

On Course | December 15, 2022 | Volume 22, #10

Welcome. We at Compass Planning continue to appreciate your support. We wish all of you happy holidays and the best for the new year! Thank you.

We're about to enter 2023! It's been a year. You still have time to make sure you're in the right financial place for the coming year. This month we're discussing mutual funds, retirement savings, interest rates, and charitable giving.

If you missed our series on retirement, you can still access the issues. For Retirement, Part 1 - Retirement Savings, click [here](#). For Retirement, Part 2 - Social Security, click [here](#). For Retirement, Part 3 - The Retirement Paycheck, click [here](#).

If you would like assistance with year-end planning, we are here to help you stay *On Course*!



Jennifer Lane, CFP

Get Ready for 2023

Review these important areas to ensure a strong beginning for 2023.

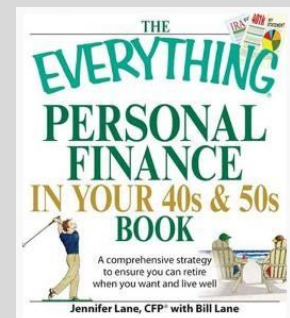
Check for mutual fund capital gains distributions

- Mutual funds don't pay their own taxes. Capital gains from sales in the funds are passed to the shareholders in the form of capital gains distributions. This can be a problem when a mutual fund is held in a taxable (non-retirement) account.
- Many fund distributions happen on 12/31 – not helpful if you were not anticipating the added income – but many distribute earlier in the year. It takes extra diligence in reviewing your statement to find those distributions. **Pro tip: check the transactions page.**
- [Mutual Fund Observer](#) publishes a list of the links to find past and planned distributions for your mutual fund.
- Click [here](#) to read about Mutual Fund Observer's discussion of 2022 year-end capital gains distribution.



Your kids may need to file an income tax return if they have income -- earned or investment -- in their name. This is the case whether or not you use them for an exemption on your tax return. Under the "[kiddie tax](#)" rule, the IRS says that the child pays at the tax rate of the custodial parent.

Get more tips in Jennifer's book



[Buy Now](#)

Jennifer and Sarah were both named 2022 Boston Five Star Wealth Managers.

- If you're facing a tax on a capital gain distribution (yes, you may owe taxes even if your fund lost value this year), you have until year-end to sell another investment at a loss to offset that gain. Click [here](#) to read *Tax-Loss Harvesting: How it Works, Example, and Pitfalls to Avoid* from Investopedia.

Adjust your paycheck deductions to take advantage of higher retirement savings limits

- Automatic savings is the best way to grow your savings toward a long-term -- or even short-term -- goal.
- New retirement account limits are higher next year because they adjust for inflation.
- Adjust your paycheck withholding or your monthly savings in order to get as much of the limit -- and the employer match -- as you can.
- If you're self employed and want to start a 401(k) for 2022, you have until 12/31 to **open** the account. **Funding** can happen at tax time.

Think strategically about variable interest rate debt

- Credit cards are a clear payoff target.
- Pay off/pay down your Home Equity Line of Credit (HELOC) if it is still in the draw period and has a floating interest rate, which usually adjusts monthly.
- Review your variable rate mortgage documents. You may want to keep the mortgage if the annual interest rate increase limit and overall increase limit is low.

Review your charitable giving

- The 2021 special rule for charitable deduction when you take the standard deduction wasn't extended, so you must itemize in order to get a deduction for charity.
- Give from your Required Minimum Distribution (RMD), which is called a Qualified Distribution to Charity (QDC). Click [here](#) for info from the IRS.
- If you contribute to a [Donor-Advised Fund](#) (DAF), itemize this year and take standard deduction next year.



Jennifer Lane, CFP®

2012 • 2013 • 2015 • 2016 • 2017 • 2018 • 2019 • 2020 • 2021 • 2022

Sarah Stamp, CFP®

2017 • 2018 • 2019 • 2020 • 2021 • 2022

Helpful Websites

[Investopedia](#)

[IRS](#)

[Mutual Fund Observer](#)

Jennifer In The Media

Below are links to Jennifer's frequent contributions to financial planning articles.

- NBC Boston turned to Jennifer for advice and tips on what to do if you win big in the lottery. Click [here](#) to watch or read the segment.

- Jennifer contributed to a WBUR Radio Boston segment, ***How to Look Before You Leap into the "Great Resignation."*** Click [here](#) to listen.
- NBC10 consumer investigative reporter Leslie Gaydos interviewed Jennifer for savings tips. For a great video, ***How to Save \$1,000 in 5 Months***, click [here](#). For the written article, click [here](#).
- Jennifer contributed to a timely article, ***How to seek forbearance on your mortgage***, for **The Boston Globe**. [Read article.](#)
- If you're interested in dividend funds, Jennifer contributed to **The New York Times** article, ***Dividend Funds Can Add Income, and Risk, to Your Portfolio***. [Read article.](#)
- Jennifer contributed to a **BankRate** article, ***Should I combine my mortgage and student loans?*** [Read article.](#)
- Need help with your 401(k) during the pandemic? Jennifer contributed to a **Boston Globe** article, ***Five tips for managing a 401(k) during the pandemic's turbulence***. [Read article.](#)
- Jennifer contributed to the **Bottom Line Inc** article ***Prepare your Finances for a Possible Recession***. [Read article.](#)
- Jennifer contributed to **The Wall Street Journal** article ***If Saving During a Pandemic Is Hard, Here's How to Stay Motivated***. [Read article.](#)
- The **New York Times** featured Jennifer in an article titled, ***Balanced Funds Don't Inspire Fear or Greed. That's Why They Are So Useful***. [Read article.](#)
- With a contrarian view, Jennifer contributed to an article, ***People are enraged by the idea that you should have twice your salary saved by the time you're 35!*** published recently by **Business Insider**. [Read article.](#)
- Moving in together? Check this article from **Business Insider**, ***Five questions you and your partner should answer before taking the biggest step in your relationship***. [Read article.](#)
- **Insider** asked Jennifer to contribute to an article on old fashioned ways to manage your money, ***Six money-saving tips your grandma used that are way more effective than any budgeting app***. [Read article.](#)
- Jennifer contributed to an article on **Business Insider**, ***This is the best way to do your taxes online - according to experts***. [Read article.](#)
- **CNN Money's Money Moves** featured Jennifer in an article on how to strike the right balance between retiring early and saving enough. [Read article.](#)
- Jennifer contributed to a **CNN Money** article ***When is the Right Time to See a Financial Advisor?*** [Read article.](#)

Compass Planning News

- Compass Planning is a sponsor of YW Boston's 2022 two-part [Elevating Lives Series](#).
- Compass Planning continues to meet with clients as well as those interested in learning more about the firm via phone and web-based video conferencing. Email info@compassplanning.com to learn more.
- Compass Planning has become a supporter of [The Center for Financial Planning](#) at the sustainer level. The CFP Board created the center to achieve a more diverse and sustainable financial planning profession so that every American has access to competent and ethical financial planning advice.
- AdvisoryHQ named [Compass Planning](#) as one of the ten best Boston financial advisors. ([Disclosures](#))

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