FINANCIAL PLAN INC.

THE PLAN
Q1 2023

Welcome Sophia Boulos!

We are excited to introduce our newest Operations Director, Sophia Boulos. Sophia comes from a background in operations and production, including two years with BP, working in the Information Management Services department. Her diverse work history also includes administration and kitchen organization design, filmmaking, social media management and even time spent as a behavioral specialist for children with special needs. Her organization, ability to quickly learn new operational systems, and friendly attitude make Sophia a fantastic addition to our first-class operations team. Sophia has an eye for design and loves spending her free time decorating, cooking, and working on her newest project: renovating the home she shares with her husband, Adonis, and their cat, Winnie. Stop over and introduce yourself to Sophia next time you're in the office.

Annual Notice of Privacy Practices

Per the SEC, we are required to report any material changes to our ADV forms on an annual basis. This year, there are no material changes to report. You can access our current ADV part 1, 2A, and 2B on our website or contact our Compliance Officer, David Dick to request a copy of any of these forms: David.Dick@financialplaninc.com. No action on your part is required.

The SECURE ACT 2.0: Three Good Things

By James B. Twining, CFP®

Recently, the SECURE 2.0 ACT became law. It includes a few provisions that are beneficial for taxpayers, so we wanted to bring them to your attention. Here are three of the most impactful:

<u>New IRA Required Minimum Distribution (RMD) Age</u>
The act raises the RMD age to 73. For those born in 1960 or later, the RMD age is 75.
The significance: Retired taxpayers who have not yet reached RMD age often have low taxable income. This can be true especially for taxpayers with large non-IRA account balances. Investors who hold tax-free municipal bonds and tax-efficient equities, and who live off tax-free withdrawals of principal, while deferring their IRA withdrawals until RMD age can use those low-income years to make partial conversions of Traditional IRAs to Roth IRAs in reasonable tax brackets. The increase in the RMD age gives them more years to do this.

<u>Employer Contributions Eligible for Roth Treatment</u>
Employers can now make matching and non-elective contributions in 401(k) and 403(b) plans to Roth accounts.
Until now, employer contributions were restricted to before-tax accounts. This new employer Roth account is a nice feature, especially for younger employees who have not reached their peak earning years. Roth accounts allow for tax to be paid at the present (and known) tax bracket to avoid paying tax in an unknown, future (and perhaps higher) bracket. This feature will be appreciated by some employees.

<u>529 Plan Rollover to Roth IRA</u>
Beginning in 2024, a maximum of $35,000 in a 529 plan can be rolled to a Roth IRA.
A 529 plan is designed to pay for education. If withdrawals are used for that purpose, they are generally tax free. But what happens when the 529 plan is not used for education? Until now, any 529 withdrawals of the gain not used for education were taxable and subject to a 10% penalty.

With the SECURE ACT 2.0, up to $35,000 in a 529 plan that has been in existence for at least 15 years can be rolled into a Roth IRA in the name of the 529 beneficiary. The amount that can be rolled into the Roth each year is equal to the IRA contribution limit for the year, less any IRA contributions that have been made in that year. Rollovers can continue each year until the maximum $35,000 lifetime limit has been rolled. Note that the 529 beneficiary must have earned income to qualify.

This is beneficial because the tax-free status of the 529 withdrawals is maintained in the Roth IRA, which can grow tax-free for decades and ultimately be withdrawn tax-free in retirement.

Disclaimer: Please rely upon your financial advisor for advice unique to your personal situation.