STOCKHAM FINANCIAL

EYE ON MONEY

NOV DEC 2023

2023 YEAR-END TAX PLANNING

TIPS TO HELP TRIM YOUR 2023 TAXES!

plus THE NEW CLEAN VEHICLE CREDIT | HOW TO PREPARE FINANCIALLY FOR UNEXPECTED EVENTS

INVESTING AND TAXES

3 WAYS TO AVOID WASH SALES

If you sell a stock or other type of security at a loss in a taxable account and buy a substantially identical security within 30 days before or after the sale, you will have what is known as a wash sale and cannot deduct the loss on this year's tax return. Instead, the loss is generally added to the cost basis of your new shares, which postpones the loss deduction until the new shares are sold. There may be times, though, when you want to deduct the loss on this year's tax return and reinvest in the same security. Here are 3 ways to do it.

1 **Wait at least 31 days after the sale to buy the same security.** However, if you don't want to be without the security for a month, you might instead...

2 **"Double up" on the security by purchasing new shares and then waiting at least 31 days before selling the old shares.** However, if you don't want to double your exposure to that particular security, you might instead...

3 **Purchase a similar, but not substantially identical, security.** For example, you might buy a stock in the same industry as the one you are selling and then switch back to the original stock after the wash sale period has passed. ■

Please consult your tax and financial professionals for advice.

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UP FRONT

FEATURES

FYI

3 Ways to Prepare Financially for Unexpected Events

Unexpected events, such as a job loss, medical emergency, or property damage, can set you back financially. Fortunately, there are steps you can take before these events occur to help minimize their impact on your finances. Here are three of them. Your financial professional can tell you more about them.

REVIEW YOUR INSURANCE

Insurance can help protect you financially when unexpected events occur. And reviewing your policies regularly can help ensure that you have appropriate coverage for your changing needs.

You may want to start by reviewing your long-term disability insurance coverage. This type of insurance replaces part of your income for a period of time when you are too sick or injured to work. Unlike health insurance, which helps cover your medical expenses, disability insurance provides cash you can use for your living expenses. If it looks like your current coverage may not be enough for your needs, talk to your financial professional about supplementing it.

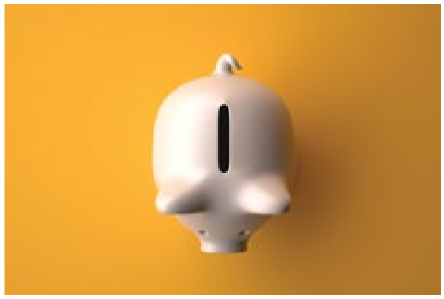
Also review your homeowners insurance every year and when you make major changes to your home that may make it more expensive to repair or rebuild. It's also a good idea to review it when you acquire valuable items, such as jewelry or art, that may require the addition of a rider to your policy.

CREATE A POWER OF ATTORNEY

Even when you are very ill, your bills still need to be paid, your financial accounts managed, and your tax returns filed. Who will handle these tasks for you if you are ever incapacitated and unable to handle them yourself? Have a name in mind? Great! Now consider granting that person the legal authority to manage your finances by creating a durable power of attorney for finances.

A durable power of attorney for finances is a legal document that makes it possible for the person you name to step in after you become incapacitated and handle the financial tasks you specify in the document. Your estate planning professional can help you set one up.

While you are at it, you may also want to set up a health care proxy to name the person you want making your medical decisions if you become incapacitated and a living will to specify the types of medical treatments you want (or don't want) to receive in an end-of-life or permanently unconscious situation.



BUILD AN EMERGENCY FUND

An emergency fund is simply an amount of money that you set aside to help cover your expenses when unexpected events, such as losing a job, happen.

Having a stash of readily available cash to draw on in emergencies may help you avoid having to use credit cards or loans—both of which can be expensive—to cover large, unexpected expenses. It may also help you avoid having to withdraw money from your retirement accounts when emergencies occur, which can help keep your retirement savings on track.

Because emergencies tend to pop up without warning, it's a good idea to keep your emergency fund in an account that can be accessed quickly when needed and where it has the potential to grow over time. Interest-bearing savings and money market accounts can be good choices. ■

PLEASE CONSULT YOUR FINANCIAL PROFESSIONAL FOR ADVICE.

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Capital Gains and Losses

When you hold investments in a taxable investment account, it's a good idea to have a basic understanding of capital gains and losses and their impact on your taxes. Here are a few things to know about them.

What they are.
When you sell a stock, bond, mutual fund, or other type of security for more than you paid for it, the profit is referred to as a capital gain. If you sell it for less than you paid for it, the difference in price is referred to as a capital loss.

When capital gains are taxed.
Until you sell an investment, any change in its market value is an "unrealized" capital gain or loss and has no effect on your taxes. When you sell an investment at a profit, a capital gain is "realized" and may affect your taxes. If the sale occurs in a taxable account, the capital gain is taxable that year and must be reported on your tax return.

How capital gains are taxed.
The tax rate you pay on your capital gains depends on your income and how long you owned the stock, bond, or other security. If it was one year or less, the gain is short-term and is taxed at ordinary income tax rates. If it was more than one year, the gain is long-term and qualifies for a lower tax rate than ordinary income. A 3.8% net investment income tax may also apply if your income exceeds a certain amount.

Deducting capital losses.
If you sell a security at a loss in a taxable account, a capital loss is realized and can be used to reduce the capital gains and ordinary income you are taxed on.

Capital gain distributions from mutual funds.
Mutual funds distribute to their investors the capital gains that the fund realizes from selling securities in its portfolio. Those capital gain distributions are taxable in the year you receive them if the mutual fund is held in a taxable account.

Capital gains in retirement accounts.
With a traditional IRA or tax-deferred retirement account, capital gains are not taxed while in the account. Instead, all investment earnings, including capital gains, are taxed as ordinary income when withdrawn from the account. With a Roth IRA or Roth retirement account, capital gains are not taxed while in the account and can generally be withdrawn tax-free in retirement. ■

Please consult your financial and tax professionals for advice.

Please note: Investing involves risk, including the possible loss of the money you invest.

The New Clean Vehicle Credit

You may be eligible to claim up to a $7,500 federal tax credit for purchasing a new electric or plug-in hybrid vehicle. Here are a few things to know about this newly revamped credit. Please explore the requirements more fully before purchasing.

A Sampling of Qualified New Vehicles

MAKE AND MODEL	MODEL YEAR	IF THE DELIVERY WAS ON OR AFTER APRIL 18, 2023 CREDIT AMOUNT
BMW X5 xDrive50e (PHEV)	2024	$3,750
Cadillac LYRIQ (EV)	2023–2024	$7,500
Chevrolet Equinox (EV)	2024	$7,500
Chrysler Pacifica (PHEV)	2022–2024	$7,500
Ford Escape (PHEV)	2022–2023	$3,750
Jeep Grand Cherokee 4xe (PHEV)	2022–2024	$3,750
Lincoln Aviator Grand Touring (PHEV)	2022–2023	$7,500
Rivian R1S (EV)	2023	$3,750
TESLA Model 3 Long Range AWD (EV)	2023	$7,500
Volkswagen ID.4 AWD PRO (EV)	2023	$7,500

EV = All-electric vehicle PHEV = Plug-in hybrid vehicle
Source: www.fueleconomy.gov (August 9, 2023)

1 **You may qualify for a federal tax credit of up to $7,500 for buying a new electric or plug-in hybrid vehicle.** But to claim the credit, you and the vehicle must first meet the eligibility requirements.

2 **Income limits apply.** To qualify for the credit, you must use the qualified vehicle primarily in the United States and your modified adjusted gross income (MAGI) cannot exceed $300,000 for married couples filing jointly, $225,000 for heads of household, or $150,000 for all other filers. You can use the MAGI from the year you take delivery of the vehicle or the prior year, whichever is lower.

3 **MSRP limits apply.** To be eligible for the credit, the vehicle's MSRP (manufacturer's suggested retail price) cannot exceed $80,000 for vans, sport utility vehicles and pickup trucks, or $55,000 for other types of vehicles.

4 **The credit amount depends on when you took delivery of the vehicle.** If it was prior to April 18, 2023, the credit amount is based on the vehicle's battery capacity. If it was on or after April 18, 2023, the amount is based on whether the vehicle meets the new critical minerals requirement ($3,750) and/or the new battery components requirement ($3,750).

5 **How to find out if your vehicle qualifies for the credit.** The website www.fueleconomy.gov/feg/tax2023.shtml lists the eligible vehicles and their credit amounts. The seller will also provide you with an eligibility report.

6 **How to claim the credit.** To claim the credit, you will need to file IRS Form 8936, Qualified Plug-in Electric Drive Motor Vehicle Credit with your federal tax return. ■

Please consult your tax professional.

2023 Year-End Tax Planning

You may be able to reduce your 2023 taxes if you act soon. There may be things you can do before the end of the year to help minimize the taxes on your income and investments. Several year-end strategies for minimizing federal taxes are summarized here, along with information on a few of the new federal tax provisions that may affect your 2023 taxes. Before implementing any strategies, it's a good idea to seek specific advice from your tax and financial professionals. Also, please note that this article is based on the tax laws in effect on September 1, 2023. It is possible that the laws may change before the end of the year.

TIMING

Control the timing of your income and deductions.
You may be able to reduce the taxes you pay by timing when you receive taxable income and pay deductible expenses.

One common strategy is to defer income into next year or beyond and accelerate deductions into this year. Doing this may help reduce this year's taxes, thus gaining you another year to use or invest the money you otherwise would have paid in taxes this year. Plus, lowering this year's taxable income may make you eligible to claim certain tax breaks that have income restrictions.

But before deferring income and accelerating deductions, consider whether you may be in a higher tax bracket next year. If you will be, you may want to do the reverse—accelerate some income into this year so it will be taxed at a lower rate and defer paying some deductible expenses until next year when your deductions will be worth more to you.

As always, your best move is to consult your tax professional regarding whether there are any tax advantages to be gained by timing your income and deductions and whether there are any potential pitfalls to avoid, such as triggering the alternative minimum tax (AMT).

TAX BRACKETS INCREASE SIGNIFICANTLY FOR 2023

Each year, the IRS adjusts many tax provisions, including the federal income tax brackets, for inflation. Due to the steep increase in the cost of living in 2022, the inflation adjustments for 2023 were unusually large, with the tax bracket thresholds increasing by about 7%. This means that more of your income than usual will fall into lower tax brackets this year and be taxed at lower rates.

When looking at the 2023 tax brackets on page 7, keep in mind that they indicate the tax rate you will pay on each portion of your taxable income. Here's a simplified example of how it works.

A single taxpayer with a taxable income of $200,000 pays:

10% tax on the first $11,000 of taxable income	$1,100
12% tax on the income from $11,001 to $44,725	$4,047
22% tax on the income from $44,726 to $95,375	$11,143
24% tax on the income from $95,376 to $182,100	$20,814
32% tax on the income from $182,101 to $200,000	$5,728
	$42,831

So this taxpayer's federal income tax amounts to $42,831 for 2023. In comparison, his tax for 2022 would have been $44,231, assuming his taxable income was the same for both years.

In addition to the increase in the tax brackets, more than 60 other tax provisions have been adjusted for inflation for 2023. Some provisions where you may notice a difference include an increase in the standard deduction amounts (page 12), higher limits on the amounts you can contribute to your retirement plan and IRA (page 9), and a significant bump up in the amount you can exclude from the federal gift and estate taxes (page 14).

2023 Federal Income Tax
Brackets and Rates

SINGLE

Taxable income	*Rate*
$0 - $11,000	10%
$11,001 - $44,725	12%
$44,726 - $95,375	22%
$95,376 - $182,100	24%
$182,101 - $231,250	32%
$231,251 - $578,125	35%
Over $578,125	37%

MARRIED FILING JOINTLY

$0 - $22,000	10%
$22,001 - $89,450	12%
$89,451 - $190,750	22%
$190,751 - $364,200	24%
$364,201 - $462,500	32%
$462,501 - $693,750	35%
Over $693,750	37%

MARRIED FILING SEPARATELY

$0 - $11,000	10%
$11,001 - $44,725	12%
$44,726 - $95,375	22%
$95,376 - $182,100	24%
$182,101 - $231,250	32%
$231,251 - $346,875	35%
Over $346,875	37%

HEAD OF HOUSEHOLD

$0 - $15,700	10%
$15,701 - $59,850	12%
$59,851 - $95,350	22%
$95,351 - $182,100	24%
$182,101 - $231,250	32%
$231,251 - $578,100	35%
Over $578,100	37%

ESTATES AND TRUSTS

$0 - $2,900	10%
$2,901 - $10,550	24%
$10,551 - $14,450	35%
Over $14,450	37%

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.

FR2023-0906-0102/E

RETIREMENT ACCOUNTS AND HSAs

Contribute to your retirement plan at work.

Contributing to a tax-deferred retirement plan at work can reduce your taxes for the current year. That's because every pre-tax dollar of income that you contribute to a tax-deferred retirement plan is one less dollar that you will have to pay income tax on this year. For instance, if you contribute $22,500 of your pre-tax income to a 401(k) plan in 2023, you will not have to pay income tax on that $22,500 this year. Instead, tax is deferred until you withdraw your savings from your retirement account, which may be decades from now.

If your employer's retirement plan offers a Roth option, be sure to consider whether it may be a better choice for you. You won't receive a reduction in your current taxes by contributing to a Roth account because Roth contributions are made with income that has already been taxed, but withdrawals in retirement will be tax-free. For some people, tax-free withdrawals in retirement may be more attractive than receiving a reduction in their taxes this year.

Contribute to an IRA.

Contributing to a traditional IRA outside of work may also help reduce your taxes this year if you are eligible to deduct your contributions. Contributions are 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 a certain amount for your contributions to be deductible.

Contributing to a Roth IRA may also be an option if your income is under the income limit. You won't receive a tax deduction for your contributions, but investment earnings grow tax-free in a Roth IRA and can be withdrawn tax-free in retirement. Your contributions can be withdrawn tax-free at any time.

To contribute to a Roth IRA for 2023, your modified adjusted gross income must be less than $153,000 if you are single or $228,000 if you are married and file a joint tax return. If your income is within a few thousand dollars of those amounts, the maximum amount you can contribute will be reduced.

You have until the due date for your 2023 federal tax return (normally April 15) to contribute to an IRA for 2023.

Consider converting to a Roth IRA.
If you have money in a traditional IRA, you may want to consider converting some or all of it to a Roth IRA this year. It won't reduce your taxes for the year; instead, it will increase them because you must pay income tax on the pre-tax amount you convert. So why consider it?

The tax rates on ordinary income are relatively low now and are schedule to increase in 2026 unless Washington passes a new law to prevent the increase. So paying the tax on your retirement savings now may cost less than paying the tax on them in the future if the tax rates increase.

There's a lot to consider when making this decision so it's wise to consult your tax and financial professionals first.

Business owners: Consider starting your own retirement plan.
If you are self-employed or own a business and you do not have a business retirement plan, consider starting one this year.

Small business retirement plans have higher annual contribution limits than traditional and Roth IRAs, allowing you to sock away considerably more income each year on a tax-advantaged basis.

Contribute to a health savings account.
If you are covered by a high-deductible health plan (HDHP), consider using a health savings account (HSA) to save for your medical expenses and to trim your taxes. The income you contribute to an HSA is either pre-tax or tax-deductible, which lowers your taxable income and taxes for the current year. Plus, the earnings on the assets in the HSA accumulate tax-free and withdrawals for qualified medical expenses are tax-free.

For 2023, you may be able to contribute as much as $3,850 if you have self-only HDHP coverage or $7,750 if you have family HDHP coverage. The catch-up contribution limit for those age 55 or older is $1,000.

NEW IN 2023

The contribution limits for retirement plans increased significantly this year due to inflation adjustments. For example, the 401(k) contribution limit increased by $2,000, from $20,500 to $22,500.

The starting age for RMDs (required minimum distributions) has increased to age 73 (from 72) and will increase again in 2033 to age 75.

The penalty for failing to take an RMD has decreased to 25% (from 50%) and may decrease further—to 10%—if the failure is corrected quickly.

The tax incentives for small employers to start a retirement plan have been enhanced. Ask your tax professional about them.

2023 Retirement Plan Annual Contribution Limits

401(k), 403(b), and most 457 Plans	
Regular Contributions	**$22,500**
Catch-up Contributions if Age 50 or Older	**$7,500**
SIMPLE IRAs and SIMPLE 401(k)s	
Regular Contributions	**$15,500**
Catch-up Contributions if Age 50 or Older	**$3,500**
Traditional and Roth IRAs	
Regular Contributions	**$6,500**
Catch-up Contributions if Age 50 or Older	**$1,000**

INVESTING

Harvest investment losses to reduce your taxes.

When you sell a stock, mutual fund, or other security in a taxable account for less than you paid for it, the loss can be used on your tax return to reduce the capital gains and ordinary income you must pay taxes on.

To give you an example, let's say you sell Stock A at a $50,000 profit and Stock B at a $30,000 loss. You can use the $30,000 loss to reduce your $50,000 gain so that you only have to pay tax on $20,000 of it.

Now let's say Stock B was sold at a $60,000 loss. In this scenario, the loss would totally offset your $50,000 gain so that there would be no tax on the gain. Plus, $3,000 of the remaining $10,000 loss can be deducted from your ordinary income, which lowers your taxes even further. The unused portion of the loss ($7,000 in this example) can be carried forward and used in future years to reduce your taxes.

So before the end of the year, you may want to consult your investment professional to see if you should "harvest" some investment losses this year for tax purposes. And remember, this strategy only applies to taxable investment accounts. It does not apply to retirement accounts.

Watch out for wash sales.

If you sell an investment at a loss and buy a substantially identical security within 30 days before or after the sale, you will have what is known as a wash sale and cannot deduct the loss on this year's tax return.

Hold out for a lower tax rate on your capital gains.

When you sell an investment at a profit in a taxable account, the tax rate you pay on the capital gain depends on your taxable income and how long you owned the investment. If you owned it for one year or less, the gain is short-term and is taxed as ordinary income at rates that range up to 37%. (The tax rates are on page 7.)

You can qualify for a more favorable tax rate simply by holding the investment for longer than one year before selling it so that the capital gain is considered long-term and qualifies for a tax rate of 0%, 15%, or 20%, depending on your taxable income. (The income ranges are below.)

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 capital gains tax rate than you are, you may want to give them long-term appreciated securities to sell rather than selling the securities yourself and giving them the cash.

Just be aware of the kiddie tax if the recipient is under age 19 or under age 24 if a full-time student. In 2023, unearned income above $2,500 will generally be taxed at the parent's tax rate if the individual is under age 18, or if the individual's earned income is less than half their support and they are age 18 or a full-time student under age 24.

NEW IN 2023: ENHANCED ENERGY TAX CREDITS

The Energy Efficient Home Improvement Credit

- This credit now has the potential to put as much as $1,200 back in your pocket for adding qualified energy-efficient equipment and materials, such as exterior doors, windows, insulation, central air conditioners, and natural gas, propane, or oil water heaters, furnaces, and hot water boilers to your existing home.
- And if you install a qualified heat pump, biomass stove, or biomass boiler in your existing home, you may be eligible for a credit of up to $2,000.
- This credit's lifetime limit no longer applies so you can claim the credit for new improvements to your home even if you fully used up the credit in the past.

The Residential Clean Energy Credit

- The credit amount for installing certain clean energy systems in your home increased to 30% in 2022.
- With this credit, people who install qualified solar electric equipment, solar water heaters, geothermal heat pumps, wind turbines, battery storage technology (new for 2023), and fuel cell property can generally claim 30% of what they spend on the qualifying equipment and the labor to install it. (Additional limits may apply.)

2023 Tax Rates on Long-term Capital Gains and Qualified Dividends

Your tax rate depends on your tax filing status and taxable income.	**0%** if your taxable income is between	**15%*** if your taxable income is between	**20%*** if your taxable income is over
Single	$0 - $44,625	$44,625 - $492,300	$492,300
Married Filing Jointly	$0 - $89,250	$89,250 - $553,850	$553,850
Married Filing Separately	$0 - $44,625	$44,625 - $276,900	$276,900
Head of Household	$0 - $59,750	$59,750 - $523,050	$523,050
Estates and Trusts	$0 - $3,000	$3,000 - $14,650	$14,650

** 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.*

2023 STANDARD DEDUCTION

Single	$13,850
Married Filing Jointly	$27,700
Married Filing Separately	$13,850
Head of Household	$20,800

ADDITIONAL STANDARD DEDUCTION FOR PEOPLE WHO ARE BLIND OR AGE 65 OR OLDER

Single or head of household	$1,850
Married or qualifying widow(er)	$1,500

CHARITABLE CONTRIBUTIONS

Consider bunching your charitable contributions if it makes it possible for you to itemize deductions.

You can deduct gifts that you make to charity if you itemize deductions on your tax return. But fewer people itemize deductions these days since Washington nearly doubled the standard deduction in 2018. With the standard deduction currently set at $13,850 for single filers and $27,700 for married individuals who file jointly, most people get a larger deduction by claiming the standard deduction instead of itemizing their deductions.

But if your itemized deductions add up to slightly less than your standard deduction amount, you may want to use a strategy known as bunching to boost your total itemized deductions for the year over your standard deduction amount so that you can claim a larger deduction this year.

Bunching simply means that you make charitable contributions in a single year that you had planned to make over two or more years.

For example, let’s say you are single, you normally contribute $4,000 per year to various charities, and your itemized deductions for expenses such as charitable contributions, mortgage interest, and real estate taxes add up to $12,000. In this scenario, you'd receive a larger deduction if you claim the standard deduction ($13,850) rather than itemizing deductions ($12,000).

But if you double up on your charitable contributions this year and skip making them next year, your itemized deductions would generally add up to $16,000 this year, allowing you to deduct $2,150 more than if you claimed the standard deduction. And then next year when you are not making charitable contributions, you claim the standard deduction.

Consider using a donor-advised fund.

A donor-advised fund is a type of account that you can set up to manage your charitable giving. The cash and other assets that you contribute to the account are deductible in the year that you contribute them—even if you don't recommend grants to your chosen charities until after that year.

The ability to make a tax-deductible charitable contribution now and then recommend grants to specific charities later on may come in handy if you want the deduction this year but haven't chosen the charities you wish to support yet.

Donate appreciated securities instead of cash.
You can increase the tax benefit you receive from your charitable contributions by donating appreciated stocks, mutual funds, and other securities instead of cash. Here's why.

When you donate securities that you've held in a taxable account for more than one year and that have increased in value, you avoid having to pay capital gains tax on that increase in value. Plus, you can generally claim a charitable deduction for their current fair market value, assuming you itemize deductions.

Make qualified charitable distributions (QCDs) from your IRA.
If you are age 70½ or older, you can have up to $100,000 per year distributed tax-free from your traditional IRA to qualified charities. As long as the money is transferred directly from your IRA to the charity, it generally is not included in your taxable income for the year, which lowers your taxes. And if you are age 73 or older, the QCD counts toward your required minimum distribution for the year.

QCDs are not deductible, but for charitably-minded individuals who do not itemize deductions and cannot deduct their charitable contributions anyway, QCDs can be a great way to receive a tax benefit for supporting their favorite charities.

NEW IN 2023

New QCD option: Receive a stream of income for life by making a life income gift from your IRA.

IRA owners who are age 70½ or older can now use a qualified charitable distribution (QCD) from their traditional IRA to fund a charitable gift annuity or a charitable remainder trust that will pay them an income for life and provide future support to their chosen charities. Here are a few things to know about this new QCD option. Your financial professional can tell you more.

- Up to $50,000 can be distributed from a traditional IRA to establish a charitable gift annuity or a charitable remainder trust. The money must be transferred directly from the IRA to the charity or trust.
- This option can be used in only one tax year during your lifetime.
- The QCD amount can satisfy all or part of your RMD for the year if you are age 73 or older.
- The income payments from the annuity or trust can be paid only to you and/or your spouse.
- The income will be subject to ordinary income tax.

Hypothetical example. Let's say Sam, who is age 75 and has a traditional IRA, wants to make a significant gift to the college he attended. Sam could make a regular QCD from his IRA to his alma mater, but he prefers to receive a stream of income from his gift. So Sam has his IRA custodian make, let's say, a $30,000 QCD to his college to establish a charitable gift annuity that will pay Sam $1,980 per year for the rest of his life. By funding a gift annuity this way, Sam satisfies all or part of his RMD for the year, which decreases his taxable income and taxes for the current year. Plus, he establishes a stream of income for his lifetime and makes a generous contribution to his college. *(This example uses a 6.6% payment rate. The rate you receive may be different.)*

A charitable gift annuity is a contract between you and your chosen charity in which the charity promises to pay you a fixed amount of income every year for life in exchange for your gift. The promise of life-long income is backed by the charity's assets.

A charitable remainder trust is a private trust you can set up to generate income for yourself with the remainder going to your chosen charities when the trust ends.

GIFT AND ESTATE TAXES

Take advantage of the annual gift tax exclusion.

If your estate will be subject to estate taxes, you may want to take advantage of the annual gift tax exclusion to reduce the size of your taxable estate now.

The exclusion is set at $17,000 for 2023. This means that you can give any number of people up to $17,000 each in 2023 without your gifts being subject to the federal gift tax and without using up any of your lifetime exclusion for federal gift and estate taxes. Married couples can use both of their annual exclusions to give any number of people up to $34,000 each this year.

Consider accelerated gifting with a 529 plan.

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

You can fund a 529 account with up to $85,000 ($170,000 for married couples) in a single year without any federal gift tax consequences. That's five times the annual gift tax exclusion amount for 2023.

A special tax provision, unique to 529 plans, allows contributions between $17,000 and $85,000 (2023 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.*

This strategy makes it possible for you to remove a significant amount from your taxable estate in one year. For example, let's say you and your spouse open 529 accounts for each of your five grandchildren and contribute $170,000 to each account. That's a total of $850,000 removed from your taxable estate in one year, without being subject to the federal gift tax and without using any of your lifetime exclusion.

*PLEASE NOTE: 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, a portion of your gift will be added to your estate for estate tax purposes.*

2023 Federal Gift and Estate Tax Exclusion Amounts

$17,000
Annual Exclusion

You can give any number of people up to $17,000 each in 2023 without your gifts being subject to the federal gift tax and without using up any of your lifetime exclusion.

$12.92 Million
Lifetime Exclusion

You can generally give away up to $12.92 million during or after your lifetime without owing any federal gift or estate tax on the transfers.

Take advantage of the temporarily high lifetime exclusion.
A few years ago, Washington doubled the lifetime exclusion amount—that's the amount you can give away during or after your lifetime without owing any federal gift or estate tax on the transfers.

For 2023, the lifetime exclusion is set at $12.92 million. If you are married, you and your spouse can generally use both of your lifetime exclusions to shelter up to $25.84 million of gifts from those taxes.

The increased exclusion amount is temporary, however. It is scheduled to decrease to its pre-2018 level ($5 million, adjusted for inflation) after 2025 unless Washington changes the law.

If you think your estate will exceed the reduced exclusion amount, you may want to take advantage of the current $12.92 million exclusion to transfer wealth to your heirs now before the exclusion potentially decreases. The IRS has stated that individuals who take advantage of the increased lifetime exclusion to make large gifts to their heirs now will not be adversely impacted later on if the exclusion decreases.

Of course, there is more to consider than just estate tax minimization when planning your estate so please consult your estate planning professional for advice regarding your specific situation and goals. ■

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.

MARVELOUS MALAYSIA

BY BRIAN JOHNSTON

Malaysia is bursting with vitality, offering rainforest adventures, holiday islands, historic towns, modern cities, and cultural diversity. Here are some of its highlights.

COPPER-DOMED MOSQUES AND ramshackle arcades, old forts and confident skyscrapers, startling reefs and verdant tea plantations, hot curries and cool cocktails: Malaysia offers a marvelous variety of architecture, landscapes, cuisines, and cultures.

You'll get a first taste of the contrasts in the capital Kuala Lumpur, which combines big-city vibes and business energy with tropical languor. Gleaming shopping malls and lively rooftop bars contrast with shadowy coffeehouses and parks where residents practice tai chi.

The city's stunning modern architecture is dramatically showcased by the Museum of Islamic Arts and the National Mosque, whose reflecting pools and splashing fountains are a peaceful oasis in the city's bustle. The mosque's magnificent blue-green roof is pleated like a half-folded fan, and latticework recalls Arabic calligraphy.

The famous 1482-foot Petronas Twin Towers, opened in 1998, signaled the optimism of Malaysia's economic boom. Head up to the 86th-floor observation deck or the glass-floored skywalk that connects the two buildings for a view over the contemporary city that has erupted since.

Kuala Lumpur's British colonial-era buildings are equally striking. The Supreme Court resembles a mad castle, and the railway station is a fantasy of cupolas and turrets. Meanwhile Chinatown is another contrast: down-at-heel but busy, and crammed with tiny stores, teashops, and Taoist and Hindu temples. Behind all the neon and telegraph wires lurks fine old Anglo-Chinese architecture.

In the evenings, Chinatown's busy night market provides souvenirs and knock-off fashions, while the sizzling woks of street stalls tempt with beef curry and stir fries until well after midnight. Squat on a stool under old arcades, the lights of skyscrapers glittering behind, and tuck into chili crab for a quintessential Kuala Lumpur experience.

Head north and on Kuala Lumpur's outskirts, Batu Caves shelter a Hindu religious site important to Malaysia's Indian community, and one of Hinduism's most significant sites outside of India. A 272-step climb rewards you with views over

LEFT: **The Petronas Twin Towers soar above Kuala Lumpur and provide stunning views of the city from the skywalk that connects the towers.**
BELOW: **The island of Langkawi in the Andaman Sea.**

the city and a complex of caves decorated with Hindu statues and frescoes.

From here a two-hour drive through palm-oil plantations on an efficient highway takes you to Ipoh, which has peeling colonial architecture, fine villas from its days as a tin-mining town, and—according to locals—Malaysia's best food. It's also the gateway to the Cameron Highlands' cool-climate jungles and tea plantations. This "hill station", with elevations over 4000 feet (and reaching 6000 in places), was established by the British looking to escape summer heat and retains pretty colonial hotels and cottages whose gardens bloom with poinsettias and roses.

Hit hiking trails for scenery that takes in forested hills, distant blue ridges, and the fabulous contours of tea plantations where you can partake in a very British afternoon tea as you watch spectacular tropical butterflies flit by in satin blue or yellow.

Those with limited time should head straight to Penang instead. The island-state, reached via a bridge, is scalloped with beaches and dotted with temples. Kek Lok Si, one of Southeast Asia's largest Buddhist temples, is decorated with Chinese calligraphy, bronze statues, and thousands of Buddha images, the complex all topped by a seven-tiered pagoda.

Penang's state capital George Town, founded by naval officer Sir Francis Light in 1786, has a rich British, Chinese, and Indian heritage. Handsome Georgian and Victorian architecture includes the Church of St George and the town's iconic clock tower. In quite the contrast, Sri Mariamman Temple erupts in gaudy color and statues of animals and Hindu gods. George Town's most striking building, though, is Khoo Kongsi, a Chinese clan house adorned with gold leaf, writhing dragons, and gabled roofs.

Penang is a wealthy, dynamic state of ever-rising skyscrapers, but fortunately old George Town has been well preserved. Dragons curl on the rooftops of Chinese mansions, Indian stores glitter with saris and gold bangles, and arcaded shophouses sell embroidered slippers and old-fashioned baked goods. More recently the town has made a name for its street art. The quirky murals that blossom down alleys are now a major attraction of the Instagram age.

It's the gourmet, however, who has the most reason to come to Malaysia, and particularly to Penang, where nearby Thailand's culinary influences are added to the Malay, Chinese, Indian, and European mix. You'll find ample sophisticated restaurants, but nothing beats the street food in George Town's hawker centers, where you can not only eat well but soak up the neighborhood atmosphere as gas flares, woks sizzle, and street life unfolds.

Popular dishes include Indian murtabak, a pancake folded over vegetables and chicken and cooked on a griddle, and various Chinese stir-fried noodles such as the crab, prawn, and egg char kway teow. Look out too for Malay-Chinese fusion Nonya cuisine such as fish-head curry, pork stew, and the ever-popular laksa noodles in a spicy fish soup.

At the opposite end of peninsular Malaysia, Melaka (or Malacca) also has excellent food and adds Portuguese influences to the culinary mix. Melaka was a small sultanate taken over as a trading port by the Portuguese in 1511. A ruined fort and church remain, while the subsequent Dutch left an elegant, salmon-pink town hall and scarlet Christ Church. For more intriguing architecture, head down aptly named Harmony Street, where you'll find a Hindu temple, a Chinese temple, and a mosque.

The town's distinctive shophouses date from the British era, although their pastel colors, wrought-iron, and wooden shutters seem almost Mediterranean. Cramped Chinese shops sell dried flowers, stationery, and traditional medicines. After sunset, neon signs add gaudy sparkle to the historic streets. Jalan Hang Jebat (or Jonkers Street) is crammed with evening street stalls selling souvenirs and spice-laden snacks.

When you're satiated on urban pleasures, Malaysia isn't short of places to unwind. The east coast has only a few small towns and resort destinations such as Cherating; otherwise, a string of fishing communities straggle along coastlines scalloped with cliché tropical beaches on which fishing boats lie lopsided in the sand.

A final top destination of peninsular Malaysia is Langkawi, a rugged island in the turquoise Andaman Sea off the northwest coast. Although this vacation spot has fine luxury resorts, development is low-key, leaving much of the island to small villages, agricultural plots, and hills draped in rainforest and waterfalls. Marine parks—some just across the sea border in Thailand—feature karst outcrops, coral, and shoals of scintillating tropical fish. Just the spot to unwind at the end of your Malaysian adventures. ■

FYI

What's On at the Art Museums

From the Renaissance drawings of Botticelli to the contemporary art of Native Americans, a wide array of special exhibitions awaits you at the art museums this winter.

DENVER, CO

All Stars: American Artists from The Phillips Collection

Denver Art Museum | *November 12, 2023–March 3, 2024*

This exhibition features masterworks by more than 50 American artists across the 19th, 20th, and 21st centuries, including Benny Andrews, Childe Hassam, Edward Hopper, Jacob Lawrence, Georgia O'Keeffe, and many others.

FORT WORTH, TX

Bonnard's Worlds

Kimbell Art Museum | *November 5, 2023–January 28, 2024*

Comprised of about seventy works by French painter Pierre Bonnard (1867–1947), this exhibition explores the sensory realms of experience that fueled this painter's creative practice—from the landscapes of Paris and Normandy to the interior spaces of his dwellings and thoughts. *Bonnard's Worlds* brings together paintings from museums in Europe and the United States, as well as private collections.

HOUSTON, TX

Rembrandt to Van Gogh: Masterpieces from the Armand Hammer Collection

Museum of Fine Arts, Houston | *Oct. 15, 2023–Jan. 21, 2024*

46 paintings and works on paper from the Hammer Museum at UCLA are in Houston for this special exhibition of European art from the Renaissance to the early 20th century and American art from the late 19th to the early 20th centuries. Highlights of the exhibition include works by Titian, Rembrandt, Jean Millet, Camille Corot, Paul Cezanne, Edgar Degas, Paul Gauguin, Claude Monet, Camille Pissarro, Vincent van Gogh, Gilbert Stuart, and Thomas Eakins.

PARIS

Van Gogh in Auvers-sur-Oise, The Final Months

Musée d'Orsay | *October 3, 2023–February 4, 2024*

This exhibition is devoted to the works produced by Vincent van Gogh during the extremely productive last two months of his life. About 40 paintings and 20 drawings created during this period will be on view, including such masterpieces as *Wheatfield with Crows* and *Doctor Paul Gachet*.

SAN FRANCISCO, CA

Botticelli Drawings

Legion of Honor | *November 19, 2023–February 11, 2024*

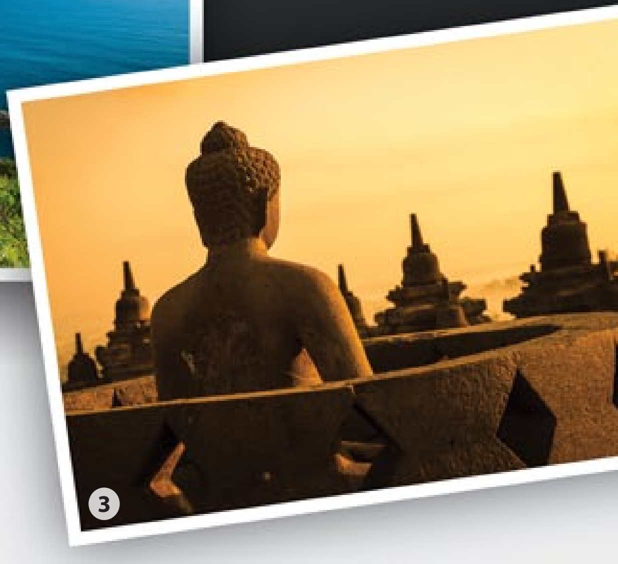
Known for some of the world's greatest paintings, Sandro Botticelli was also an expert draftsman, creating drawings that underlie and animate his greatest compositions. This exhibition at the Legion of Honor (Fine Arts Museums of San Francisco) brings together nearly 60 works from 42 lending institutions and offers a rare look at the artistic process behind the works of this renowned Renaissance artist.

WASHINGTON, DC

The Land Carries Our Ancestors: Contemporary Art by Native Americans

National Gallery of Art | *Sept. 22, 2023–Jan. 15, 2024*

This exhibition features the works—weaving, beadwork, sculpture, painting, printmaking, drawing, and more—of 50 contemporary Native artists. "*The Land Carries Our Ancestors* will shine a light on Native stewardship of the natural environment and reveal the inspiring social and cultural practices of this remarkable group of artists," said Kaywin Feldman, director of the National Gallery of Art. ■



QUIZ

Where in the world are you?

1. If you are photographing the ancient facade of the Library of Celsus in Ephesus, you are in:

A. Egypt
B. Turkey

2. If you are hiking along the Ligurian Sea between the villages of Vernazza, Corniglia, and Manarola, you are on the:

A. Cinque Terre
B. Amalfi Coast

3. If you are standing atop the massive 9th-century Buddhist temple, Borobudur, you are in:

A. Java, Indonesia
B. Sri Lanka

4. If you are walking among the tall, branching pillars in architect Antoni Gaudi's Sagrada Família Basílica, you are in:

A. Athens
B. Barcelona

5. If you are exploring the Potala Palace, the winter palace of the Dalai Lamas from 1649 to 1959, you are in:

A. Mongolia
B. Tibet

6. If you are riding the Montmartre Funicular to the Sacré-Cœur Basilica, you are in:

A. Brussels
B. Paris

7. If you are attending a performance at the ancient theatre of Taormina overlooking the Ionian Sea and Mount Etna, you are in:

A. Sicily
B. Crete

8. If you are driving the Golden Circle on your way to the Gullfoss waterfall and Thingvellir National Park, you are in:

A. England
B. Iceland

9. If you are exploring the Rock of Cashel's medieval buildings, you are in:

A. Ireland
B. Spain

10. If you are gazing up at Michelangelo's statue of David, you are in:

A. Florence
B. Rome

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

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