

THE TOP TAX TAKEAWAYS FOR 2023



Andrew Bird

CFP®, CLU®, RICP®, AEP®

Partner, Private Wealth Advisor

Mosaic Financial Partners



Taxes are inevitable, but that doesn't mean they are static. As the world changes, so do our taxes. The new year brought changes that could affect businesses and families alike. From tax brackets to gifting, here are four key changes you should know about for 2023.

1) The tax brackets increased by roughly 8%.

With the rise of inflation, the IRS has raised the cap of each tax bracket by roughly 8%, in the top tax bracket that is an increase of \$45,900 (for married filing jointly).

What this means for you: If your wage increases due to inflation, it may not alter your tax bracket. Alternatively, if your income hasn't increased, this could effectively lower your taxes. There can also be a silver lining for business owners. If your revenue decreases, you could see a tax cut. You can view the updated tax brackets [here](#).

2) Standard deductions increased again.

The standard deduction for married couples filing jointly rose by \$1,800 to \$27,700. For individuals, there was a \$900 increase.

What this means for you: Essentially, this means more money in your pocket for less work when completing your taxes. Instead of itemizing your deductions, you can receive the standard deduction, which is simpler and may be higher than the itemized amount.

3) The annual gift tax exclusion is \$17,000 per individual.

Each year the IRS sets the annual gift tax exclusion, which allows an individual to give a certain amount per recipient without paying any taxes or using up any of their lifetime gift and estate tax exemption. This refers to gifting to individuals; there are no gifting limits to a 501c3 non-profit organization, although not all of that may be tax deductible. In 2023 the individual gift tax exclusion increased from \$16,000 to \$17,000.

What this means for you: If you've been waiting for the right time to give big, this may be the year. You can transfer up to \$17,000 per recipient without using any of your lifetime gifting limit.

4) The lifetime estate and gift tax exemption increased.

The IRS has increased this limit to \$12.92 million per person in 2023. This is the total amount a person can gift tax-free during their lifetime or pass tax-free at death. It's scheduled to automatically decrease significantly at the start of 2026.

What this means for you: Now is potentially the time to start gifting to your family and younger generations instead of waiting until you pass away. This allows you to see them enjoy it firsthand and has the added benefit of potentially decreased taxes.

So, now what?

The bottom line is that taxes are favorable at the moment. A major tax overhaul was anticipated over the past two years but didn't come to fruition. And with a divided Congress, that is unlikely to change in the next two years. However, the 2018 Tax Cut and Jobs Act is set to expire in 2026, so the next few years are critical.

Now is a great time to consider Roth conversions. By converting an IRA to a Roth IRA, you pay the taxes now at the current rate and avoid paying them later when that rate may be higher, even if your tax bracket doesn't change. It is important to note that individuals who make more than \$153,000 or couples who make more than \$228,000 cannot contribute to a Roth IRA. However, regardless of income, anyone can convert an unlimited amount of funds from an IRA to a ROTH IRA. Another option is a Roth 401(k), which has no income restrictions. You can consult a tax professional or financial planner to determine which option is the best fit for you.

This publication is not intended as legal or tax advice. Financial Representatives do not render tax advice. Consult with a tax professional for tax advice that is specific to your situation.

ABOUT MOSAIC FINANCIAL:

Our specialty is helping people who have built successful businesses, practices and careers confidently prepare for a financially freeing retirement.

You've invested time and energy to build something great; we help you convert those hard-earned assets to fund your lifelong dreams.

At Mosaic Financial Partners, we artfully assemble every facet of your financial life to create a personal mosaic to inspire your legacy for generations to come.

CONTACT US:



Andrew Bird, CFP® RICP® CLU® AEP®
Partner, Wealth Management Advisor
Mosaic Financial Partners

✉ andrew.bird@nm.com

☎ 414.615.2935

🌐 mosaicfinancial.nm.com

316 E. Silver Spring Drive, Suite 300 Whitefish Bay, WI 53217



Andrew Bird and Darrin Englebort use Mosaic Financial Partners as a marketing name for doing business as representatives of Northwestern Mutual. Mosaic Financial Partners is not a registered investment adviser, broker-dealer, insurance agency or federal savings bank. Northwestern Mutual is the marketing name for The Northwestern Mutual Life Insurance Company, Milwaukee, WI (NM) (life and disability insurance, annuities, and life insurance with long-term care benefits) and its subsidiaries. Andrew Bird and Darrin Englebort provide investment advisory services as Advisors of Northwestern Mutual Wealth Management Company® (NMWMC), Milwaukee, WI, a subsidiary of NM and federal savings bank. Andrew Bird and Darrin Englebort provide investment brokerage services as Registered Representatives of Northwestern Mutual Investment Services, LLC (NMIS), a subsidiary of NM, registered investment adviser, broker-dealer and member FINRA (finra.org) and SIPC (sipc.org). Andrew Bird and Darrin Englebort are Insurance Agents of NM. Northwestern Mutual Private Client Group is a select group of Northwestern Mutual advisors and representatives. Northwestern Mutual Private Client Group is not a registered investment adviser, broker-dealer, insurance agency, federal savings bank or other legal entity. Certified Financial Planner Board of Standards Inc. owns the certification marks CFP®, CERTIFIED FINANCIAL PLANNER™ and CFP® (with flame design) in the U.S., which it awards to individuals who successfully complete CFP Board's initial and ongoing certification requirements.