

Summer 2024

# Planning For A Sunset With A Tax Planning Perspective

By: Sarah Mahaffa, CFP®  
Sr. Wealth Advisor and Manager of Financial Planning

When the sun sets on December 31, 2025, a substantial amount of tax legislation could go with it. In 2017, the United States Congress enacted the Tax Cuts and Jobs Act (TCJA). This bill significantly changed the US Tax Code, benefiting corporations and individuals. However, the bill was only scheduled to be effective until the end of 2025.

### Income Tax Brackets

No one knows what the tax brackets will look like in 2026. Still, if you are expecting a high-income year(s) after 2025, it will be important to talk with your financial planner and tax advisor to determine if there are any actions you should take now to manage future taxable income.

### Deductions

If you compare your tax returns from 2017 and 2023, you might see a big difference in your deductions. The TJCA significantly increased the standard deduction for all filing statuses. For example, in 2017, the standard deduction for married filing jointly was \$12,700 and \$6,350 for a single filer. The 2024 standard deductions have increased to \$29,200 and \$14,600, respectively. If these provisions sunset, you will



see a decrease in your standard deductions for 2025. Related to the increase in the standard deduction amount, the TCJA eliminated personal exemptions. Depending on their Adjusted Gross Income (AGI), taxpayers could deduct personal exemptions for themselves, their spouse, and their dependents. In 2017, the personal exemption amount was set at \$4,050. The intent of increasing the standard deduction and eliminating personal exemptions was to simplify tax filing. The TJCA also limited the amount of state and local taxes (SALT) and mortgage interest that could be deducted. SALT deductions are currently capped at \$10,000 and have not been increased for inflation. Before 2018, the tax filers could deduct the full amount of their SALT. The current deduction for mortgage interest is limited to interest incurred on the first \$750,000 of a home mortgage.

The TJCA also eliminated the ability to deduct interest on home equity loans unless the loan was used to buy, build, or improve the taxpayer's home. These limitations would revert to 2017 rules without action. Charitable gifts are still deductible on Schedule A, but fewer individuals can itemize given the higher standard deduction amount. If the standard deduction decreases, charitable giving may again become a larger part of an individual's tax planning. If you're considering making a larger gift to charity(ies), it would be beneficial to consider the impact of making those gifts before versus after the sunset.

### Estate And Gift Taxes

In 2017, the estate and gift tax exemption amount was roughly \$5,000,000 per individual. The TCJA increased this amount substantially,

currently \$13,610,000 (2024) per person. The sunset would bring the exemption amount back to \$5,000,000, adjusted for inflation (estimated to be in the \$6.5 million range per person). Individuals with taxable estates exceeding the post-sunset value and considering significant gifts to charity or family should now discuss their goals with their professional advisors (estate attorney, financial planner, and tax advisor) to ensure sufficient time for implementing these goals before December 31, 2025.

### Next Steps

Any or all of the TCJA provisions could be extended or even made permanent. Many, many more components of the TCJA that will have an impact on individuals and corporations aren't discussed here. At this point, it's best to understand how your personal situation may be impacted, keep an open dialogue with your advisors, and be ready for whatever the sunset looks like on December 31, 2025.

Contact Sarah if you have questions or want additional information regarding this topic.

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### TIME TO GO DIGITAL?

If you would like to receive our quarterly newsletter digitally, instead of a paper version, please scan the QR code and sign up.



Thank You!

# BLT Corner

## Welcome Summer 2024!



While Spring has been

unpredictable, with a lot of rain and occasional sunshine, many of us are looking forward to summertime

cookouts, vacations, and parties.

This past quarter, our Bedel Financial team has had several important dates. Chelsie Hill and Dominic Petrone are celebrating their one-year anniversary working with us. Olivia Maynes is celebrating her second anniversary, while Meredith Carbrey and Bill Wendling are celebrating their 17<sup>th</sup> and 28<sup>th</sup> years anniversaries, respectively. We feel very fortunate to have such a dedicated and experienced group!

Cassi Vanderpool and her husband Mike have welcomed their first child, Oliver, to their family. If you've ever had the chance to meet Cassi, you can imagine how excited and happy we are for her and Mike. We do miss her infectious enthusiasm, which she

brings to the office each day while she is out on maternity leave, but we have a great team holding down the fort until she returns.

Our Investment Team is happy to announce the addition of a new team member. Collin Knecht has joined us as an Investment Analyst. Collin, a graduate of DePauw University, previously worked for another wealth management company and we are excited for what he will bring to our firm.

We also have two interns joining us for the summer. Please welcome Matthew Kenney, a current student of Ball State University, and Hayden Byeon, a recent graduate of Indiana University. Matthew will work with our marketing department, while Hayden will join our Financial Planning team.

Last, but not least, we are thrilled to be celebrating our 35<sup>th</sup> anniversary this year. Elaine started Bedel Financial in 1989 and we are fortunate to be able to continue working with such wonderful clients. Thank you for the past 35 years and we look forward to many more!

*The Bedel Leadership Team*

### Why Do Indiana Families Trust Bedel?



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## Generation NeXt

### Where Are You Putting All That Cash?

By: Abby VanDerHeyden, CFP®  
Wealth Advisor & GenerationNeXt Team Leader

For the past decade, it has been incredibly difficult for savers to earn much on cash savings. That has changed as the Federal Reserve raised interest rates to battle inflation. As a result, yields on various cash vehicles are more advantageous.

#### High-Yield Savings Accounts

High-yield savings accounts, popular with online banking institutions, typically offer higher interest rates than traditional banks while still providing FDIC insurance coverage. Unlike checking accounts, these accounts generally do not have minimum deposit or balance requirements. In today's environment, where interest rates at your typical bank are still near zero, it is possible to find high-yield savings accounts yielding over 4%. Don't want to close an existing checking account with established auto payments and direct deposits? A high-yield savings account can be opened at a separate banking institution and connected to an existing checking account so cash can be electronically transferred back and forth seamlessly.

Be sure to check whether the high-yield savings account limits the number of monthly transfers. If frequent transfers from the high-yield savings to the checking account are anticipated, make sure the account doesn't have a low monthly transfer cap.

#### Brokerage Money Market Accounts

Investors with brokerage investment accounts at large custodians like Charles Schwab, Fidelity, Vanguard, etc., can invest cash in money market funds. Unlike bank accounts, these funds are generally not FDIC-insured. However, established custodians have a long track record of running these funds over various market cycles. Many of these money market funds yield around 5%. Similar to high-yield savings accounts, yields generally increase as interest rates increase.

#### Ultra-Short Duration Bond Funds

Another option is an ultra-short duration bond fund to earn additional yield. Bond funds do not offer FDIC insurance, and the value can fluctuate. While these funds may work for those seeking higher yields who can stomach short-term volatility, it is important to talk to your investment advisor before purchasing one because these funds vary greatly in the amount of risk taken and yield earned.

#### Summary

Make sure you're taking advantage of the various options for your cash to earn more interest! Contact your Bedel Financial advisor to learn more about these possible solutions.

Contact Abby if you have questions or want additional informat regarding this topic.

Digital Resource

#### PROTECTING YOUR PERSONAL INFORMATION

As identity theft becomes more prevalent, we have provided a new resource to help you take steps to protect your information.

Go to: [BedelFinancial.com/protect](https://BedelFinancial.com/protect)

# Industry News

## How To Advance Your Investment Strategy

By: Collin Knecht  
Investment Analyst

Investments in privately held companies offer an avenue for capital deployment with distinct advantages beyond traditional public markets due to its expanding opportunity set and benefits for portfolio diversification.

### The Opportunity Set

One of the key attractions of private equity lies in the illiquidity premium it offers. This means that investors may expect to receive additional returns for the risk of investing in vehicles where access to the investment's value is not readily available. Unlike publicly traded assets, private equity investments are not subject to daily pricing, providing a strategic advantage of lower volatility since they are not subject to the whims of daily market price changes. This characteristic often translates into potentially higher and less volatile returns over time. Moreover, private equity grants investors access to many companies that are unavailable in public markets. There are over 7 million private companies in the U.S., compared to less than 5,000 publicly traded companies. The number of publicly traded companies is shrinking,

whereas private companies have increased by 3x over the last decade. Furthermore, even the companies that ultimately transition from private to public tend to stay private for longer. This allows them to grow larger and provide greater returns as private companies.

### Access

Another recent change to private markets involves investor access. Historically, private equity was primarily accessible to institutional investors and the ultra-wealthy. However, the landscape has evolved, and new investment instruments have decreased minimums and lowered investor qualifications. This is enabling a broader spectrum of investors to participate in the space. Traditional private equity firms have a limited window to raise funds. Once capital is invested, the investor will be illiquid for several years until the fund is exited. Tender Offer Fund structures allow for more liquidity, as investors can buy across multiple vintage years. These funds continuously offer shares at their computed Net Asset Value (NAV) and allow shareholders to sell their shares back to the company or other investors. Tender Offer Fund structures have allowed more investors to engage in private equity by providing immediate

access to a portfolio of privately held companies that are diversified across vintage years, sectors, and geographic locations. While not all private equity investments align with these characteristics, the options are more readily available than in past years. Another recently added benefit is simplified tax reporting. The ability to avoid complex K-1 tax forms for many private investments and the creation of standardized and electronic subscription documentation processes are a few ways the process has been simplified for individual investors.

### Conclusion

With its illiquidity premium and access to a burgeoning pool of private companies, private equity offers a compelling long-term investment opportunity. However, it's crucial to recognize that private equity may not suit every investor. Before entering the space, risk tolerance, investment time horizon, and liquidity should all be considered. Where appropriate, exposure to private equity is emerging as a long-term strategic investment that can create wealth and diversify a portfolio.

Contact Collin if you have questions or want additional information regarding this topic.

## Ask Bedel

### Different Measurements Of Inflation

By: Austin Stagman, CIMA®  
Portfolio Manager

**QUESTION:** What data points do economists use to measure inflation?

**ANSWER:** Several different data points measure inflation, including the Headline Consumer Price Index (CPI), Core CPI, Supercore CPI, and Personal Consumption Expenditures (PCE) price index. Each examines different aspects of inflation.

**QUESTION:** Which of these metrics do you hear about most in the news?

**ANSWER:** Headline CPI is usually the most common measure of inflation and is reported monthly by the Bureau of Labor Statistics (BLS). It reports the price change in a basket of goods compared to the same basket one month ago and twelve months ago. This gives us the inflation rate month over month and year over year. The CPI reading for March 2024 showed inflation increasing 0.4% month over month and 3.5% year over year.

**QUESTION:** What is Core CPI?

**ANSWER:** The BLS also reports core CPI monthly. It attempts to remove the volatile components of headline CPI that can distort the numbers. Core CPI measures the same basket of goods as the headline but excludes food and energy, which tend to be more volatile. The Core CPI reading for March 2024 showed inflation increasing 0.4% month over month and 3.8% year over year.

**QUESTION:** Why is there a Supercore CPI?

**ANSWER:** As the Federal Reserve has been trying to navigate inflation's trajectory, they have turned more attention to the concentrated Supercore CPI. This measures the change in a basket of goods and services minus food, energy, and housing. By stripping these out, it gives the Fed a better idea of what inflation in the services sector looks like. Focusing on services inflation can give the Fed an idea of the change in the cost of labor. The Supercore CPI reading for March 2024 showed inflation increasing 0.7% month-over-month and 4.8% year-over-year.

**QUESTION:** What is the Fed's favorite inflation metric?

**ANSWER:** That could change from time to time, but typically, they focus on the PCE price index. This data point is released monthly by the Bureau of Economic Analysis. The index measures the change in prices of goods and services consumed by all households and nonprofit institutions serving households. PCE has broader coverage than CPI. The PCE reading for March 2024 showed inflation increasing 0.3% month-over-month and 2.7% year-over-year.

**QUESTION:** So, what is the inflation rate if all these numbers are different?

**ANSWER:** Inflation can be interpreted differently depending on which metric you choose to use. It can also be interpreted differently depending on everyone's experience in the economy. The economy is a complex organism with several different segments each experiencing their own level of inflation.

Contact the Austin if you have questions or want additional information regarding this topic.

Have a Question For Us?

Submit it to [bedel@bedelfinancial.com](mailto:bedel@bedelfinancial.com)

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## Corporate Calendar

Bedel Financial Consulting will be closed  
for business on the upcoming days:

<b>July 4</b>	<b>Independence Day</b>
<b>Sep 2</b>	<b>Labor Day</b>
<b>Nov 28</b>	<b>Thanksgiving</b>

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