GREAT PLAINS
Trust and Asset Management

FIRST QUARTER 2022 Because Money Matters.®

Great Plains Trust wishes you a

Happy New Year

We look forward to 2022 with hope and confidence. Thank you for placing your trust in us. We value the great relationship we share.

Reducing Taxable Income in 2022

As Congress continues to debate tax proposals within the Build Back Better bill, many high-net-worth individuals have questions about how to plan for anticipated changes to their tax liability. Regardless of the legislative outcome, here are some annual considerations to make when working to reduce your tax burden.

Take Advantage of Giving Gifts

For the first time in several years, the annual gift tax exclusion will be raised in 2022 from $15,000 to $16,000. This means that in 2022, an individual can give an annual gift of up to $16,000 per person ($32,000 for married couples). There is no limit to the number of individuals to whom you can give gifts, and the annual gifts don't count toward your lifetime gift and estate tax exemptions.

Make Contributions to 529 Plans

As the cost of higher education continues to outpace inflation, more families are incorporating 529 savings plans into college planning for children and grandchildren. 529 plans offer a unique opportunity to reduce one's taxable income for federal income tax purposes, especially by leveraging a "frontloading" technique which allows for a one time $80,000 contribution to be made in 2022. This contribution can be made once per a 5 year period and needs to be reported on a Form 709 for each of the 5 years, but is an excellent strategy to accelerate college savings while also reducing tax liability.

Maximize Retirement Savings

One of the most readily available, but often overlooked, strategies to reduce one's taxable income is to maximize retirement savings. For individuals with access to an employer sponsored 401(k) plan, the annual contribution limit increases in 2022 from $19,500 to $20,500. And if you are 50 years old or older, that limit increases to $27,000 in 2022.

If you are a non-working spouse, you can still contribute to an IRA provided your working spouse earns enough to cover the contribution levels. That means if your spouse earns at least $12,000 in earned income, you can each contribute up to $6,000. You can each contribute an extra $1,000 as a catch-up provision if you are 50 years old or older. This can also be an excellent tax mitigation strategy for couples who are semi-retired and wish to extend retirement savings while reducing their tax liability. ❖

Coming Soon: An Updated Format for Trust Reporter

Great Plains Trust Client Access (Trust Reporter) will have a new look along with improved functionality and a more intuitive user experience. Zero Trust Two Factor authentication (2FA) will still be in place providing the highest safety and security to your investment accounts.

When will I receive my Statements and Tax Information?

- All 1099 tax forms will be mailed along with your annual statements by 1/31/2022
- RMD letters will be mailed by 1/31/2022
- IRA Form 5498 (reporting 2021 contributions) will be mailed by 5/20/2022

2022 IRA Eligibility

Please remember to consult a tax specialist to determine your particular eligibility and individual situation.

FEATURE	TRADITIONAL	ROTH
CONTRIBUTIONS		
Owner's Age	No age limitations	No age limitations
Owner's Income	Taxable compensation equal to or greater than contribution	Taxable compensation equal to or greater than contribution
Owner's Maximum Income	No maximum to make contributions, but tax deduction has phase-out	MAGI is $129,000 or less ($204,000 if married) with income level phase-out
Tax Benefits	Contributions may be tax-deductible, depending on owner's income and tax-filing status	Never deductible for federal income
Contribution Amounts	$6,000 ($7,000 if age 50 or older)	$6,000 ($7,000 if age 50 or older)
WITHDRAWALS		
Distribution	Generally fully taxable (unless after-tax contributions)	Generally tax-free, except the earnings portion of a non-qualified distribution
Penalties for Early Distribution	Taxable portion subject to IRS 10% penalty unless the individual is age 59.5 or older; some exceptions apply	Same as traditional; some exceptions apply; Contributions can always be withdrawn without tax or penalty
RMD (Required Minimum Distribution)	❖Mandatory based on IRA Regulations	None

❖ SECURE Act passed 12/20/19. Mandatory distribution at age 70.5 for years 2019 and prior. Age 72 if reached in 2020 or after.

- The SEP IRA contribution limit increased $3,000 for 2022 with the maximum contribution set at $61,000. SEP IRA contributions are due by taxpayers' federal tax filing deadline including extensions.
- 2021 IRA and Roth IRA contributions must be postmarked by April 15, 2022. Be sure to reference the contribution year.
- Deferrals to 401(k) plans for 2022 have a maximum deferral amount set at $20,500 ($27,000 if age 50 or older).

Accelerated Retirements, looking at the options

"Accelerated retirements," are on the rise and have caused a major shift to the long-running trend of working beyond 65. One reason for this trend is jobs lost during the pandemic. Many who lost jobs either elected to or were forced to retire early due to undue hardship or inability to find another job. In fact, in the 15 months after the pandemic began, about 2.5 million Americans retired – almost twice the number who retired in 2019.[1]

Other workers have decided to retire early because they could. 401(k) and IRA accounts have performed better than expected due to record stock values. Home values have also sky-rocketed recently. These and other factors have offered some the financial security to stop working earlier than planned.

When it comes to early retirement, however, it is important to look before you leap. Perhaps the greatest risk involved is longevity – how do you make sure that your income stream will last long enough? You should definitely stress test your income stream, including worst case scenarios such as market lows and high inflation. Make sure your plan has the flexibility and cushion to survive the storms, not just the average to good times.

Another factor to consider is when your funds will be available. Dipping into certain accounts before age 59 ½, for example, can be very costly. If made prior to age 59 ½, withdrawals made from traditional IRAs and qualified plans like 401(k) accounts are generally subject to income tax and an additional 10% penalty. Together, that can eat up 20-50% of your withdrawal depending on your tax bracket. The real cost of early withdrawals, however, comes from the lost growth on your account over time. Every dollar withdrawn today could amount to several dollars lost later.

Fortunately, there are income sources other than traditional retirement accounts. An optimal option is to live on post-tax cash and investment assets. You will generally not be subject to penalties and will only pay tax on realized gains. You should, however, be prepared to keep enough cash in savings or checking accounts to avoid having to liquidate assets at a loss or other inopportune time.

Another option is a Roth IRA. Roth IRAs generally involve fewer restrictions and penalties than traditional IRAs if you need to access them before age 59 ½ (regardless of whether or not you are retired). For example, you can generally withdraw your contributions tax free. If you withdraw earnings early, you will pay penalty and tax on those. Keep in mind, however, a major advantage of Roth accounts: they are one of few investment accounts that grow tax-free; if you dip into them early, you will forfeit a portion of this advantage.

If you have a 401(k) and retire before age 55, you can generally opt to withdraw money from it without having to pay the 10% penalty. If you happen to be a qualified public safety worker, an even lower age requirement of 50 applies. If you choose this option, it is important not to roll the account over to an

(Continued on page 4)

Great Plains Trust: Giving Back to the Community

The Great Plains Charitable Group recently partnered with Red Bag KC to provide holiday gifts for local children. Great Plains collected gifts and clothing for children ages 3-5 who will be finding Lego sets, Chiefs and Jayhawks gear, and other toys from their wish list to Santa underneath their tree this holiday season. The Great Plains Charitable Group works

to serve local children in need throughout the year, as well as supports the efforts of organizations such as Red Bag KC. Their mission is to provide gifts, clothing, and other needed items to Kansas City Metropolitan area foster children of all ages, including those recently aged out of programs.

Accelerated Retirements Continued...

IRA; if you do, you will lose this option and have to wait until age 59 ½ to avoid the penalty. You must have turned 55 during the year you leave your employer; you cannot leave at an earlier age and start penalty-free withdrawals at age 55.

Another possibility is to set up a (Rule 72(t)) annuity. IRA withdrawals taken as a series of substantially equal payments are generally not subject to the early withdrawal penalty. However, you must use an IRS-approved distribution method and be sure to calculate payments correctly based on certain factors such as life expectancy. This route generally requires professional help to ensure it is done correctly to avoid penalties.

Finally, there are some penalty-free ways to withdraw money from retirement accounts prior to age 59 ½ if you use it for certain expenses including: medical (exceeding 10% of AGI), some health insurance premiums, 3) first home purchase (up to $10,000), higher education, 4) childbirth or adoption (up to $5,000), 5) severe disability, or 6) military service. Recent laws also allowed those affected by Covid-19 to take up to $100,000 from retirement plans and IRAs penalty-free in 2020 and made similar allowances for workers in major disaster areas in 2021.

You should work closely with a tax professional before invoking these exceptions. Penalties for getting it wrong can be steep. They also often apply to limited time frames and are always subject to change. And, although it is good to be aware of them as possible opportunities, they are not reliable sources of funds to count on as part of a long-term plan.

As for Social Security, you can usually begin receiving benefits at age 62. Then, you'll only receive partial benefits. For anyone born in 1960 or later, you are generally entitled to full benefits at age 62, but your benefits will be subject to annual "raises" if you wait until age 70. [2]

If you are considering early retirement, please give us a call. We would be happy to discuss your goals and income stream, stress test potential plans, and work through options for making the best of your investments.

[1] Nytimes.com2021/07/02 They Didn't Expect to Retire Early. The Pandemic Changed Their Plans.

[2] Aarp.org2021/01/21 Pre-Early-Retirement-Reality-Check

GREAT PLAINS

Trust and Asset Management

When you work with Great Plains, you're putting your wealth in the hands of real professionals, not just some algorithm. Real people who have built real wealth. Real businesses. Not just for our customers, but for ourselves. We know firsthand the hopes, fears, ambitions and challenges that individuals and small business owners in Kansas City and nationwide face. It's what makes Great Plains the first name in wealth management. And it's always on a first-name basis.

OUR MISSION STATEMENT

To be a premier provider of investment and trust services to the business owner and high net worth/ income individual. We shall deliver responsive, reliable and informed service combined with a commitment to achieve superior long-term investment returns for our customers. We shall at all times deal honestly and respectfully with all clients and associates.

CONTACT US

CORPORATE HEADQUARTERS
7700 Shawnee Mission Parkway, Suite 101
Overland Park, KS 66202
P 913.831.7999 | TF 888.529.2776 | F 913.831.0007
info@greatplainstrust.com

ATLANTIC REGION TRUST SERVICE OFFICE
Charleston, SC | 843.883.7410

GREAT PLAINS TRUST OF SOUTH DAKOTA
Sioux Falls, SD | 605.271.5141

greatplainstrust.com