SUMMITRY

TAX OPTIMIZATION DURING UNCERTAIN TIMES

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DISCLOSURE

This material is intended to help you understand the financial consequences of the concepts and strategies discussed here in general terms. However, the strategies found herein often involve complex tax and legal issues. Only your own attorney and other tax advisors can help you consider whether the ideas illustrated here are appropriate for your individual circumstances.

The discussion of any tax strategies or alternatives herein is not intended as legal or tax advice. Summitry, LLC undertakes reasonable efforts to furnish accurate information, but does not warrant that it is complete, reliable, current or error-free.

AGENDA

- 2023 end of year income tax planning opportunities
- Phase-out of income tax and estate tax provisions under the 2017 Tax Cuts and Jobs Act at the end of 2025
- Key considerations for 2024 and 2025 tax year
- Q& A

REFLECTING ON 2023:

- Did you receive a big raise/promotion?
- Have you had big RSU vests?
- Did you take time off/retire?
- Did you get married or have a child?
- Have you received inheritance?

MAXIMIZE CONTRIBUTIONS TO TAX-ADVANTAGED ACCOUNTS

- 401(k), 403(b), and IRA accounts
  - Double tax advantage:
    - Reduce current year taxable income
    - Tax-deferred growth
  - Contribution limit:
    - 2023:
      - 401(k): $22,500 + $7,500 catch up
      - IRA: $6,500+ $1,000 catch up
    - 2024
      - 401(k): $23,00 + $7,500 catch up
      - IRA: $7,000 + $1,000 catch up

- Health Saving Accounts
  - Triple tax advantage:
    - Reduces current year taxable income
    - Tax-free growth
    - Tax-free distributions for qualified medical expenses
  - Contribution limit:
    - 2023: $3,850 Self / $7,750 Family + $1,000 catch up
    - 2024: $4,150 Self / $8,300 Family + $1,000 catch up

DEFERRED COMPENSATION PLAN

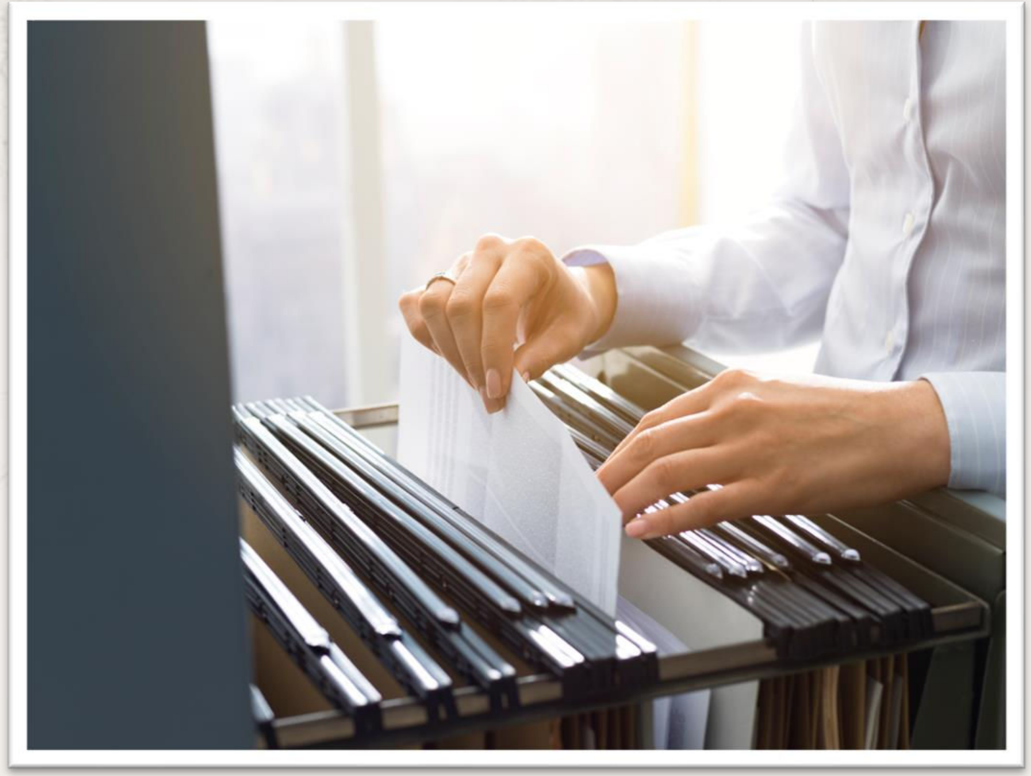
- Available at many big companies: Apple, Adobe, Intuit, etc.
- Eligibility: usually director level
- Contributions are not subject to federal or state income tax, only FICA ; growth are tax deferred
- Income can be deferred until separation of service and be distributed within a number of year, up to 10-15 years.
- Potential risks:
  - DCP balance is part of company's assets and might be gone in event of bankruptcy
  - Marginal tax rate might be higher in distribution years
  - Important to discuss with your financial advisor to create an intentional plan.

REDUCE PORTFOLIO TAX DRAG

- Tax Loss Harvesting
    - Realize losses from underperforming holdings to offset some, or all, of capital gains
    - Key considerations:
        - Avoid the wash-sale rule: Avoid repurchase for 30 days, before or after selling the loss-generating security
        - Maintain your investment strategy: particularly important in volatile market environment when security prices can move drastically within 30 days.
- **Review portfolio holdings to improve tax efficiency:**
    - Consider changing away from mutual funds with big forced capital gains distributions in taxable investment account

ACCELERATE DEDUCTIONS

- Charitable Gifting :
  - "Bunching" strategy: making multiple year worth of contribution in one year using Donor Advised Fund
  - Make Qualified Charitable Distribution from an IRA
    - Must be age 70 ½
    - Gifts to charity satisfy (part of) RMD and not included in income
    - Limit to $100K/year



LOWER INCOME YEAR OPPORTUNITIES

- Gains harvesting on appreciated assets:
  - Up to $89,250 LT capital gain or qualified dividend can be taxed at 0%
- Proactively pay tax on retirement plan with withdrawal or Roth conversion to pay tax at lower rate than in future years and reduce future RMD
- Key considerations:
  - Additional taxable income might push more of Social Security benefit to be taxed
  - Additional ordinary income might push LT capital & qualified dividend rate from 0% to 15%
  - Additional taxable income might increase Medicare surcharge in future years
  - Important to discuss with your advisor to understand the true tax cost.

SUNSET OF 2017 TCJA AT THE END OF 2025

“Everything old is new again”

THE SUNSET INCOME TAX PROVISION INCLUDES THE FOLLOWING CHANGES:

- Ordinary income brackets revert back to 2017 levels, adjusted for inflation to 2026
- Elimination of the $10,000 SALT deduction cap
- Misc. deductions subject to the 2% floor (See the Schedule A section)
- Max cash charity deduction drops from 60% to 50% AGI
- Itemized deduction phase out, aka the Pease limitation
- Standard deduction reverts back to 2017 levels, adjusted for inflation to 2026
- Personal exemptions and their phase outs
- QBI deduction discontinued
- Changes in Child tax credit
- AMT exemptions revert back to 2017 levels

ORDINARY INCOME BRACKETS REVERT BACK TO 2017 LEVELS, ADJUSTED FOR INFLATION IN TO 2026

Married couples filing a joint return:

Taxable Income	2023 tax rates	Projected tax rates	Difference
$0 - $22,000	10%	10%	0.0%
$22,001 - $89,450	12	15	3.0
$89,451 - $180,000	22	25	3.0
$180,001 - $190,750	22	28	6.0
$190,751 - $274,400	24	28	4.0
$274,401 - $364,200	24	33	9.0
$364,201 - $462,500	32	33	1.0
$462,501 - $490,000	35	33	2.0
$490,001 - $553,600	35	35	0.0
$553,601 - $693,750	35	39.6	4.6
Over $693,750	37	39.6	2.6

CASE STUDY 1: DAVID AND KATHERINE HAMLIN

Dave and Kate work in Tech with significant RSU vesting every year. Their combined earned income are just over $1MM. They have a $3MM house in Los Altos with $1MM mortgage at 5% interest rate.

Their total tax liability increases by only about 1.5% because the benefit from SALT deduction offsets the impact of increased marginal rates. However, their marginal rate is 28% due to Alternative Minimum tax.

	2026 - $1MM Income	2026 - $1MM Income
	Post Sunset	No Sunset
Total Income	$1,000,000	$1,000,000
AMT	$5,662	$-
Standard/Itemized Deduction	$146,755(*)	$60,000
	Itemized	*Itemized*
Total Tax	**$281,240**	**$276,852**
Marginal Bracket	**28.00%**	**37.00%**

(*) $80K CA income tax, $35K property tax, $50K mortgage interest, itemized deduction limitation ($18,245)

This is a hypothetical example and not based on actual clients experiences or results. Individual results and advice varies based on each client's unique experiences and financial situation.

POTENTIAL TAX STRATEGIES TO CONSIDER FOR DAVID AND KATHERINE BEFORE TCJA SUNSETS

- Consider making pre-tax 401(k) contribution, Deferred Compensation Contribution in the upcoming years if you might pay AMT post TCJA
- Consider accelerating deduction (prefunding charitable gifts) if you might subject to AMT in the future (will be at 28% marginal tax bracket)
- If you have ISO, consider exercising a portion annually to minimize AMT over the time.
- Discuss with you advisors about your specific situations.

CASE STUDY 2: BOB AND SUSAN HAMILTON

Bob and Susan are retirees in their early 70s. They are taking distribution from their IRAs, Bob's pension and Social Security benefits to fund their expense. They own their Palo Alto home with no mortgage. Thanks to Prop 13, they only pay $6,000 property tax on their $3MM home.

Their tax liability will increase by almost 14% and they move from 22% marginal rate to 28% marginal rate.

	2026 - $250K Taxable Income	2026 - $250K Taxable Income
	Post Sunset	No Sunset
Total Income	$229,500	$229,500
AMT	$ -	$ -
Standard/Itemized Deduction	$20,000	$29,350
	Itemized	*Standard*
Total Tax	$45,492	$39,989
Marginal Bracket	28.00%	22.00%

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POTENTIAL TAX STRATEGIES TO CONSIDER FOR BOB AND SUSAN BEFORE TCJA SUNSETS

- Consider accelerating income to fill up low margin tax bracket :
  - Converting pre-tax IRA to Roth IRA to reduce future income from RMD
  - Realizing other type of ordinary incomes from annuities, etc.
- Consider delaying charitable gifts (or not pre-fund future gift) if you are currently not itemized, using Qualified Charitable Distribution if eligible
- Discuss with you advisors about your specific situations.

...and what about gift and estate taxes?

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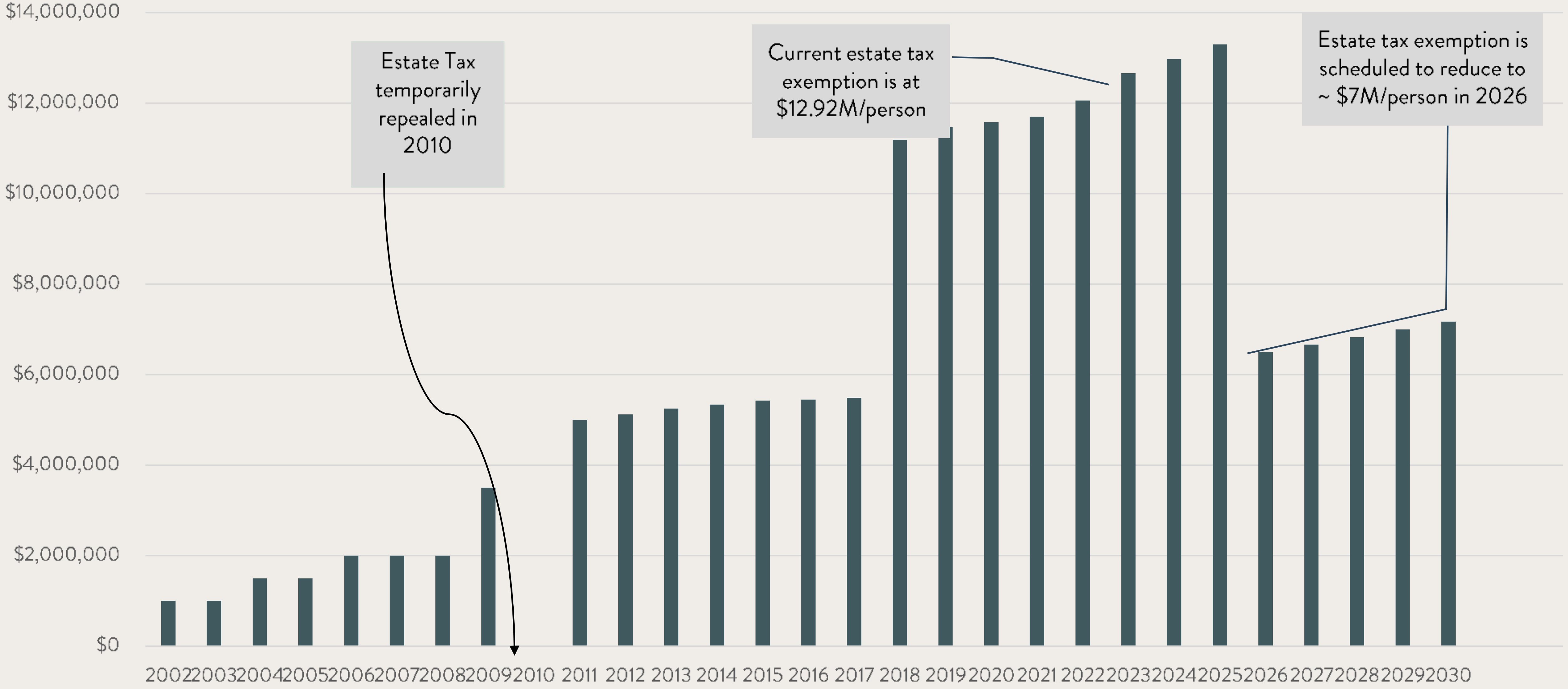
ESTATE TAX EXEMPTIONS – PAST AND PROJECTED



USE IT FOR LOSE IT: ANNUAL GIFT EXCLUSION AND LIFETIME EXEMPTION

- Annual Gift Exclusion
  - $17,000 in tax-free gifts annually in 2023
    - $34,000 for married couples
  - Increase to $18,000 in 2024
  - Unlimited recipients
  - Apply for gift to 529 plan

- Lifetime Exemption
  - All-time high federal exemption amounts provide unique window of opportunity to make substantial gifts.
  - Federal lifetime gifting exemption in 2023
    - $12.92 million per person
    - $25.84 million per married couple
  - Without new legislation, the federal estate and gift tax exemption amount will be sunset to about $6.5-$7 million per person ($5 million, indexed for inflation)

LIFETIME GIFTING STRATEGY

- Before year end, consider: Gift of cash, stocks, etc. outright or through trust
  - Consider gifting appreciated stocks to low-income beneficiaries
- 529 plan
  - Provide tax free growth for long term education expenses
  - Can elect to use 5x annual exclusion
- Unlimited free exclusion: directly pay medical and educational expense to providers

TAKE ADVANTAGE OF ALL TIME HIGH LIFETIME GIFT AND ESTATE TAX EXEMPTION

- 2019, the IRS adopted a special rule known as the anti-clawback rule confirming that it would not tax completed gifts using current high lifetime exemption
- A taxpayer will need to gift more than $6.5-$7MM to benefit from the current high lifetime exemption.
- Spousal Limited Access Trusts have been a popular tool to use up current high lifetime exemption while remain access to assets but very important to plan for contingency....(divorce!)

DON'T SET IT AND FORGET IT: ESTATE PLAN REVIEW

- Do you have all foundational documents in place: Wills, Trust, Power of Attorney for Health and Financial matters
- Are your named fiduciaries still the best people to fulfill their roles: executor, trustee, power of attorneys?
- Are your assets correctly titled and are your beneficiary designation current?
  - If charities are part of your estate distribution, consider naming them under pre-tax retirement accounts.
- Don't set it and forget it: an optimized estate plan now might not be the best plan in 5 years.

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Q&A