTRIBUTION

401(k), 403(b), and most 457 Plans	
Regular contributions	$19,500
Catch-up contributions	$6,500
SIMPLE IRAs and SIMPLE 401(k) Plans	
Regular contributions	$13,500
Catch-up contributions	$3,000
Traditional and Roth IRAs	
Regular contributions	$6,000
Catch-up contributions	$1,000

You must be age 50 or older to make catch-up contributions. Additional limitations may apply to the maximum amount you can contribute. Some workplace retirement plans may permit special contributions not listed here.

Make the most of your retirement and health savings accounts.

Use tax-deferred retirement accounts to shelter income from current taxes. Contributing to a tax-deferred retirement plan at work is a great way to minimize your current taxes. The money you contribute reduces the amount of income you will be taxed on this year—and it helps pave the way to a financially secure retirement. For example, if you contribute $15,000 this year, you do not have to pay income tax on that $15,000 of income this year, and you are $15,000 closer to your retirement savings goal.

Contributing to a traditional IRA can also help minimize your current taxes as long as you are eligible to deduct your contributions. Your contributions will be tax deductible if you and your spouse (if you are married) are not covered by retirement plans at work. If either of you is covered, your income must be under certain limits for your contributions to be tax deductible.

Keep in mind that contributing to a tax-deferred retirement account minimizes your current taxes. You will eventually have to pay income tax on your pre-tax or deductible contributions, as well as your investment earnings, but not until they are withdrawn from the retirement account, which may be decades from now.

In certain situations, you may prefer to skip the current tax benefit and contribute instead to a Roth IRA or Roth retirement account so that your withdrawals will be tax-free in retirement. Your financial professional can help you determine which type of account—tax-deferred or Roth—may be more beneficial for you.

NEW

The age limit on contributing to a traditional IRA is removed. Prior to 2020, individuals were not allowed to contribute to traditional IRAs if they were age 70½ or older. The SECURE Act of 2019 removed the age limit, and you can now contribute at any age as long as you (or your spouse if filing jointly) earn taxable compensation, such as wages.

Business owners: Start your own retirement plan. If you are self-employed or own a business and want to contribute more to your retirement savings each year than IRAs allow, consider starting a business retirement plan.

Business retirement plans typically allow you to contribute far more each year on a tax-deferred basis than a traditional IRA does. For example, one type of business retirement plan, the SEP IRA, allows you to contribute from 0% to 25% of your compensation every year, up to a maximum of $57,000 in 2020. In contrast, traditional and Roth IRA contributions are limited to $6,000 at most this

year, or $7,000 if you are age 50 or older.

If you are interested in establishing a business retirement plan, please talk to your financial professional about it soon. Some plans must be established by the end of your business's fiscal year (generally December 31) and others by the due date of your tax return, including extensions.

Use a health savings account to shelter your income from taxes. Contributing to a health savings account (HSA) is a great way to shelter some income from taxes if you have a high-deductible health plan (HDHP). Money that you contribute to an HSA is either pre-tax or tax deductible, which lowers your taxable income and taxes for the current year. Plus, earnings grow tax-free and withdrawals for qualified medical expenses are tax-free.

For 2020, you may be able to contribute as much as $3,550 if you have self-only HDHP coverage or $7,100 if you have family HDHP coverage. $1,000 catch-up contributions can also be made for those age 55 or older.

Required Minimum Distributions

You cannot leave your money in a traditional IRA or workplace retirement plan forever. Beginning at a certain age, account owners must withdraw at least a specified amount each year from their retirement accounts, with the exception of Roth IRAs. Those amounts are known as required minimum distributions (RMDs).

NEW: The starting age for RMDs is increased from 70½ to 72. The SECURE Act of 2019 increased the starting age for RMDs to 72 for account owners who reach age 70½ after 2019.

NEW: RMDs are waived for 2020. The CARES Act waived RMDs for 2020, allowing those people who normally must take RMDs each year to skip taking them this year. The waiver was issued due to the sharp drop in the stock market in response to the COVID-19 pandemic. It was intended to allow time for retirement accounts to potentially recover before RMDs must begin again.

April

15

You have until the due date of your tax return (April 15, 2021) to:

Contribute to a traditional or Roth IRA for 2020.

Contribute to a health savings account for 2020. (You must have a high-deductible health plan to contribute to an HSA.)

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Be tax smart about your donations.

NEW

Claim an above-the-line deduction for cash contributions up to $300.
Normally, only those taxpayers who itemize deductions on their tax returns can deduct the contributions they make to charity during the year. For 2020, however, Washington created an above-the-line deduction for cash contributions, making it possible for those people who do not itemize deductions to deduct up to $300 of the cash contributions they make in 2020.

This means that if you claim the standard deduction instead of itemizing deductions, you can still receive a reduction in your taxable income for up to $300 of the cash you donate to charity during 2020. This new tax provision was created in response to the COVID-19 pandemic to encourage taxpayers to support their favorite charities during this difficult period. It is in effect only through 2020.

NEW

The AGI limit on cash contributions is suspended for 2020.
Washington also tweaked the tax rules this year to incentivize taxpayers who itemize deductions to give more to charity in 2020. They did this by suspending the AGI limit on cash contributions made in 2020.

If you itemize deductions, the amount you can deduct per year for cash contributions to charity is normally limited to 60% of your AGI. For 2020, however, the AGI limit for cash contributions made in 2020 is suspended, enabling very generous individuals to deduct more of their 2020 cash contributions this year.

This new provision and the above-the-line deduction described earlier do not apply to contributions to donor-advised funds and supporting organizations.

Time your charitable contributions.
Tis the season to give, but before you pull out your checkbook, consider whether it is more advantageous to give this year or next.

If you expect to be in a higher tax bracket next year, you may want to wait until 2021 to contribute. Why's that? Because the higher your tax bracket, the greater your potential tax savings from a charitable deduction. For example, let's say you are in the 24% tax bracket this year and expect to be in the 35% tax bracket next year. A $10,000 charitable contribution this year would reduce your federal taxes by about $2,400. But if you make the contribution next year, the tax reduction would be about $3,500.

This tip only applies if you itemize deductions. If you claim the standard deduction, consider making your cash contributions this year because the above-the-line charitable deduction is set to expire at the end of 2020.

Consider bunching your charitable contributions if it allows you to itemize deductions.
Bunching the charitable contributions you normally make over two or more years into one year may benefit you taxwise if it boosts your itemized deduction amount over your standard deduction amount.

To illustrate this point, let's say a married couple who files jointly typically donates $10,000 to charity every year, but their only other deductible expense is $10,000 for the state and local taxes they pay. In this scenario, the couple is better off claiming the $24,800 standard deduction rather than itemizing deductions and claiming their $20,000 worth of deductible expenses. But what if the couple doubles up on their charitable contributions this year and skips making contributions next year? If they do that, they can itemize deductions this year and deduct $30,000 ($20,000 for charitable contributions + $10,000 for state and local taxes). Then next year, when they are not making charitable contributions,

the couple simply claims the standard deduction.

If you want to bunch your charitable contributions this year, but prefer to spread out your gifts to charity over time, consider using a donor-advised fund. The organizations that sponsor donor-advised funds are charities themselves so contributions you make to your donor-advised fund account this year are tax deductible this year, even if you do not recommend grants to specific charities until later years.

Consider donating from your traditional IRA if you are over age 70½. Even though required minimum distributions (RMDs) are suspended for 2020, a taxpayer who is age 70½ or older can still transfer up to $100,000 from his or her traditional IRA directly to a charity this year and avoid paying income tax on all or part of the distribution.

Normally, a qualified charitable distribution from a traditional IRA counts toward your RMD for the year. For example, if your IRA's RMD for the year is $10,000 and you make an $8,000 qualified charitable distribution, you would generally only have to withdraw $2,000 to meet your RMD requirement for the year.

But even in this year when RMDs are suspended, there are still benefits to be gained by making a charitable distribution from a traditional IRA. First, a qualified charitable distribution allows you to make a charitable contribution with pre-tax dollars. Second, it reduces your IRA balance—the amount on which next year's RMD is calculated. In other words, reducing your traditional IRA balance this year may help reduce your RMDs in future years.

Before making a charitable distribution, be sure to consider the impact that any deductible IRA contributions you make after age 70½ may have on it. Beginning in 2020, deductible IRA contributions made after age 70½ reduce the amount of a charitable distribution that can be excluded from income. This new rule was put in place by the recent SECURE Act, which also removed the age limit (formerly 70½) on contributing to a traditional IRA.

Please consult your tax and financial professionals for more information and advice on maximizing your tax benefits before making significant contributions to charity.

2020 Standard Deduction

STANDARD DEDUCTION	
Single	$12,400
Married Filing Jointly	$24,800
Married Filing Separately	$12,400
Head of Household	$18,650

ADDITIONAL STANDARD DEDUCTION FOR PEOPLE OVER AGE 65 OR BLIND	
Single or head of household	$1,650
Married or qualifying widow(er)	$1,300

You either claim the standard deduction or itemize deductions on your tax return, whichever results in a larger deduction for you.

Itemized deductions include state and local taxes, mortgage interest, mortgage insurance premiums, unreimbursed medical and dental expenses that exceed 7.5% of AGI, gifts to charity, and personal casualty losses from a federally declared disaster. Limits and restrictions apply.

December

31

To deduct charitable contributions on your 2020 tax return, you have until December 31, 2020 to:

Mail a check to a charity.

Contribute using your credit card.

Contribute via a text message that is charged to your phone or wireless account.

You must itemize deductions to deduct anything other than up to $300 of cash contributions.

Hold out for a lower tax rate on your investments.

Capital gains.
When you sell a stock, bond, or other security at a profit in a taxable account, the profit is generally taxable. The tax rate you use on the profit depends on how long you owned the security. If you owned it for one year or less, the profit is considered a short-term capital gain and is taxed as ordinary income, at rates that currently range up to 37%. You can reduce the rate you pay simply by waiting for more than one year before selling appreciated securities so that the profit is considered a long-term capital gain and is eligible for a 0%, 15%, or 20% tax rate.

Qualified dividends.
The lower tax rates that apply to long-term capital gains can also be used on the qualified dividends you receive in a taxable account, as long as the holding period requirement is met. To be eligible for the 0%, 15%, or 20% tax rate, you generally must hold the stock for more than 60 days during the 121-day period that begins 60 days before the stock's ex-dividend date. For certain preferred stocks, the stock must be held for more than 90 days during the 181-day period that begins 90 days before the stock's ex-dividend date.

A 3.8% net investment income tax may also apply to your investment income if your modified adjusted gross income exceeds a certain limit. Also, please keep in mind that taxes are just one factor to consider when determining when to sell a security.

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Keep taxes to a minimum on the investments in your taxable accounts.

Harvest investment losses to help lower your tax bill.
One way to reduce the taxes on your capital gains and ordinary income is to sell some investments that have decreased in value since you bought them.

When you sell a stock, mutual fund, or other security in a taxable account at a loss, you can use that loss on your tax return to reduce the capital gains and up to $3,000 ($1,500 if married filing separately) of the ordinary income you must pay taxes on. And if your loss is not fully used on this year's tax return, the unused portion of it can be carried forward and used in future years.

This strategy is commonly known as tax-loss harvesting. Here's a simplified example of how it works.

Let's say that you sell Stock A at a $10,000 profit this year and Stock B at an $8,000 loss. You can use the $8,000 loss on your tax return to reduce the $10,000 capital gain so that you only have to pay tax on $2,000 of it.

Let's also take a look at what might happen if your loss was $25,000 instead of $8,000. In this scenario, the loss totally offsets the $10,000 capital gain so you do not owe any tax on the gain. Plus, $3,000 of the remaining $15,000 loss can be deducted from your ordinary income, which lowers your taxes for the year even more. At this point, you still haven't used all of the loss and can use the remaining $12,000 in future years to reduce the capital gains and ordinary income you must pay taxes on.

When harvesting tax losses, be careful not to buy a substantially identical security within 30 days before or after the sale. If you do, you will have what is known as a wash sale and cannot deduct the loss on this year's tax return.

Give appreciated securities to family members who are eligible for a lower tax rate.
Do you normally give cash to family members? If they are eligible for a lower tax rate on capital gains than you are, you may want to give them appreciated securities to sell rather than selling the securities yourself and giving them the cash. But be sure to consider the kiddie tax before using this strategy.

NEW

The kiddie tax is once again based on the parent's tax rate.
If your young child's interest, dividends, capital gains, and other unearned income exceed $2,200 this year, the excess will generally be taxed at your tax rate.

This method of taxing children's unearned income is known as the kiddie tax and generally applies to the unearned income of children under age 19, or age 24 if a full-time student, that exceeds the $2,200 threshold.

The rules governing the kiddie tax have changed a few times in recent years. Prior to 2018, unearned income above the threshold amount was taxed at the parent's tax rate. Beginning in 2018, it was taxed at rates that apply to estates and trusts. In 2019, Congress decided to switch back to the parent's tax rate and gave families the option to use either the parent's tax rate or the estate and trust tax rate for 2018 and 2019. Beginning in 2020, the kiddie tax is once again based solely on the parent's tax rate.

Be sure to consider the kiddie tax before giving securities to your younger children. Of course, once your child reaches age 19, or age 24 if a full-time student, all of his or her unearned income will be taxed at his or her own tax rate, which may be considerably lower than yours.

2020 Tax Rates on Long-Term Capital Gains and Qualified Dividends

These rates apply to investments held in taxable accounts.	**0%** if taxable income is between	**15%*** if taxable income is between	**20%*** if taxable income is over
Single	$0 - $40,000	$40,000 - $441,450	$441,450
Married Filing Jointly	$0 - $80,000	$80,000 - $496,600	$496,600
Married Filing Separately	$0 - $40,000	$40,000 - $248,300	$248,300
Head of Household	$0 - $53,600	$53,600 - $469,050	$469,050
Estates and Trusts	$0 - $2,650	$2,650 - $13,150	$13,150

** The 3.8% net investment income tax (NIIT) may also apply if your modified adjusted gross income exceeds $200,000 if single or head of household, $250,000 if married filing jointly, or $125,000 if married filing separately.*

December

31

Harvest investment losses in your taxable accounts by December 31, 2020 to help lower your 2020 tax bill.

30
Days

If you sell a security at a loss in order to use the loss on this year's tax return, do not buy a substantially identical security within 30 days before or after the sale.

Minimize taxes on your estate and inherited retirement accounts.

Use your annual gift tax exclusion. If you think that your estate will be subject to estate taxes, consider giving some of it away tax-free during your lifetime using the annual gift tax exclusion.

The annual exclusion, which is set at $15,000 for 2020, makes it possible for you to give any number of people up to $15,000 each in 2020 without your gifts triggering the federal gift tax or reducing the amount that can be excluded from federal gift and estate taxes later on.

Take advantage of the temporarily high lifetime exclusion. In addition to an annual gift tax exclusion, you also have a lifetime exclusion for federal gift and estate taxes. It is set at $11.58 million, up from $11.4 million in 2019. This means that you can currently give away up to $11.58 million during or after your lifetime without your gifts being subject to federal gift and estate taxes. And if you are married, you can jointly shelter up to $23.16 million from those taxes.

The thing to keep in mind about the lifetime exclusion is that it is scheduled to decrease to $5 million, adjusted for inflation, after 2025 unless Congress changes the law in the interim. Wealthy individuals may want to use the exclusion to make tax-free gifts to their heirs now in case the exclusion amount decreases in the future. Please consult your estate planning professional for advice.

NEW

Inherited a retirement account this year? Check your distribution period. Washington recently shortened the distribution period for inherited IRAs, 401(k) plans, and other defined contribution retirement plans to 10 years for most non-spouse beneficiaries. Previously, non-spouse beneficiaries had the option to stretch the annual distributions over their life expectancy. Now, if the account owner passes away after 2019, the entire account must be distributed within 10 years.

If you are required to empty an inherited account within 10 years, talk to your financial professional before the end of the year about how to manage your distributions. If you inherited a tax-deferred account, such as a traditional IRA, all or part of the distributions you receive will be subject to income tax. In some cases, it may be a good idea to take distributions every year in order to avoid a single, large distribution at the end of 10 years, which could push you into a higher tax bracket where you'll pay tax at a higher rate than you otherwise would have.

Not all beneficiaries are subject to the new 10-year distribution requirement. The requirement does not apply to surviving spouses, the account owner's minor children, disabled or chronically ill individuals, and individuals who are not more than 10 years younger than the deceased account owner. It also does not apply to beneficiaries who inherited an account from someone who died prior to 2020.

2020 Federal Gift and Estate Taxes

ANNUAL GIFT TAX EXCLUSION:

$15,000

LIFETIME EXCLUSION:

$11.58 million

Please keep in mind that if your state has an estate tax, its exclusion amount may be considerably lower than $11.58 million. So even if your estate does not have to pay federal estate tax, it may have to pay state estate tax.

December

31

Use your annual gift tax exclusion by December 31, 2020 to reduce the size of your estate if you think that your estate will be subject to estate tax.

Other considerations.

Is this a good year to convert to a Roth IRA?

If you have been thinking about converting your tax-deferred traditional IRA to a tax-free Roth IRA, talk to your financial professional about whether this is the year to do it.

Converting to a Roth IRA will allow you to make tax-free withdrawals in retirement and to avoid having to take RMDs. However, there is a tax cost to converting. Any savings you convert that were not previously taxed will be subject to ordinary income tax in the year of the conversion.

One reason to consider a Roth conversion this year is that federal income tax rates are still relatively low so you may pay less tax on a conversion this year than in later years. (Federal income tax rates are scheduled to increase after 2025.)

Will you have to pay the AMT?

The alternative minimum tax (AMT) is an alternative method of calculating tax that eliminates or reduces some of the deductions and exclusions from income that are allowed when calculating tax the regular way.

Far fewer people are currently subject to the AMT than prior to 2018, thanks to changes made by the Tax Cuts and Jobs Act. However, the AMT is still a possibility for some people, particularly high-income individuals who exercise incentive stock options without selling the stock in the same year or who receive tax-exempt interest from private activity bonds.

It is a good idea to find out whether you may be subject to the AMT before making any year-end tax moves. If it looks like you will be, your tax professional can recommend strategies for minimizing the AMT's impact or perhaps avoiding it altogether. ■

Please consult your tax and financial professionals before the end of the year.

Your professionals can review your financial situation and determine whether there are any steps you can take to lower your taxes.

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ROCK STARS | Red Centre, Australia

BY BRIAN JOHNSTON

Uluru might be the highlight of Australia's outback Red Centre, but the mighty rock is far from the only drawcard.

AUSTRALIA IS STARTLING as you fly towards its Red Centre. Mountains are worn to bare rock, and rivers are dried-up channels that scour the rusting surfaces far below. The landscape is red with purple shadows, a magnificent abstract canvas of splotched wonder. It's a bold and even intimidating sight, but mesmerizing too: the burnt red contrast to Australia's blue sun-kissed coast.

As your plane comes in to land, you see Uluru (Ayers Rock) from the window, and perhaps it will seem vaguely familiar. Yet if you imagine this great monolith has been tamed by its depictions on calendars and television shows, you'd be wrong. However many photos you've seen, the real rock has a brooding presence that commands attention. This is the epicenter around which the dramatic heartland of ancient Australia turns.

Ayers Rock, which is now more properly referred to by its indigenous name Uluru, is the focal point of what Australians call the Red Centre, the outback middle of their vast nation-continent. Watching as the sunrise cracks open the horizon and turns the great rock orange feels like witnessing the birth of the world. Up close, the monolith is astonishing, with 600 million years of time captured in its folded, marvelously colored surface.

There are myriad ways to admire this magnificent outcrop, and you might want to return several times, since the shifting sun constantly changes Uluru's contours and intense colors. You can no longer climb to its summit, but no matter. Walk the seven-mile base track where you'll find Uluru's surface to be cracked and pockmarked, sculpted by waterfalls and folded like plasticine. You can also tour by bicycle, Harley-Davidson, camel, or helicopter, or enjoy a gourmet dinner in the desert as you admire the rock under sunset and stars.

Join a ranger-led walk and you'll learn how local Anangu people have responded to Uluru's ageless beauty for thousands of years, detecting a great spiritual presence in this mighty outcrop. They sheltered beneath an overhang at Mala and decorated it with rock art. You can find out more about

LEFT: **A trail loops through the Ormiston Pound, a natural amphitheater ringed by mountains that is located in West MacDonnell National Park.**
BELOW: **One of the thousands of feral camels that roam Australia's outback. The Milky Way splashes across the dark night sky, far from any big city lights that might diminish its brilliance.**

local indigenous culture and its relation to Uluru at the Cultural Center.

Thanks to sunrise starts, many people are tucked into bed early in the Red Centre, but stay the course and you'll also discover the outback's astounding opportunity to stargaze. After dark, the Milky Way is revealed above as you've probably seldom seen it, thanks to a complete absence of light interference from urban centers. Views of the moon's surface and Orion Nebula through high-powered telescopes are thrilling.

While Uluru is the key that draws most visitors to the Red Centre, it also unlocks the region's other scenic and cultural assets. Many visitors thrilled by the rock are inspired to explore beyond—and many others disappointed they haven't allocated the time to do so. Certainly, nearby Kata Tjuta (or The Olgas) is a must. These fabulous orange domes, one of which rises higher than Uluru, have as much power and cultural significance as Uluru itself, and some say more beauty.

A walk here will have you mighty impressed. The four-hour Valley of the Winds trail, where finches twitter and budgies flash emerald against red rock, is superb. An easier stroll to Walpa Gorge passes between the largest domes and culminates in a wallaby-hopped oasis of trees. The surrounding rocks are a thesaurus of pink, vermilion, and copper. Sunset is a stunner. The humped rocks turn orange, then red, then bruised purple as the sun slumps, until Kata Tjuta is swallowed up in darkness.

This is just the splendid overture to a whole dramatic opera of landscapes beyond Uluru. Just sixty miles away—a short hop in these parts—is Curtin Springs Station, a working cattle ranch (or station in local parlance) that sits improbably in a landscape of pinkish salt lakes under the shadow of Artilla (Mt Conner). Locals nickname it 'Fool-uru' because many tourists mistake it for Uluru. It was formed by the same geological process and is similarly sized but, up close, this outcrop has a horseshoe shape and a distinctive, flat-topped sandstone capping.

Northeast lies Watarrka National Park, most famous for the plunging red sandstone of Kings Canyon, which shelters an eruption of cycads and palm trees, vivid green against an orange background. A dramatic

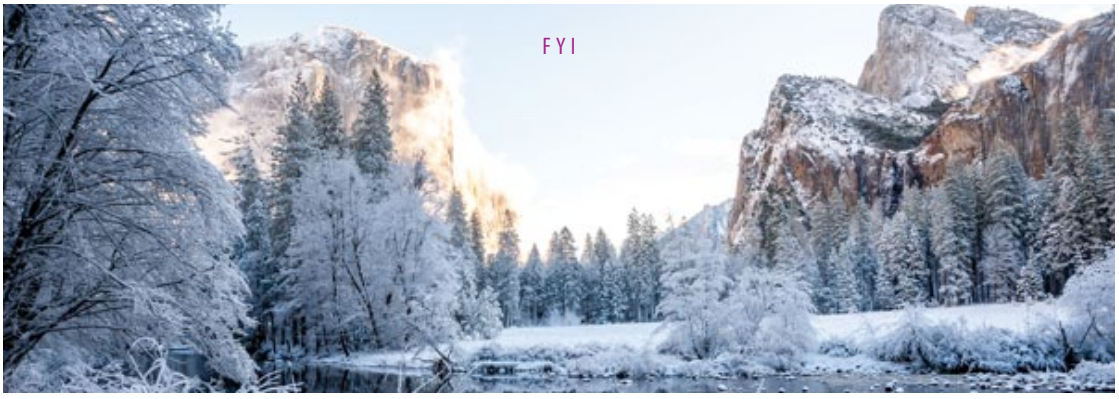
canyon hike is the four-mile Rim Walk, which takes you through beehive-like sandstone domes, nicknamed The Lost World, for spectacular views into the orange chasm and its shimmering waterholes. With an opening climb nicknamed Heart Attack Hill, this is a strenuous walk and not for the midday heat. In the wider national park, which also has red sand dunes, you might spot kangaroos, feral camels, and shorthorn cattle from nearby ranches.

Finke Gorge—for which you'll need four-wheel drive—combines orange rock piles with cool waterholes and rustling red river gums, cut through by one of the world's oldest rivers, which for 350 million years has provided sustenance for desert creatures and plants. Remarkably, Palm Valley shelters rare red cabbage palms, last survivors of central Australia's ancient tropical forests.

Consider driving the Red Centre Way to Alice Springs in Arrernte people's country. Alice Springs is an opportunity to find out more about Aboriginal art, the School of the Air by which remote communities learn over the radio, and the Royal Flying Doctor Service, whose founder John Flynn is buried under a red granite boulder on the town's outskirts.

The landscape always draws you back, however. There are more great rocks in the eroded, rumpled escarpment of the West MacDonnell Ranges outside Alice Springs, which at Ormiston Gorge and Glen Helen Gorge are cleaved open to create spectacular, narrow defiles through towering orange cliffs. Walk through Standley Chasm along a dry creek bed and you'll find yourself hemmed in by 260-foot walls whose orange rock contrasts dramatically with the silvery bark of ghost gums.

These hot, rusting landscapes have the power to make your skin prickle. From an airplane window, they seem vast and hostile. Sometimes they feel like that when you're among them, too. You can float in a waterhole and gaze through ghost-gum branches towards a cerulean sky and feel like a speck in the eye of the universe. The sun has risen and set for 600 million years over these landscapes, teasing out the rock's splendid color, burnishing it with heat, then sinking it back into star-studded darkness again. It's hard to fathom the immensity of the outback and the vast eons of time that have carved this mighty landmark. Yet you'll also feel exhilarated at being human here, and able to appreciate the sheer wonder of the Red Centre. ■



Winter Wonderlands

With fields and forests blanketed in snow, national parks are stunningly beautiful destinations in winter.

CALIFORNIA: Yosemite

Winter in Yosemite National Park does not disappoint. Iconic landscapes draped in snow (above) are a photographer's dream. Marked trails provide access for visitors who want to explore the park by ski or snowshoe, and include a 10.5-mile groomed stretch of the Glacier Point Road. Trails located in the valley, such as the mostly level Valley Loop Trail, may be clear enough for hiking in the winter.

CALIFORNIA: Lassen Volcanic

With as much as 30 feet of snow per year, winter lasts a long time in Lassen Volcanic National Park. Despite the vast amount of snow, sunny days with bright blue skies are fairly common and are a great time to explore the park by snowshoe or ski. While roads through the park are closed during winter, trails can be accessed from the park's two main entrances. Those visitors looking for steeper slopes and sweeping views may want to enter at the park's Southwest Entrance. The easiest trails for snowshoeing and cross-country skiing are located near the Manzanita Lake Entrance.

CALIFORNIA: Joshua Tree

Joshua Tree National Park is a wonderland in all seasons, including winter—and the reason has nothing to do with snow or ice and everything to do with a spectacular night sky that glitters brightly with stars, planets, and meteors. Aim for a cloudless and moonless night to maximize the brightness of the stars. The National Park Service suggests that the Pinto Basin Road between Cholla Cactus Garden and Cottonwood has the least traffic and darkest skies.

MAINE: Acadia

With white snow, dark evergreens, and pounding Atlantic surf, Acadia National Park is a feast for the senses in winter. You can explore the park on the 45 miles of carriage roads that are open for snowshoeing and cross-country skiing in the winter, the 27 miles of the Park Loop Road that are open for snowmobiling, or the two sections of the Park Loop Road—Ocean Drive and Jordan Pond Road—that remain open to vehicles.

WASHINGTON: Mount Rainier

Mount Rainier National Park offers a wide variety of winter activities, ranging from sledding at the Paradise snowplay area to backcountry skiing and boarding on the flanks of Mount Rainier. Parts of the park can also be explored by snowmobile or snowshoe. Ranger-guided snowshoe walks from the Jackson Visitor Center are normally an option and provide an opportunity for people to learn both how to snowshoe and how the park's plants and animals adapt to winter conditions.

WYOMING: Grand Teton

Grand Teton National Park is an amazing sight in winter, and perhaps the best way to see it is on cross-country skis or snowshoes as you travel through the pristine, snow-covered valley with the jagged peaks of the Teton Range stretched out in front of you. If you prefer groomed trails over backcountry terrain, check out the intermittently groomed 14-mile section of the Teton Park Road between the Taggart Lake Trailhead and Signal Mountain Lodge. ■

QUIZ

Oceans

1. This ocean is by far the largest of the world's ocean basins, covering approximately 63 million square miles:

A. Atlantic Ocean
B. Pacific Ocean

2. The highest tides (up to 40 feet!) in the United States can be found near:

A. St. Augustine, Florida
B. Anchorage, Alaska

3. Known for its free-floating seaweed and bounded only by ocean currents, this body of water is the only sea without a land boundary:

A. Sargasso Sea
B. Bering Sea

4. Used by sailing ships to cross the oceans, the trade winds circle the Earth near the Equator from:

A. East to west
B. West to east

5. A series of oceanic trenches, island arcs, and volcanic mountain ranges known collectively as the 'Ring of Fire' follows the edges of this ocean:

A. Indian Ocean
B. Pacific Ocean

6. The fifth and newest named ocean basin, recognized only by some countries within the past twenty years, is the:

A. Southern Ocean
B. Indian Ocean

7. Located in the Pacific Ocean, this oceanic trench is the deepest (6.8 miles deep) in the world:

A. Mariana Trench
B. Peru-Chile Trench

8. Covered with ice for most of the year, the world's smallest ocean is the:

A. Southern Ocean
B. Artic Ocean

9. Located between South America and Antarctica's South Shetland Islands, this stretch of water can be some of the roughest in the world:

A. The Strait of Malacca
B. The Drake Passage

10. The largest animal to roam the ocean (or anywhere on Earth) is the:

A. Blue whale
B. Gray whale

Source of information: oceanservice.noaa.gov

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ANSWERS: 1-B, 2-B, 3-A, 4-A, 5-B, 6-A, 7-A, 8-B, 9-B, 10-A

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