



VWG WEALTH MANAGEMENT  
A Hightower Company

November 2021 Ponderings and Musings - Planning  
Now to Make a Difference

“Few will have the greatness to bend history itself,  
but each of us can work to change a small portion of events.

It is from numberless diverse acts of courage and belief that human history is shaped. Each time a man stands up for an ideal, or acts to improve the lots of others, or strikes out against injustice, he sends forth a tiny ripple of hope . . . . which can sweep down the mightiest walls of oppression and resistance.”

- Robert F. Kennedy

“In a gentle way, you can shake the world.”

- Mahatma Gandhi

**VWG Clients Making an Impact**

Over the years, displays of our clients’ generosity have inspired us in countless ways. By giving their time, talent, and treasure, the extended VWG family has supported charities across the spectrum of worthy and meaningful causes. An

impact that one of our clients recently made on a local nonprofit moved us so much that we had to share her story (*with her permission of course*).



“Mrs. Angel” received an unexpected inheritance. Already philanthropically inclined, she decided to make a meaningful impact with this windfall. She wanted to find a small, local charity who intimately served her community, and identify a specific, tangible need within that organization. VWG connected her

with Amy Hepburn, a philanthropic consultant, who specializes in matching donors with causes and organizations that align with their giving priorities and passions.

After learning of “Mrs. Angel’s” interests, Amy introduced her to MedStreet, an Alexandria, Virginia-based non-profit that brings medicine, food, and clothing to the homeless in their locations. MedStreet’s mission is *“to bring the physician to the sick. Where they live. On the streets. In the Camps. Wherever they need us.”* MedStreet pulls together a caravan of volunteers, typically in 4-6 cars, to bring food and medical supplies to various locations. Managing multiple vehicles is challenging, especially given the maneuvering needed to reach some of the locations. Acquiring a large passenger/storage van to transport their volunteers and carry supplies would vastly improve their care and reach. Unfortunately, MedStreet didn’t have the funding to cover the cost.

MedStreet’s mission and their passionate and experienced team proved to be a perfect fit for “Mrs. Angel” and the specific, one-time impact she envisioned. With her gift, MedStreet will purchase two vans. One passenger van to carry volunteers, supplies and a trailer. Another conversion van to serve as a mobile clinic, offering patients additional medical services and enhanced privacy. “Mrs. Angel’s” generosity will vastly improve the quality and quantity of care MedStreet can provide to the local community. It will likely inspire others to do the same.

As advisors, the VWG team frequently talks to clients about philanthropic giving, often in the context of creating a family legacy, or as part of a tax-reduction strategy. “Mrs. Angel’s” deeply touching story reinforces to us all that at its core, philanthropy is about impact.

**[VWG & Dog Tag Bakery Partner to Support our Veterans](#)**

Dog Tag Bakery and VWG Wealth Management have a lot in common. We are entrepreneurial organizations that support veterans and their families, and we love sweets!



Dog Tag is a functioning bakery located in Georgetown in the District of Columbia. It acts as a living business school for transitioning service-disabled veterans, military spouses and caregivers to a productive civilian life. Enrollees engage in a five-month program, rotating through the bakery's various departments to learn the ins and outs of running a small business. Dog Tag's holistic development program includes personal wellness, resource access, and financial literacy. Fellows earn a Certificate of Business Administration from Georgetown University's School of Continuing Studies.

Since 2019, VWG has partnered with Dog Tag to provide financial literacy training to their cohort participants. This year, in honor of Veterans Day, VWG's John Verfurth sat down with Dog Tag CEO Meghan Ogilvie to discuss some of the obstacles that veterans face transitioning to civilian life, and the resources available to support them along their journey. Their conversation

focuses on networking, job searching and financial planning. Listen to John & Meghan's conversation [here](#).

## **Year-End Planning**

The complex financial environment of 2021 only further adds to the often-complicated process of year-end tax planning, retirement funding, and gifting. VWG is here to help. Here are highlights of topics and specific strategies that should serve as a catalyst for conversations with our team.

### ***Tax Planning***

- Review your payroll tax withholding for 2021 to ensure you are having enough (but not too much) federal and state taxes taken from your paycheck for 2022.
- Ensure that you have taken any 2021 required minimum distributions (RMDs) from IRAs, 401(k)s, and inherited IRAs.
- Although tax planning usually focuses on **reducing** taxable income, certain individuals may want to maintain or even **increase** taxable income for 2021. Federal tax rates are historically low. Regardless of the outcome of current legislative efforts, it appears that tax rates for medium and higher income households will be higher in the future. Those in lower tax brackets should consider taking IRA distributions or making a Roth IRA conversion.

### ***Funding and Taking Distributions from Retirement Accounts***

- If still working, confirm that you have made the 401(k) maximum contribution this year. The maximum contribution is \$19,500 for the year, with a catch-up contribution of \$6,500 for those age 50 and older.
- Self-employed individuals have further options in which they could defer larger amounts of earnings. These actions have the dual benefit of

increasing your retirement savings and potentially reducing this year's tax liability.

- Employed individuals should maximize their contributions to Health Savings Accounts (HSAs) and Flexible Spending Accounts (FSAs). HSAs (associated with high-deductible health plans), can also be used to expand salary deferral as a savings vehicle that can be used in later years or in retirement. Your contributions are tax-deductible, and these funds can be invested for tax-free growth if used for future healthcare expenses.
- 2021 could be opportune for converting IRAs or pre-tax 401(k) funds to Roth IRAs. Although conversions generate immediate taxable income, federal tax rates will likely rise in the future. There is proposed legislation that will exclude high income earners from making Roth IRA conversions in the future. Certain estate planning strategies favor leaving Roth IRAs to non-spousal beneficiaries. "*Understanding Roth IRA Conversions as a Tax Planning Strategy*" was discussed in depth in our September *Ponderings and Musings* ([link](#)).

### ***Charitable Gifts and Tax-Smart Gifting Strategies***

- Start planning your year-end charitable donations now. Many swaths of our society, and the charitable organizations that support them have been severely impacted by the pandemic. They need all of our help. Keep records of all donations. For larger gifts, consider gifting highly appreciated stocks, funds or other assets instead of cash.
- Taxpayers who expect to claim the standard deduction in 2021 can consider "bunching" multiple years of charitable gifts into one year so that they can qualify for a tax deduction. If one is nearing retirement and expects to be in a lower tax bracket in the future, "bunching" now can provide greater tax savings. "Bunching" charitable contributions can also be used to help offset taxable income generated from making a Roth IRA conversion. Large "lump" contributions can be placed into a Donor Advised Fund (DAF), from which you can easily disperse smaller

“grants” to multiple IRS-approved public charities at your discretion over the coming years.

- For 2021, those age 70 1/2 and older may consider making a charitable contribution to a qualified charity directly from their IRA. This qualified charitable distribution (QCD) is limited to \$100,000 each year. A QCD counts toward satisfying your required minimum distributions (RMDs) for the tax year, but is not deemed to be taxable income. This approach is an extremely efficient method of gifting for those charitably inclined.

### ***Family Gifting***

- Consider year-end gifting to family members. The 2021 annual gift tax exclusion for individuals is \$15,000. That means that the maximum a husband and wife can gift to a single person in one year is \$30,000.
- The \$15,000 annual gift limit can be exceeded if payment for an individual’s medical expenses is made directly to the provider. This applies only to deductible medical costs, care and services, medical insurance, and prescription medicine.
- If you intend on making a very large gift to a child - for example helping with a home down payment - consider spreading your gifting between the end of this year and the beginning of next year.
- A special 529-exclusion allows five years’ worth of gifts — up to \$75,000 for single or \$150,000 for married couples — to be contributed at once, provided that no other gifts are made within the next five-year period.
- For further information on 529 savings accounts, please reference our article in September 2019 Ponderings & Musings. [\(link\)](#)

### ***Estate Planning***

- The House Ways & Means Committee tax proposal had included reducing the current \$11.7 million estate-tax exemption to an inflation adjusted \$5,000,000 exemption (presently about \$6.02 million) after 12/31/21. The status of possible changes to a multitude of items in the

tax code – including estate tax exemptions, Roth conversions, life insurance, income tax rates, and SALT deductions – are fluid on an almost daily basis.

- VWG’s recommendation is to watch the legislative events unfolding over the coming weeks very closely. As always, reach out to us for how these events and law changes may impact your specific financial and planning situation.

### **VWG’s Ponderings and Musings LIVE Webinar Series Replay: Navigating College Admissions in 2021 and Beyond**

VWG hosted a powerful webinar September 29<sup>th</sup> with Jodi Gershoni, Independent Educational Consultant at College Unlimited. Jodi provided inside tips on navigating the college prep/search and application process for your student. She discussed the “big picture” of how the world of college admissions is dramatically changing. She provided specific advice on navigating the process based on insights and data from the past few admissions cycles.

We received excellent feedback from a number of clients, and their children and grandchildren, on how this can positively impact their students. Please bookmark this replay [link](#) for future reference. You are most welcome to forward and share with friends, family, and neighbors.

### **Honoring Veterans this November, and Happy Thanksgiving!**

VWG sends out our expression of heartfelt gratitude to all our veteran family, friends, and clients, and to veterans everywhere. There is no way we can properly repay you for all the sacrifice, hardship, and selflessness you have endured to protect our safety and freedom. We ask everyone to reach out to



veterans this November, and let them know how grateful you are. It will make a difference!

Best wishes to everyone and their families to a wonderful Thanksgiving, spent with family, friends and neighbors. We all have so much to be thankful for, and so much to share. Enjoy!

Take care, remain safe!

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[Who we are](#)

Please reach out to us if you have any questions or comments.

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