2023 Year-End Planning Guide

Advanced Planning Group

UBS

Foreword

As the end of another year approaches, it's a good time for people to take stock of their situation. Renew a commitment to a resolution. Confirm deadlines are met. Maybe take steps to save on taxes. Make the appointment with the estate planning attorney they have been meaning to do.

In this guide, we explore an array of planning ideas, arranged thematically. We start with federal income tax planning, investment considerations as related to federal income tax, and state income tax planning. We then turn to retirement planning. In this section, we consider some topics that are timely as year-end approaches — such as maximizing contributions to retirement accounts and taking required minimum distributions.

From there, we turn our focus to wealth transfer planning, and trust planning and administration. We explore gifting strategies, the importance of properly reporting gifts, and the benefits of reviewing the estate plan and the way in which assets are owned. We also discuss the upcoming compliance requirements of the Corporate Transparency Act for families with certain limited liability companies, partnerships, and other closely held entities. In our final section, we look at charitable planning — making charitable contributions that are deductible on this year's taxes.

Throughout this guide, our goal is to spark conversations that may lead people to refine their planning approach. Sometimes, that's simply considering a new idea that could possibly save on taxes. Other times, it's enabling them to better achieve their visions for their legacy. Whichever it may be for you, we hope you find this guide to be a valuable resource.

Ann Bjerke
Head of Advanced Planning

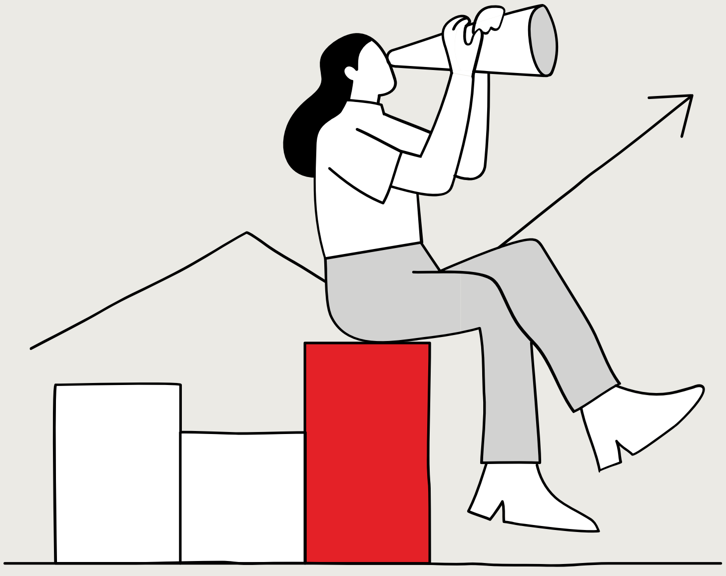
Contents

Jennifer Lan
Senior Wealth Strategist
Advanced Planning Group

Premini Scandurra
Wealth Strategist
Advanced Planning Group

Income tax and investment-related planning

When thinking about tax planning before year end, many individuals think of their potential income tax liability. As a part of this planning, an individual might consider reviewing their projected income (including gains), deductions, and credits for this year and next year and considering whether any of these can be timed in such a way so as to minimize their income tax liability. There are a number of ways they might accomplish this. Additionally, this type of year-end planning includes investment-related planning, such as reviewing their portfolio, managing concentrated stock positions, and taking advantage of securities-backed lending if suitable to help pay estimated taxes.



2023 income, deductions, and credits versus 2024 income, deductions, and credits

Determining whether an individual expects to have more or less income in 2023 versus 2024 might yield different action items.

- An individual who expects to have less income in 2023 than in 2024 might consider accelerating income into 2023 or deferring deductions and credits until 2024.
- Alternatively, an individual who expects to have more income in 2023 than in 2024 might consider deferring income into 2024 or accelerating deductions and credits into 2023.
- Accelerating and deferring income, deductions, and credits isn't always feasible and there are limitations on the extent to which an individual can accelerate and defer these items.
- Of course, the individual should consider the potential impact on state and local taxes, as well as federal taxes.

Various action items are discussed throughout the guide.

Alternative minimum tax

The alternative minimum tax (AMT) operates in parallel to the regular income tax, limiting certain tax benefits that high income taxpayers would otherwise enjoy. Through various adjustments and additions, an individual's taxable income for AMT purposes is more inclusive than an individual's taxable income for purposes of the regular income tax.[1]

- An individual should monitor their potential exposure to AMT. An individual who expects to be subject to the AMT might wish to shift income, deductions, and credits from one year to another so that they can minimize their overall income tax liability.
- An individual who expects to be subject to the AMT in 2023 but not in 2024 might consider accelerating ordinary income and short-term capital gains into 2023, so that they can take advantage of the lower AMT rates.
- An individual who expects to be subject to the AMT in 2024 but not in 2023 might consider deferring ordinary income and short-term capital gains until 2024, so that they can take advantage of the lower AMT rates.
- Once again, the individual should consider the potential impact on state and local taxes, as well as federal taxes.

For further details with respect to AMT thresholds, see the *2023 Planning Guide*.[2]

Reviewing the portfolio

Additionally, as year-end approaches, an individual may consider reviewing their portfolio and reevaluating their goals, risk tolerance, and future liquidity needs. This exercise may be especially valuable if there has been a significant life event—such as a marriage, divorce, birth, or death—or a significant change in financial circumstances, and it may identify changes that they wish to make to their portfolio.

[1] IRC § 55(b)(2). This guide assumes that an individual is subject to the AMT when their tax for AMT purposes exceeds their tax for regular income tax purposes. Similarly, the guide assumes that an individual avoids the AMT when the individual delays or prevents a tax year in which (either in the current year or a future year) their tax for AMT purposes exceeds their tax for regular income tax purposes.

[2] For more information on AMT thresholds, see the *2023 Planning Guide* (a publication of the UBS Advanced Planning Group).

As they make changes, an individual should consider the tax implications of purchases and sales (e.g., with respect to the recognition of gains and losses), including the potential effects of the wash-sale rule, exercising stock options and identifying worthless securities. (All three are discussed below.)

Harvesting losses and doubling on a security

An individual who has recognized capital gains might consider harvesting capital losses to offset those gains. An individual harvests losses by selling off capital assets in which the individual has unrealized losses in a taxable transaction.[3] By recognizing those losses, the individual potentially can offset gains and save taxes. An individual, however, can't claim certain losses. For example, an individual generally can't claim a loss on a sale to a related party, such as a family member, a corporation that the individual controls, or a trust of which the individual is a grantor.[4] In addition, an individual can't claim a loss on a wash-sale.[5]

On the other hand, an individual who owns a security that has an unrealized loss, but believes that the security ultimately will appreciate in value, and wishes to stay invested in the security might consider buying a second lot of the security in anticipation of selling the first lot and recognizing the loss once the period for a wash-sale ends (i.e., 30 days after the day on which the individual buys the second lot). Doubling up on a security allows the individual to stay invested in the security and maintain the benefit of the loss, but it does temporarily increase the individual's exposure to the security. Thus, the individual has increased exposure to any declines in the security's value.

Doubling up on a security allows the individual to stay invested in the security and maintain the benefit of the loss, but it does temporarily increase the individual's exposure to the security.

Identifying worthless securities

Additionally, an individual may want to review their holdings for purposes of identifying any worthless securities. The individual potentially can recognize a capital loss for any worthless securities that they hold. If a security is a capital asset and becomes worthless[6] during 2023, then the individual is treated as having sold the security on December 31, 2023, and the individual recognizes a capital loss in 2023.[7] If an individual can't claim a loss in 2023 for a security that became worthless in a prior year, the individual potentially may claim the loss by amending the tax return for the year in which the loss occurred.[8] Although an individual usually must file a refund claim within three years after filing their income tax return, the individual potentially can file a refund claim with respect to worthless securities within seven years after filing their income tax return.[9]

[3] A sale isn't the only time that gain or loss is recognized. Generally speaking, gain or loss also is recognized on any disposition of a capital asset. For example, gain or loss generally is recognized upon any exchange of a capital asset for other property. In some cases, the gain or loss from a sale or disposition isn't recognized (i.e., taken into account for purposes of calculating taxable income). These nonrecognition transactions include tax-free corporate reorganizations, like-kind exchanges, and involuntary conversions. Thus, our discussion of the tax implications of a sale generally apply to any taxable disposition or other taxable transaction.

[4] IRC § 267(a).

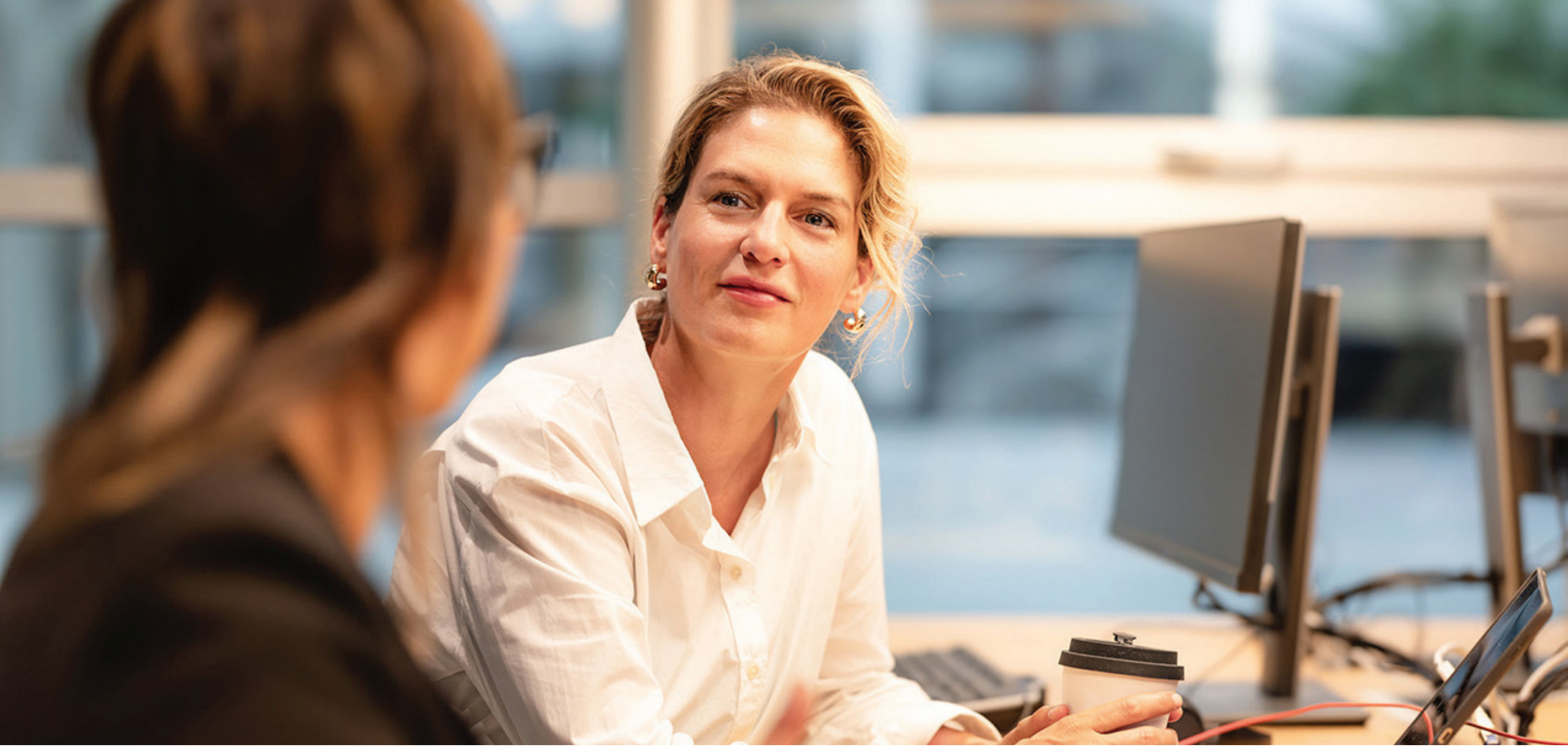
[5] Under this rule, an individual can't recognize a loss on a sale of securities if, within 30 days before the sale or 30 days after the sale, the individual buys substantial identical securities. Whether two securities are substantially identical depends on the facts and circumstances. There are limited exceptions for a sale in connection with a trade or business and for a sale by a dealer in securities. If the wash-sale rule applies, the individual's basis in the substantially identical securities generally includes the disallowed loss. IRC § 1091(d). See also Treas. Reg. § 1.1091-2. The basis of substantially identical securities acquired in a traditional individual retirement account (IRA) or Roth IRA, however, don't include the disallowed loss. Rev. Rul. 2008-5, 2008-3 I.R.B. 271. For more information on the harvesting losses and the wash-sale rule, see the *2023 Planning Guide* (a publication of the UBS Advanced Planning Group).

[6] In order to claim that a security is worthless, the taxpayer has to provide sufficient evidence in order to claim the loss.

[7] IRC § 165(a).

[8] IRC § 6511(a).

[9] IRC § 6511(d)(1).



Deferring gains by investing in a qualified opportunity fund

A person who realizes capital gains potentially can defer recognition of those gains—and thus the tax on those gains—by investing the gains in a qualified opportunity fund.[10] In addition to deferring gains, the person potentially can avoid any capital gains tax on their investment in the fund.

To defer the recognition of capital gains, a person must invest the capital gains in the qualified opportunity fund within 180 days after the sale or disposition.[11] By investing capital gains in a qualified opportunity fund, the person generally can defer those gains until the earlier of:

- the sale or disposition of their interest in the fund, or
- December 31, 2026.[12]

A person who plans to dispose of an investment in a qualified opportunity fund in a transaction that will accelerate the capital gains should plan to have sufficient liquidity to pay the taxes on those gains. Likewise, a person who plans to continue holding an investment in a qualified opportunity fund after December 31, 2026, should plan to have sufficient liquidity to pay the taxes on the capital gains.

In addition to the deferral of capital gains, a person who invests in a qualified opportunity fund and holds the investment for 10 years or more can avoid any capital gains tax on the appreciation over their initial investment.[13]

For more information, see Todd D. Mayo, *Qualified Opportunity Zones* (a publication of the UBS Advanced Planning Group).

[10] A qualified opportunity fund is a fund that invests in qualifying businesses or property located in a qualified opportunity zone, which generally is a low-income community. IRC § 1400Z-2(d). See also Treas. Reg. § 1.1400Z2(d)-1.
[11] IRC § 1400Z-2(a)(1)(A).
[12] IRC § 1400Z-2(b)(1). Under certain conditions, the IRS may view a sale or disposition of an interest in a qualified opportunity fund soon after investing in the fund as abusive. Under a general anti-abuse rule, the IRS may recast a transaction (e.g., by denying capital gain deferral) if a significant purpose of the transaction is to achieve an income tax result that is inconsistent with the statute's purposes of promoting longer-term investments in qualified opportunity zones. Treas. Reg. § 1.1400Z2(f)-1(c)(1).
[13] IRC §1400Z-2(c).

Deducting state and local taxes

In 2023, itemized deductions for state and local income, sales and property taxes (otherwise known as state and local taxes or SALT for short) paid are limited to a total of $10,000 per taxpayer. In response to this limitation, a number of states have enacted legislation that may allow deductibility of certain state and local taxes through the use of a pass-through entity.

For more information about this strategy to avoid the limitation on the deductibility of state and local taxes, see Todd D. Mayo, *SALT Cap Workarounds* (a publication of the UBS Advanced Planning Group).

Exercising stock options

As year-end approaches, an individual who owns stock options might explore whether it makes sense to exercise any of them. If an individual has incentive stock options (ISOs), the individual might consider exercising those options to the extent that the individual can do so without becoming subject to the AMT. The exercise of ISOs is not a taxable event for regular income tax purposes, but it is a taxable event for AMT purposes.[14] When exercising ISOs, the individual includes the spread between the exercise price and the shares' fair market value in their income for AMT purposes.[15] Thus, an individual may find it advantageous to exercise some ISOs to the extent that it won't push them into the AMT. An individual who waits and exercises a large number of ISOs in one year might be more likely to be subject to the AMT. In contrast, the exercise of non-qualified stock options (NSOs) generally is a taxable event.[16] When exercising NSOs, the individual generally would include the spread between the exercise price and shares' fair market value in ordinary income.[17]

For more information about stock options, see Todd D. Mayo, *Equity Compensation* (a publication of the UBS Advanced Planning Group).

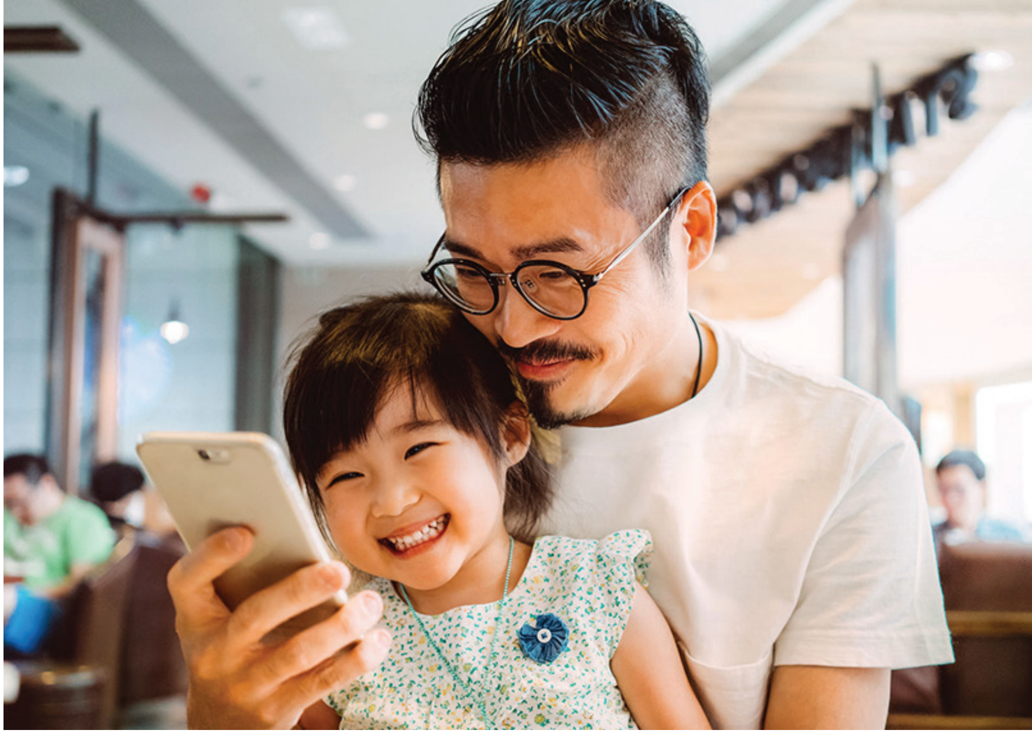
Liquidity, cash flow, and volatility are some of the issues that an individual may face if they have a concentrated position.

Managing a concentrated stock position

An individual who has a concentrated stock position might wish to explore ways to manage that position. Liquidity, cash flow, and volatility are some of the issues that an individual may face if they have a concentrated position. In 2023, the top marginal long-term capital gains tax rate is 20%, and the net investment income tax rate is 3.8%, so the tax cost of selling out of a particular appreciated position can be high.[18] The individual might consider selling the stock incrementally over time. Alternatively, the individual might consider one of several strategies to reduce the tax impact of selling using a different diversification technique. For example, they might consider whether equity collars, prepaid variable forwards, exchange funds, gifts to charity, or a charitable remainder trust would make sense.

For more information on managing a concentrated stock position, see Rebecca Sterling, *Concentrated Stock Positions* (a publication of the UBS Advanced Planning Group). (Gifts to charity and charitable remainder trusts are discussed below.)

[14] IRC §§ 56(b)(3), 83(e)(1), and 421(a).
[15] IRC § 56(b)(3). More specifically, section 421(a) is ignored for purposes of determining an individual's alternative minimum taxable income. Under section 421(a), an individual who exercises ISOs excludes the spread from their gross income for regular income tax purposes.
[16] IRC § 83(e)(3).
[17] Id.
[18] IRC §§ 1(h)(1)(D) and 1411(a)(1). For certain types of gains, the top marginal long-term capital gains tax rate is 25% or 28%. IRC §§ 1(h)(1)(E) and (F). For a discussion of the net investment income tax, see Ann Bjerke, *Net Investment Income Tax* (a publication of the UBS Advanced Planning Group).



Estimating taxes and planning to pay them

As year-end approaches, an individual might consider calculating (or re-calculating) the taxes that they expect to pay, confirming that they've made sufficient tax payments during the year (either through withholding or estimated taxes), and planning for the payment of any taxes that will be due (whether through additional estimated tax payments or a final tax payment).

Filing the income tax return
For most individuals, their 2023 income tax return is due April 15, 2024.[19] An individual may apply for an extension to file their income tax return. The IRS grants an automatic six-month extension so long as the individual files an application for extension before the original due date for the income tax return.[20] With the extension, the 2023 income tax return is due October 15, 2024.[21] An extension of time to file doesn't extend the date on which the individual must pay their taxes.[22]

Paying estimated taxes
An individual may have an obligation, however, to pay estimated taxes throughout the year if they have income that isn't subject to withholding, such as income from self-employment. An individual, however, isn't required to pay estimated taxes if they will owe $1,000 or less of tax (after subtracting any taxes withheld).[23] An individual who doesn't make sufficient tax payments during the year (either through withholding or estimated taxes) is subject to a penalty.[24]

For 2023 income taxes, the estimated tax payments generally are due:
- April 18, 2023,
- June 15, 2023,
- September 15, 2023, and
- January 16, 2024.[25]

An individual who has sizable capital gains from a nonrecurring event—such as the sale of a business—generally doesn't need to make any estimated payments of the tax on those gains. So long as the individual pays (either through withholding or estimated taxes) 100% (or, in some cases 110%) of the tax shown on their prior year's tax return, the individual would avoid the penalty for underpaying estimated taxes.

[19] IRC §§ 6072(a) and 7503. See also Treas. Reg. §§ 1.6072-1(a) and (d). For an individual who is a US citizen or a US resident but lives outside the United States and Puerto Rico, the 2023 income tax return is due June 17, 2024. Treas. Reg. § 1.6081-5(a)(5). More precisely, the IRS grants an automatic two-month extension, so long as the individual attaches a statement explaining their qualification for this extension. Treas. Reg. §§ 1.6081-5(a)(5) and (b)(1). For an individual who is not a US citizen, is not a US resident, and is not subject to withholding, the 2023 income tax return is due June 17, 2024. IRC § 6072(a).
[20] Treas. Reg. § 1.6081-4(a). For an individual who is a US citizen or a US resident but lives outside the United States and Puerto Rico, the IRS grants the automatic extension, so long as the individual files the application on or before June 17, 2024. Treas. Reg. § 1.6081-5(b)(2). This would extend the due date to October 15, 2024. Treas. Reg. § 1.6081-4(a). See also IRC § 7503.
[21] Treas. Reg. § 1.6081-4(a). See also IRC § 7503.
[22] Treas. Reg. § 1.6081-4(c).
[23] IRC § 6654(e)(1).
[24] IRC § 6654(a).
[25] IRC §§ 6654(c)(2) and 7503. For an individual who is not a US citizen, is not a US resident, and is not subject to withholding, however, the estimated tax payments are due June 15, 2023, September 15, 2023, and January 16, 2024. IRC §§ 6654(j)(2) and 7503.

Using securities-backed lending
An individual may wish to review their options for borrowing against their securities. If the individual has short-term needs for liquidity, borrowing may be an effective way to satisfy those needs. Establishing a credit line before it's needed allows the individual to react more quickly to time-sensitive opportunities, as well as planned and unplanned liabilities. Borrowing against eligible securities in a portfolio may enable the individual to access needed funds while continuing to pursue their long-term financial strategy. For example, an individual who owes an estimated tax payment on January 16, 2024, or a final tax payment on April 15, 2024, might consider borrowing against their securities rather than selling them to raise the cash to pay the taxes.

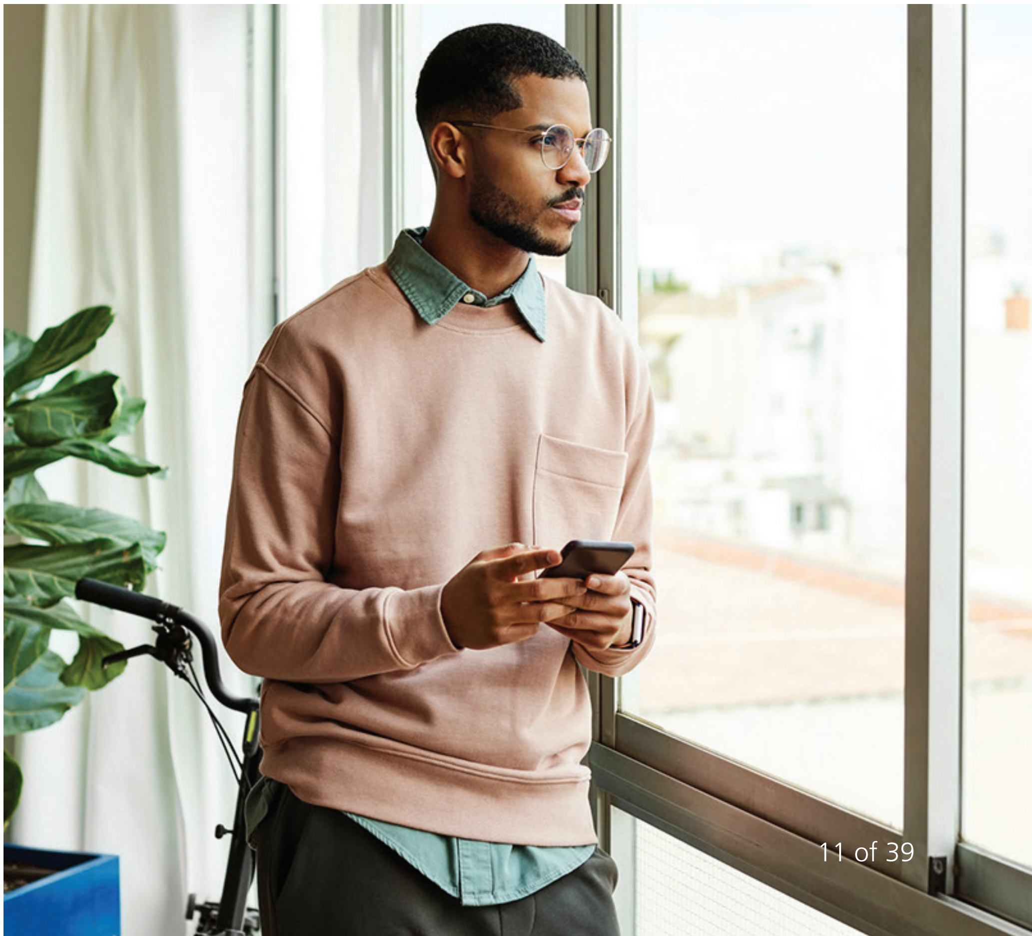
State tax planning

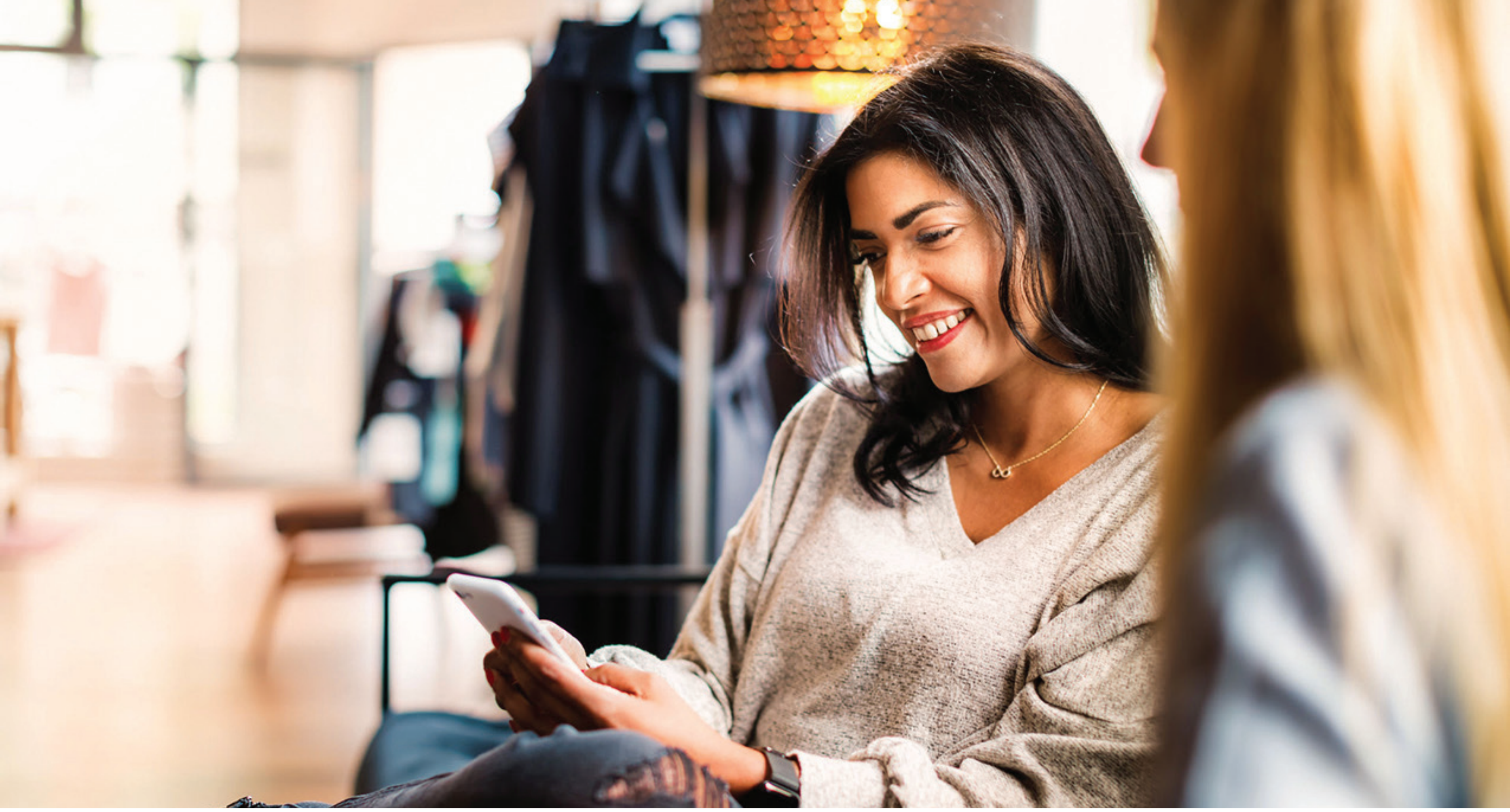
In addition to considering any federal tax consequences, an individual should also consider any actions that would impact their state income tax liability. This is especially true for those individuals who reside in states with high state and local income taxes.

Managing residency
An individual who spends time in multiple states might wish to assess whether they could be treated as a resident in more than one of those states. States have different standards for determining whether someone is a resident, and the standard for income tax purposes sometimes differs from the standard for estate tax purposes. In some cases, an individual's domicile (where they intend to live indefinitely) is more relevant than their residency (generally where they are physically present). For income tax purposes, residency sometimes is based strictly on physical presence (i.e., a day-count test). Other times, other factors are relevant (e.g., whether the individual rents or owns an apartment, house, or other dwelling in the state). By managing residency, an individual potentially can avoid unexpected taxes.

Changing residency
An individual who resides in a state with high taxes might consider changing residency to a state with lower taxes. Again, states have different standards for determining whether someone is a resident or domiciliary, and the standard for income tax purposes sometimes differs from the standard for estate tax purposes. Establishing ties with a new state — and, often more importantly, breaking ties with the old state — can take time and effort. Beyond income and estate taxes, there are other taxes and costs to consider (e.g., property taxes, automobile registration fees, and auto and homeowners' insurance premiums).

For a more in-depth discussion of changing residency, see Catherine McDermott, *Changing State of Residence* (a publication of the UBS Advanced Planning Group).





Shifting income and gains out of state

An individual who lives in a state that imposes an income tax might consider creating a nongrantor trust in a state that doesn't impose an income tax on trusts. To the extent that the individual (commonly a business owner looking to sell their business in the next few years) contributes assets to such a trust, the individual can potentially shift income and gains out of the individual's home state and thus potentially avoid state income taxes on the trust's income and gains. States that don't impose income taxes on trusts include Delaware, Florida, Nevada, New Hampshire, South Dakota, Tennessee, and Wyoming.

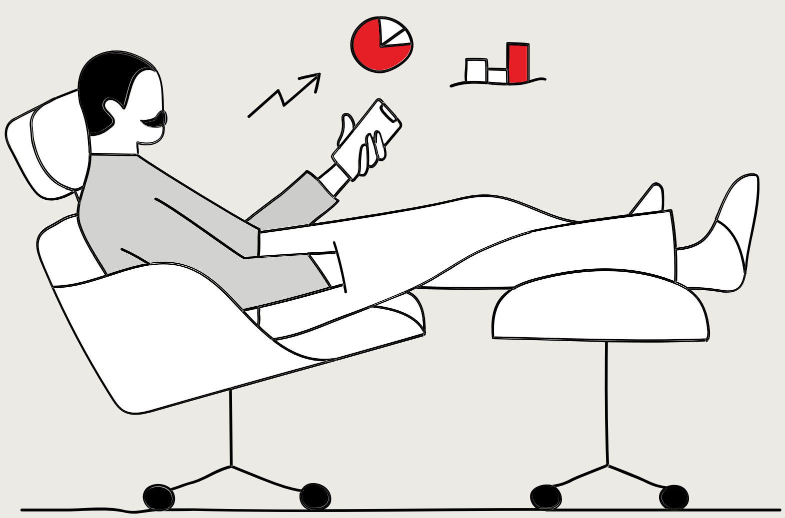
In California and New York, residents are taxed on distributions from nongrantor trusts in a manner that aims to erase the economic benefit of the trusts.[26] (These states impose a throwback tax, which essentially erases that economic benefit.) Despite this, using a nongrantor trust in a trust-friendly state may still be advantageous if the beneficiaries are likely to change their residency before the trust makes any distributions to them.

For more information on nongrantor trusts see Casey C. Verst, *Using Irrevocable Grantor Trusts to Transfer Wealth* (a publication of the UBS Advanced Planning Group); Ann Bjerke and Todd D. Mayo, *ING Trusts* (a publication of the UBS Advanced Planning Group); Todd D. Mayo, *ING Trusts: Key Decision Points for Settlors* (a publication of the UBS Advanced Planning Group); and Casey C. Verst and Rebecca Sterling, *California Lawmakers Approve Bill to Tax Incomplete Nongrantor Trusts Having California Resident Grantors* (a publication of the UBS Advanced Planning Group).

[26] N.Y. Tax Law § 605(b)(3)(D) and Cal. Rev. & Tax Code § 17745(b).

Retirement planning

For an individual who has one or more retirement accounts — i.e., individual retirement accounts (IRAs), qualified retirement plans, and 403(b) plans — year-end is a good time to review their retirement planning. For many individuals, some key items to review include maximizing contributions to retirement accounts, exploring Roth conversions, taking required minimum distributions (RMDs), and confirming beneficiary designations.[27]



[27] In this guide, IRAs, qualified retirement plans, and 403(b) plans are collectively referred to as retirement accounts.

Maximizing contributions

An individual might consider reviewing their contributions to their retirement accounts and maximizing those contributions to the extent they aren't already doing so. By maximizing their contributions, they may reduce their current income taxes (to the extent that the contributions are deductible), they may more fully take advantage of employer contributions (to the extent their employer makes matching contributions), and they may help themselves better prepare financially for their retirement years.

Traditional IRAs and Roth IRAs

For 2023, the total contributions an individual may make to traditional IRAs and Roth IRAs can't exceed the lesser of:

- $6,500 ($7,500 if the individual has attained 50 years of age), or
- the individual's taxable compensation for the year.[28]

An individual's contributions to traditional IRAs may be tax-deductible, but their deduction may be limited if the individual or their spouse participates in a workplace retirement plan and their income exceeds certain levels.[29] (See Table 1.) An individual's contributions to Roth IRAs may be limited if their income exceeds certain levels.[30] (See Table 2.) An individual can make 2023 contributions to traditional IRAs or Roth IRAs until April 15, 2024.[31] An individual whose income is too high to make a Roth IRA contribution might consider a backdoor Roth conversion or a mega backdoor Roth conversion. (These strategies are discussed below.)

Table 1

Limits on the deductibility of contributions to traditional IRAs in 2023.

	An unmarried individual who participates in a workplace retirement plan	**A married individual who files jointly and participates in a workplace retirement program**	**A married individual who files jointly and doesn't participate in a workplace retirement program but spouse participates in a workplace retirement program**	**A married individual who files separately**
Full deduction allowed	Below $73,000	Below $116,000	Below $218,000	
Phaseout range	$73,000 to $83,000	$116,000 to $136,000	$218,000 to $228,000	$0 to $10,000
No deduction allowed	Above $80,000	Above $136,000	Above $228,000	Above $10,000

Source: IRC § 219(g) and Notice 2022-55.

Table 2

Limits on contributions to Roth IRAs in 2023.

	Unmarried individual	**Married individual filing jointly**	**Married individual filing separately**
Full contribution allowed	Below $138,000	Below $218,000	
Phaseout range	$138,000 to $153,000	$218,000 to $228,000	Up to $10,000
No contribution allowed	Above $153,000	Above $228,000	Above $10,000

Source: IRC § 408A(c)(3) and Notice 2022-55.

[28] IRC § 219(b)(5). Notice 2022-55. IRC § 408A(c)(2).
[29] IRC § 219(c). More precisely, the limitation applies based (in part) on whether the individual or the individual's spouse is an active participant. IRC § 219(g)(1). An active participant generally is an individual who (1) in the case of a defined benefit plan, is eligible to participate in the plan or (2) in the case of a defined contribution plan, participates in the plan. A special rule applies to a purely discretionary profit-sharing plan or stock bonus plan. IRC § 219(g)(5) and Notice 87-16.
[30] IRC § 408A(c)(3).
[31] IRC § 219(f)(3).

Qualified retirement plans and 403(b) plans
For 2023, the total elective deferrals[32] that an individual may make to qualified retirement plans (such as 401(k) plans) and 403(b) plans generally can't exceed:

- $22,500 if the individual has not attained 50 years of age, or
- $30,000 if the individual has attained 50 years of age.[33]

For 2023, the total contributions to these retirement plans can't exceed the lesser of:

- $66,000, or
- the individual's taxable compensation for the year.[34]

For purposes of this limit, total contributions include elective deferrals (but not catch-up contributions), employer matching contributions, employer nonelective contributions, and allocations of forfeitures.[35]

SIMPLE 401(k) plan and SIMPLE IRAs
For 2023, the total elective deferrals that an individual may make to a SIMPLE 401(k)[36] or a SIMPLA IRA[37] plan can't exceed:

- $15,500 if the individual has not attained 50 years of age, or
- $19,000 if the individual has attained 50 years of age.

The individual's employer must make a matching contribution up to 3% of the individual's compensation or a non-elective contribution of 2% of the individual's compensation.[38] Thus, during a calendar year, the total contributions to an individual's SIMPLE 401(k) plan or SIMPLE IRA plan will equal the individual's elective deferrals plus the employer's contributions.

Backdoor Roth IRA

If an individual's income is too high to contribute directly to a Roth IRA, they potentially can make a nondeductible contribution to a traditional IRA and subsequently convert the funds in the traditional IRA to a Roth IRA.[39] This strategy is often referred to as a backdoor Roth IRA. Alternatively, an individual might consider converting an existing traditional IRA to a Roth IRA. A Roth IRA potentially offers significant benefits, most notably tax-free growth of assets, tax-free distributions, and no RMDs during the individual's life.[40] When converting from a traditional IRA to a Roth IRA, the converted amount is taxable to the IRA owner as ordinary income in the year in which the conversion occurs.[41]

[32] An elective deferral is a contribution that, as an employee, an individual makes to retirement plans out of the salary that the individual otherwise would receive. Treas. Reg. § 1.402(g)(1). When applying the contribution limits, the individual generally must aggregate all of their contributions to the plans in which they participate. IRC § 408(d)(2).
[33] IRC § 402(g)(1) and Notice 2022-55.
[34] IRC § 415(c)(1) and Notice 2021-61.
[35] IRC § 415(c)(2).
[36] SIMPLE 401(k) plan is a savings incentive match plan for employees of small employers (SIMPLE) plan that an employer maintains in accordance with Section 408(p)(2) of the Internal Revenue Code.
[37] A SIMPLE IRA plan is a savings incentive match plan for employees of small employers (SIMPLE) plan that an employer maintains in accordance with Section 408(p) of the Internal Revenue Code and Section 408(a) or (b) of the Internal Revenue Code.
[38] IRC §§ 408(p)(2)(A)(iii) and (2)(B).
[39] Treas. Reg. § 1.408A-4.
[40] IRC § 408A.
[41] IRC § 408A(d)(3). When an individual has a mix of pre-tax and after-tax assets in one or more IRAs the calculation of the amount of the conversion that is included as taxable income can be complicated. To determine the amount of the conversion that is subject to income taxes, the values of all individual retirement plans (including traditional IRAs, SEP IRAs, and SIMPLE IRAs) are combined, and the after-tax portion of the distribution is deemed to come proportionally from all of the individual retirement plans. See IRC § 408(d)(2). For the purposes of this calculation, amounts held in employer-sponsored qualified plans (e.g., 401(k)s) are not included in these calculations. Therefore, for a backdoor Roth IRA conversion to be tax free, the IRA owner must have no pre-tax IRA assets at any point during the year of the conversion.

Similarly, an individual who participates in a 401(k) plan may be able to convert after-tax amounts into a Roth 401(k) or, alternatively, roll over after-tax amounts into a Roth IRA.[42] This strategy is often referred to as a mega backdoor Roth conversion. It is possible only if the plan allows for after-tax contributions and it allows either in-plan conversions or in-service distributions.

When deciding whether to make a conversion, an individual should consider potential changes to the income tax rates that may occur over their life. A conversion may not be optimal if the individual expects to pay income taxes at a lower rate after they retire when they will receive distributions (e.g., after retirement). The individual also should consider the liquidity needs that a conversion may create. A conversion may be less advantageous if the individual must draw from the converted amount—instead of using other liquid assets—to pay the taxes caused by the conversion.

When deciding whether to make a conversion, an individual should consider potential changes to the income tax rates that may occur over their life.

Taking RMDs

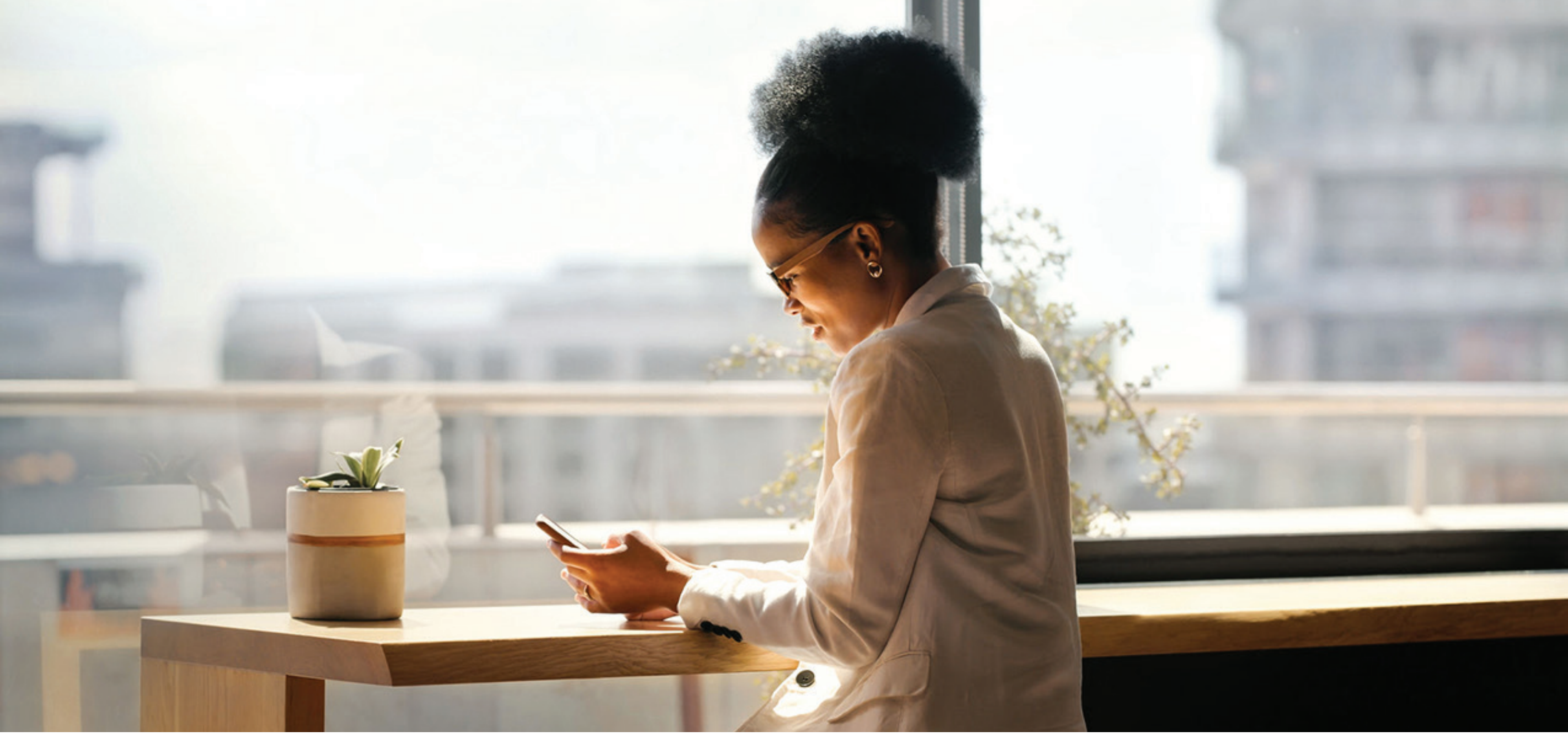
An individual who is the original owner of a retirement account generally must begin taking RMDs from their accounts after attaining a certain age.[43] The individual, however, does not have to take RMDs from a Roth IRA.[44] An individual who inherited a retirement account generally must take RMDs from the inherited account.[45]

Original account owner

For any IRAs of which an individual is the original account owner (including any IRA that a surviving spouse rolled over from a deceased spouse's account), the individual generally must begin taking RMDs in the year they attain 73 years of age.[46] There are three exceptions. First, an individual who attained 70½ years of age before 2020 must have begun taking RMDs beginning in the year they attained 70½ years of age and must have continued taking RMDs regardless of when they attained 72 years of age.[47] Second, an individual who attained 72 years of age after 2020 but before 2023 must have begun taking RMDs beginning in the year they attained 72 years of age and must have continued taking RMDs regardless of when they attained 73 years of age.[48] Third, an individual who participates in an employer-sponsored qualified retirement plan generally isn't required to take RMDs from that plan until the individual retires.[49] The individual, however, can't be a 5% owner of the employer maintaining the plan, the individual must remain employed by that employer, and the plan must permit RMDs to begin at the later of an employee attaining 73 years of age or retiring.[50]

An individual generally must take each year's RMD by the last day of the year.[51] An individual, however, may defer their first year's RMD until April 1 of the second year (i.e., the year after RMDs must begin).[52] An individual who defers their first year's RMD to the second year will have two RMDs in the second year. The individual must take the first year's RMD by April 1 of the second year and must take the second year's RMD by the last day of the second year.

[42] IRS Notice 2014-54.
[43] IRC § 401(a)(9)(A).
[44] IRC § 408A(d)(4).
[45] IRC § 401(a)(9)(B).
[46] IRC §§ 401(a)(9)(A)(ii) and (9)(C)(i).
[47] IRC § 401(a)(9)(C)(i)(I) (2019), which was amended by § 114 of The Setting Every Community Up for Retirement Enhancement Act of 2019 (June 3, 2019).
[48] IRC § 401(a)(9)(C)(i)(I) (2019), which was amended by The Setting Every Community Up for Retirement Enhancement 2.0 Act of 2022 (December 29, 2022). Additionally, commencing January 1, 2033, the RMD age will increase to 75.
[49] IRC §§ 401(a)(9)(A)(ii) and (9)(C)(ii).
[50] IRC § 401(a)(9)(C)(ii).
[51] Treas. Reg. § 1.401(a)(9)-5.
[52] Treas. Reg. § 1.401(a)(9)-2.

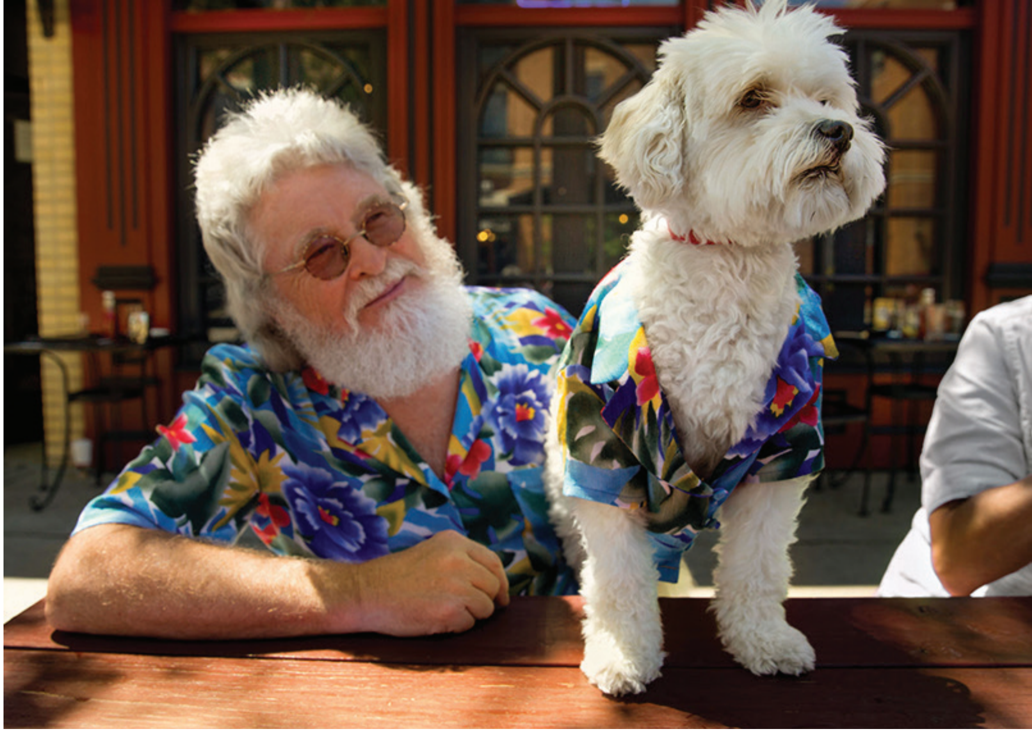


If an individual has more than one IRA (of which they are the original account owner), they can take the RMDs for multiple IRAs from one account.[53] The same holds true for 403(b) plans,[54] but not for other types of employer-sponsored retirement plans like 401(k) and 457(b) plans (i.e., an individual cannot aggregate RMDs from these plans). Also, if an individual is maintaining an inherited IRA they have separate RMD requirements for the inherited IRA and cannot aggregate those distributions with those from the individual's own IRA.

Due to the enactment of SECURE 2.0 Act late in 2022, the IRS recently extended the 60-day rollover period for individuals born in 1951 (or their surviving spouse) who have received a mischaracterized RMD payment between January 1, 2023, and July 31, 2023, to allow these individuals to redeposit this distribution into their retirement plan via rollover before September 30, 2023. This change does not affect plan owners born before 1951 who have already begun to take RMDs.

Retirement accounts inherited by an individual before 2020
An individual who inherited a retirement account before 2020 generally must take RMDs based on their life expectancy.[55] A deceased account owner's surviving spouse, however, may delay the start of RMDs until the later of the year in which the deceased account owner would have attained 73 years of age if the surviving spouse elects to maintain an inherited IRA or if the surviving spouse elects to transfer the assets to their own IRA, the year in which surviving spouse would have attained 73 years of age (as discussed above, if the surviving spouse attained age 72 in 2022, the surviving spouse must take their first RMD by April 1, 2023, and the second RMD by Dec. 31, 2023).[56]

[53] Treas. Reg. § 1.408-8, A-9. The individual must *calculate* the RMD for each of those IRAs separately but may *take* the total amount of RMDs from any one or more of them.
[54] Treas. Reg. § 1.403(b)-6(e)(2).
[55] Treas. Reg. § 1.401(a)(9)-5, A-5(a).
[56] IRC § 401(a)(9)(e)(ii)(I) (2019).



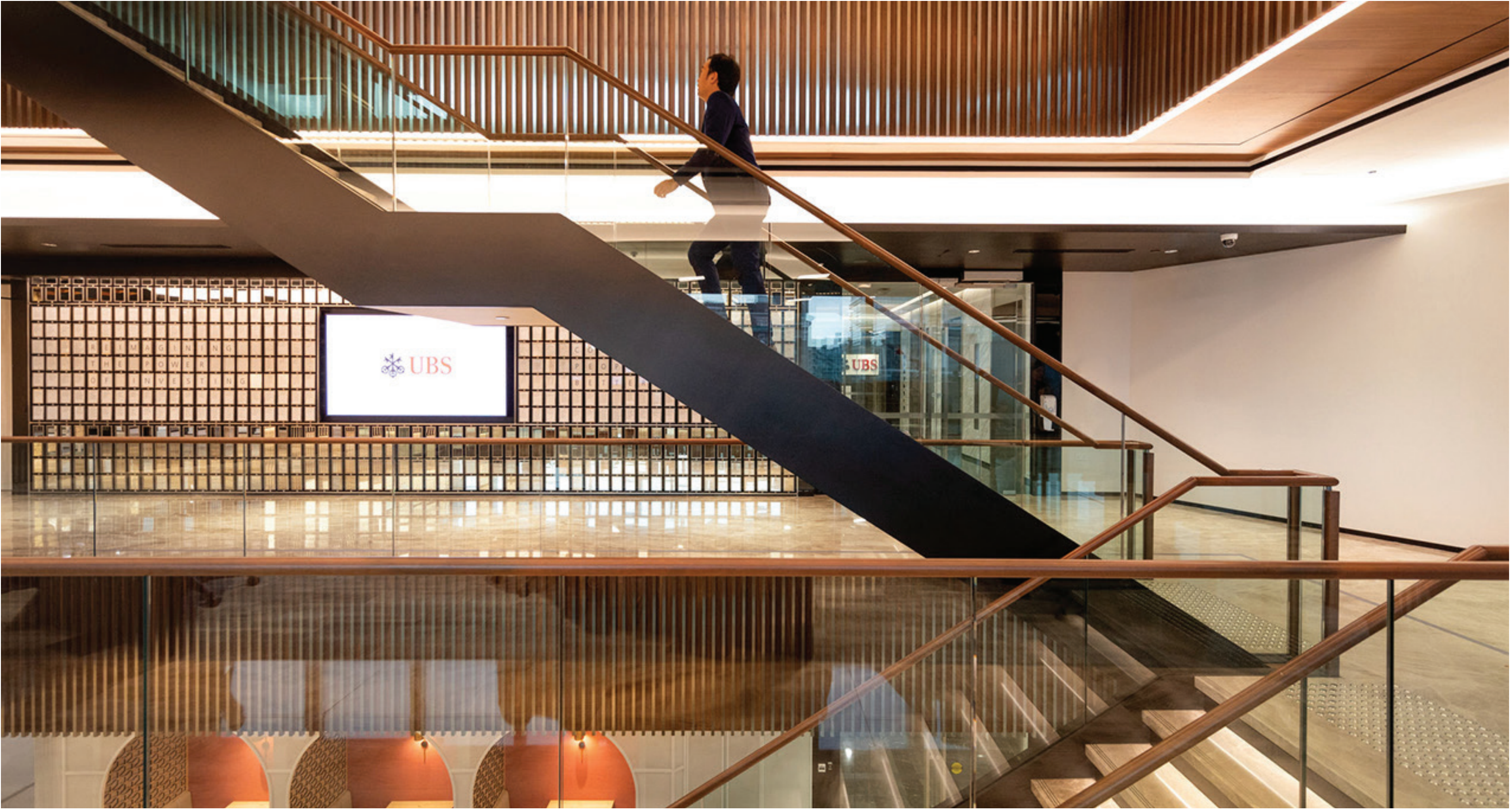
Retirement accounts inherited by an individual who is an eligible designated beneficiary after 2019
An individual who inherits a retirement account after 2019 and is an eligible designated beneficiary generally must take RMDs based on their life expectancy (with such RMDs beginning the year after the deceased account owner's death).[57] An eligible designated beneficiary is:

- the deceased account owner's surviving spouse,
- a child of the deceased account owner who has not attained the age of majority (which, for this purpose, is 21 years of age),
- an individual who is disabled or chronically ill, or
- an individual who is not more than 10 years younger than the deceased account owner.[58]

A deceased account owner's surviving spouse, however, may delay the start of RMDs until the later of the year in which the deceased account owner would have attained 73 years of age if the surviving spouse elects to maintain an inherited IRA or if the surviving spouse elects to transfer the assets to their own IRA, the year in which the surviving spouse's would have attained 73 years of age (as discussed above, if the surviving spouse attained age 72 in 2022, the surviving spouse must take their first RMD by April 1, 2023, and the second RMD by Dec. 31, 2023).[59] A deceased account owner's child must receive the remaining balance of the retirement account by the end of the 10th year after the child attains the age of majority.[60] An eligible designated beneficiary generally is not subject to the 10-year rule, which we explore below.[61]

An individual who has two or more inherited IRAs from the same decedent may take the RMDs from only one of those IRAs or from any two or more of those IRAs.[62] For purposes of satisfying the RMD rules, an individual can't aggregate distributions from an inherited IRA with distributions from an IRA of which they are the original account owner, and the individual can't aggregate distributions from an inherited IRA from one decedent with distributions from an inherited IRA from another decedent.[63]

[57] IRC § 401(a)(9)(B)(iv).
[58] IRC § 401(a)(9)(E)(ii). In this guide, a deceased account owner refers only to the original account owner (e.g., an individual who made contributions to an IRA or an employee who made contributions to a qualified plan), and it doesn't include a deceased beneficiary of an inherited retirement account. The determination of whether an individual is an eligible designated beneficiary is made at the time of the deceased account owner's death. IRC § 401(a)(9)(E)(ii) (flush language). The statute doesn't define the age of majority. In early 2022, however, the IRS issued proposed regulations in which it proposes to define the age of majority as 21 years. See *Required Minimum Distributions*, 87 Fed. Reg. 10,504, 10,509 (February 24, 2022).
[59] IRC § 401(a)(9)(E)(ii)(I).
[60] IRC § 401(a)(9)(H). See also Treas. Reg. § 1.401(a)(9)-3, A-2.
[61] If the original IRA owner died before their required beginning date, a plan may require distributions to be made under the 10-year rule, or it may permit an eligible designated beneficiary to elect to receive distributions either over their lifetime or under the 10-year rule. See Prop. Reg. §§ 1.401(a)(9)-3(b)(5)(ii) and (iii). If the original IRA owner died after their required beginning date, the required distributions are based on the longer of the eligible designated beneficiary's or the owner's life expectancy.
[62] Treas. Reg. § 1.408-8, A-9. The individual must *calculate* the RMD for each of those IRAs separately but may *take* the total amount of RMDs from any one or more of them. See also Prop. Reg. § 1.408-8(e).
[63] Id.



Retirement accounts inherited by an individual who isn't an eligible designated beneficiary after 2019

An individual who inherits a retirement account after 2019 and isn't an eligible designated beneficiary must receive the account assets in full by the end of the 10th calendar year after the deceased account owner's death.[64] Such non-eligible designated beneficiaries, who inherited from an account owner who died on or after their required beginning date, must take RMDs in years one through nine based on the beneficiary's life expectancy with a full distribution of the plan (or IRA) assets by the end of the 10th calendar year following the owner's death. The IRS, however, effectively waived this requirement for 2021, 2022, and 2023. For IRA owners who died before their RMD (includes Roth IRAs), no annual distributions must be taken by a beneficiary (who is subject to the 10-year rule), but the account must be distributed in full by the end of the 10th year following the IRA owner's death.[65]

An individual who has two or more inherited IRAs from the same decedent may take the RMDs from only one of those IRAs or from any two or more of those IRAs.[66] For purposes of satisfying the RMD rules, an individual can't aggregate distributions from an inherited IRA with distributions from an IRA of which they are the original account owner, and the individual can't aggregate distributions from an inherited IRA from one decedent with distributions from an inherited IRA from another decedent.[67]

[64] IRC § 401(a)(9)(H). In addition to the 10-year rule, there is a five-year distribution rule, which generally applies to beneficiaries who are not individuals (such as estates and certain trusts). In such a case, the balance of the retirement account must be distributed by December 31 of the year containing the fifth anniversary of the deceased account owner's death.

[65] Treasury issued Proposed Regulations in 2022.

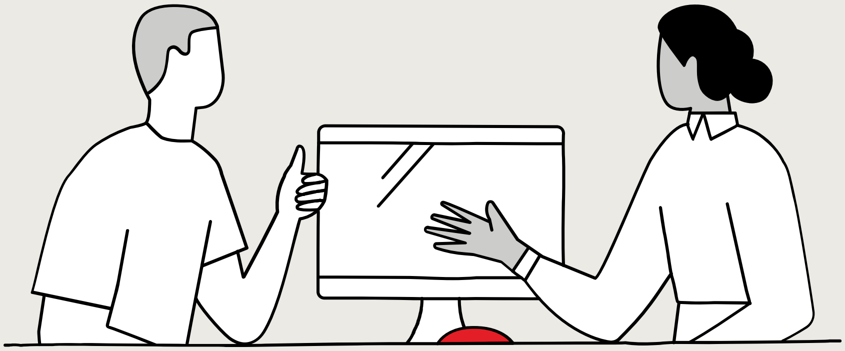
[66] Treas. Reg. § 1.408-8, A-9. The individual must *calculate* the RMD for each of those IRAs separately but may *take* the total amount of RMDs from any one or more of them. See also Prop. Reg. § 1.408-8(e).

[67] Id.

Wealth transfer planning

In addition to income tax planning and considerations regarding retirement accounts, year-end is also a great time to consider wealth transfer planning. There are a number of opportunities for planning that can be done on an annual basis.

The estate/gift and generation-skipping transfer (GST) tax exemptions are $12.92 million per person in 2023, and they are indexed for inflation each year.[68] The 2023 figures are based on a 2018 doubling of 2011's base amount of $5 million (adjusted for inflation).[69] The law will revert back to 2011's original $5 million base amount (adjusted for inflation) on January 1, 2026, unless Congress takes action.[70] Individuals intending to take advantage of these higher exemptions should consider initiating planning in a timely manner to optimize tax-efficient planning.



[68] On January 1 of each year, the estate and gift tax exemption amount, currently $12,920,000 per person, is adjusted for inflation. The 2024 inflation adjustment, which will be based on data gathered through August 31 of this year, will be announced this fall. But because the inflation adjustment incorporates data going back to September 2021, it is anticipated that the adjustment will be approximately $740,000. Additionally, the gift tax annual exclusion is expected to jump to $18,000 in 2024. For more information about the gift tax annual exclusion, see paragraph below.

[69] IRC § 2010(c)(3)(B).

[70] Pub. L. 115-97, § 11061 (2017) (commonly known as the Tax Cuts and Jobs Act).

Making annual exclusion gifts

An individual who wishes to reduce their estate for estate tax purposes might consider making non-taxable gifts to family members and others. In 2023, an individual can give $17,000 to another person, and the gift will be non-taxable for gift tax purposes.[71] The annual exclusion adjusts annually for inflation.[72]

An outright gift to another person usually qualifies for the annual exclusion.[73] A contribution to a 529 plan, a Uniform Gifts to Minors Act account, or a Uniform Transfers to Minors Act account is treated as an outright gift to the beneficiary.[74] Paying another individual's debts or expenses generally is treated as a gift to the individual.[75] A gift in trust typically is treated as a gift to the trust's beneficiaries.[76] Under certain circumstances, a gift in trust may qualify for the annual exclusion.[77]

Front-loading a 529 plan

A 529 plan is a tax-advantaged investment plan that is designed to pay the beneficiary's qualifying educational expenses.[78] When an individual contributes to a 529 plan, they are treated as making a gift to the beneficiary of the plan.[79] The gift counts against the individual's annual exclusions to the beneficiary.[80]

An individual can elect to treat a gift to a 529 plan as made ratably over five years.[81] An individual thus can front-load a 529 plan with five years' worth of annual exclusion gifts. For purposes of making the election, the individual must file a gift tax return for the year in which the individual actually makes the gift to the 529 plan.[82]

For a more information about 529 plans, see Jessica Mazzaro Friedhoff, *Funding Education: 529 Accounts and Annual Giving Trusts* (a publication of the UBS Advanced Planning Group).

Paying tuition

When an individual pays another individual's tuition and makes the payment directly to the school or other educational provider, the payment is treated as a nontaxable gift.[83] The payment doesn't use up any of the gift tax annual exclusion or lifetime exemption.[84] This exclusion applies only to the payment of tuition and doesn't apply to any payment of room, board, books, or other educational expenses.[85]

Paying medical expenses

When an individual pays another individual's medical expenses and makes the payment directly to the healthcare provider, the payment is treated as a nontaxable gift.[86] The payment doesn't use up any of the gift tax annual exclusion or lifetime exemption.[87] For purposes of this exclusion, premiums for healthcare insurance generally are treated as a medical expense.[88]

71 IRC § 2503(b)(1) and Rev. Proc. 2021-45.
72 IRC § 2503(b)(2).
73 IRC § 2503(b)(1).
74 IRC § 529(c)(2)(A) and Rev. Rul. 59-357.
75 Treas. Reg. § 25.2511-1(a).
76 Treas. Reg. § 25.2503-2(a).
77 Rev. Rul. 73-405.
78 IRC § 529(a).
79 IRC § 529(c)(2).
80 Id. If the gift to the 529 plan exceeds the individual's annual exclusion to such beneficiary, then the individual will either use some of their lifetime exemption or need to pay gift tax on such contribution.
81 IRC § 529(c)(2)(B).
82 IRC §§ 529(c)(2)(B) and 6019.
83 Treas. Reg. § 25.2503-6(b)(1)(i).
84 IRC § 2503(e)(1).
85 Treas. Reg. § 25.2503-6(b)(2).
86 IRC § 2503(e)(2)(B)
87 IRC § 2503(e)(1).
88 Treas. Reg. § 25.2503-6(b)(3).

An individual who wishes to reduce their estate for estate tax purposes might consider making gifts that use their lifetime exemption (i.e., gift and estate tax exemption).

Making gifts to a spouse

A married individual might consider giving money or other property to their spouse. Accordingly, a married individual may wish to make those gifts so that their spouse has sufficient assets to use their lifetime exemption. Under the gift tax marital deduction, an individual generally may make unlimited gifts to a spouse who is a US citizen.[89] The gift tax marital deduction, however, does not apply to gifts to a spouse who is not a US citizen.[90] In 2023, an individual generally may give up to $175,000 of gifts to a spouse who is not a US citizen, and the gift will be non-taxable for gift tax purposes.[91] This annual exclusion adjusts annually for inflation.[92]

Making gifts using the lifetime exemption

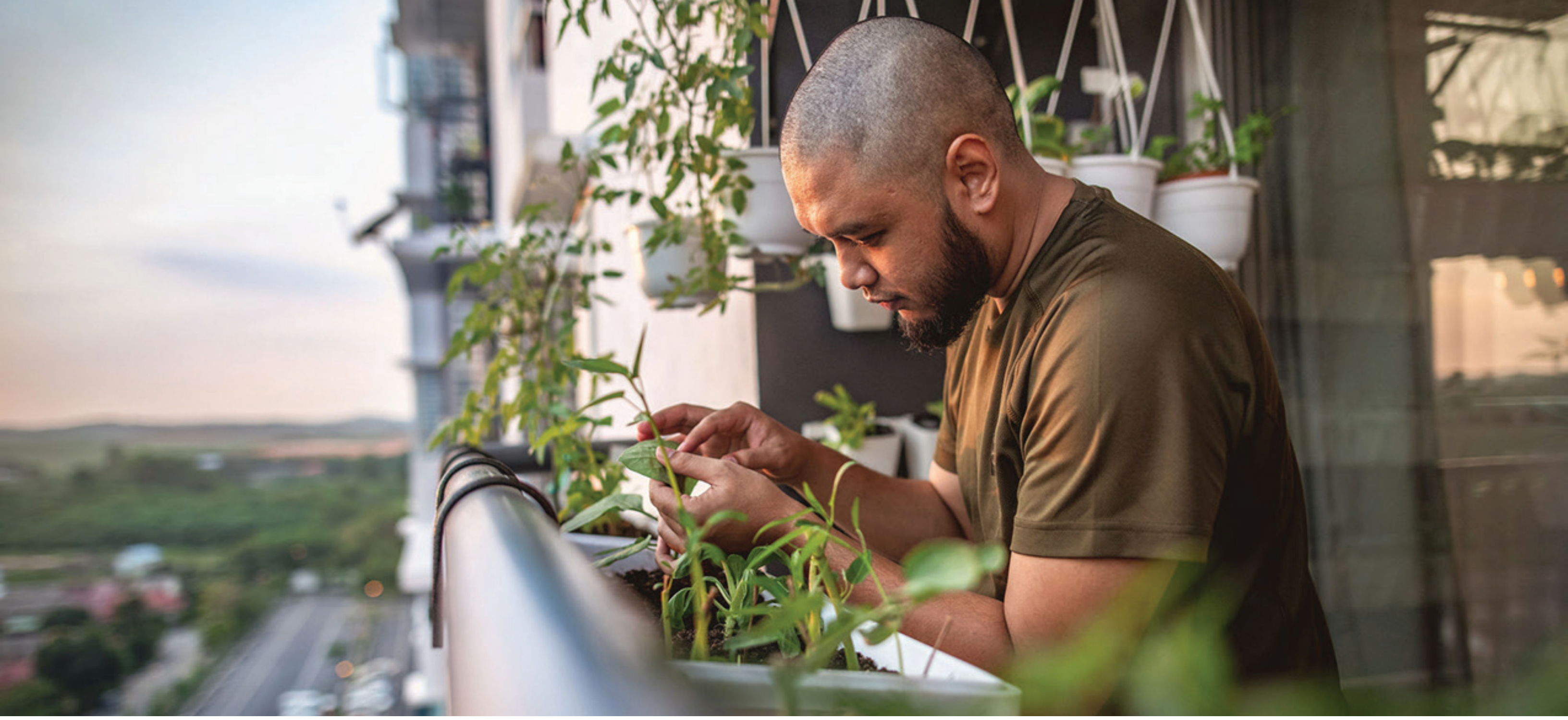
An individual who wishes to reduce their estate for estate tax purposes might consider making gifts that use their lifetime exemption (i.e., gift and estate tax exemption). These are gifts that don't qualify for the gift tax annual exclusion, tuition exclusion, medical expense exclusion, marital deduction, or charitable deduction. In tax parlance, these are called taxable gifts, even though an individual doesn't pay any gift tax on them until the total amount of taxable gifts that an individual makes during their life exceeds their lifetime exemption.[93] As mentioned above, in 2023, an individual's lifetime exemption is $12.92 million.[94]

By making gifts that use their lifetime exemption, the individual potentially removes from the individual's estate any future appreciation with respect to the money or property that the individual gives away. In addition, by making those gifts before the lifetime exemption is currently set to decrease after 2025, the individual potentially can take advantage of the higher exemption.[95] Let's assume that an individual has made $12 million of taxable gifts by the end of 2025 and, as a result of the scheduled decrease, the lifetime is $7 million in 2026. The individual generally won't be subject to gift or estate taxes on the $5 million of taxable gifts that they made while the higher exemption was in effect.[96]

When making gifts that use their lifetime exemption, an individual might make gifts into an irrevocable trust for the benefit of their spouse and descendants (sometimes called a spousal lifetime access trust) or an irrevocable trust for the benefit of their descendants.[97] Using a trust may offer important advantages. A trust can potentially insulate trust property from the claims of a beneficiary's creditors (including a spouse or former spouse), and it can potentially keep the trust property out of a beneficiary's estate for estate tax purposes. A trust, however, requires proper administration, which involves some time and expense.

For a more information about trust administration, see Casey C. Verst, *Duties of a Trustee* (a publication of the UBS Advanced Planning Group).

[89] IRC § 2523(a).
[90] IRC § 2523(i).
[91] IRC § 2523(i) and Rev. Proc. 2021-45.
[92] IRC § 2523(i)(2).
[93] Treas. Reg. § 25.2505-1(a).
[94] IRC § 2010(c) and Rev. Proc. 2021-45. This assumes that the individual is a US citizen.
[95] Treas. Regs. §§ 20.2010-1(c)(1) and (c)(2).
[96] Id.
[97] Treas. Reg. § 25.2503-2(a) (a gift in trust is generally treated as a gift to the beneficiaries of the trust). For a discussion of the spousal lifetime access trusts, see Catherine McDermott, *Spousal Lifetime Access Trusts* (a publication of the UBS Advanced Planning Group).



Shifting future appreciation out of your estate

An individual who has used as much of their lifetime exemption as they are comfortable using but isn't looking to accumulate more wealth might consider implementing one or more strategies that freeze the value of their estate (or a portion of it) for estate tax purposes. These strategies effectively shift future appreciation out of an individual's estate without using any of the individual's lifetime exemption or causing the individual to incur any gift or estate taxes.

Selling assets to a grantor trust

If an individual hasn't previously created and funded a grantor trust, then the individual would make a gift to an irrevocable trust that's designed to be a grantor trust with respect to that individual.[98] This gift may be a seed gift—possibly, about 10% or 11% of the value of the assets that the individual intends to sell to the trust—or it may be more substantial.[99] The individual subsequently would sell assets to the trust in exchange for a promissory note. Since the trust is a grantor trust with respect to the individual, the sale is ignored for income tax purposes.[100] Thus, the individual doesn't recognize any gain upon the sale. The transaction, however, is respected for gift and estate tax purposes.[101] The grantor will receive the purchase price back from the grantor trust pursuant to the terms of the promissory note, but any appreciation of assets will occur inside the grantor trust, which is outside of the grantor's estate for federal estate tax purposes.

For a more in-depth discussion of sales to grantor trusts, see Casey C. Verst, *Sales to Grantor Trusts* (a publication of the UBS Advanced Planning Group).

[98] A grantor trust is generally disregarded for income tax purposes, and the grantor (or, in some cases, the beneficiary) reports the trust's income, deductions, and credits on their personal income tax return. IRC §§ 671 to 679.

[99] The purpose of this seed gift is to provide the trust with sufficient financial capacity so that the trust isn't financing the entire purchase price, which would not usually occur in an arm's length transaction. The gift also provides the trust with some liquidity so that it has funds to service the interest payments on the promissory note.

[100] Rev. Rul. 85-13.

[101] See IRC § 2511(a).

Creating a grantor retained annuity trust

A grantor retained annuity trust (GRAT) is an irrevocable trust that distributes an annuity to the grantor for a term of years, after which the remaining assets are distributed to one or more individuals (typically, the grantor's children) or a trust for their benefit. A zeroed-out GRAT is a GRAT that's designed so there isn't any taxable gift upon its creation. If GRAT assets appreciate at a rate that exceeds the 7520 rate used to value the annuity interest, the remainder beneficiaries will receive assets at the termination of the trust without incurring any gift or estate taxes.[102]

For a more in-depth discussion of GRATs, see Jennifer Lan, *Grantor Retained Annuity Trusts* (a publication of the UBS Advanced Planning Group).

Reporting gifts

An individual generally must file a gift tax return only if the individual makes one or more taxable gifts during the year.[103] Taxable gifts don't create any gift tax unless the individual has fully used their lifetime exemption.[104] Sometimes, it's useful to report a transaction that isn't a gift.

Here are some situations in which an individual must file a gift tax return:

- An individual makes a gift in excess of $17,000 to someone other than their US citizen spouse.[105]
- An individual makes a gift to a 529 plan and the individual wishes to treat the gift as made over five years (i.e., a frontloaded gift to a 529 plan).[106]
- A married couple wishes to elect gift-splitting, so that one spouse is treated as making one-half of the gifts that the other spouse made.[107]

[102] More specifically, the 7520 rate is 120% of the federal midterm rate (subject to rounding). IRC § 7520(a)(2). The federal midterm rate is based on the average market yield on outstanding marketable obligations of the United States with a remaining maturity period of more than three years and not more than nine years. IRC § 1274(d)(1)(C)(ii). When valuing the annuity interest, the grantor must use the 7520 rate that's in effect for the month in which the grantor contributes money or other property to the GRAT.
[103] IRC § 6019. An individual who isn't a US citizen or US resident generally must file a gift tax return only if the individual makes a taxable gift of US-situs property (e.g., if, in 2023, the individual gives more than $17,000 of such property to someone or gives more than $175,000 of such property to a non-citizen spouse). IRC § 2501(a)(2).
[104] Treas. Reg. § 25.2505-1(a).
[105] Treas. Reg. § 25.2019-1(a).
[106] IRC §§ 529(c)(2)(B) and 6019.
[107] Treas. Reg. § 25.6019-2.

If a married individual makes a gift from an account that the couple own as joint tenants or tenants by the entirety, they aren't automatically treated as each making one-half of the gift.[108] In contrast, a gift of community property is treated as made one-half by each spouse.[109]

An individual isn't subject to any penalty for failing to file a gift tax return or filing it late, unless the individual owed gift taxes.[110] If, however, the individual makes gifts into trust and doesn't file a timely gift tax return, there may be unfavorable generation-skipping transfer (GST) tax consequences.[111] If the individual gifts non-cash property (other than publicly traded securities), the individual won't start the statute of limitations against the IRS for challenging the value of the gift until they file a gift tax return reporting the gift.[112] Similarly, if the individual engages in a non-gift transaction (such as a sale to a grantor trust, a zeroed-out GRAT, or a zeroed-out charitable lead annuity trust), the individual won't start the statute of limitations against the IRS for asserting that the transfer was a gift until they file a gift tax return reporting the transfer.[113] The IRS can challenge the value of a gift or the position that a transfer isn't a gift so long as the statute of limitation remains open. In some cases, the IRS challenge has come when the donor dies decades after the transfer.[114]

Obtaining an appraisal

When reporting a gift, a qualified appraisal can play an important role in substantiating the value of the gift. By attaching a qualified appraisal to their gift tax return, an individual can start the statute of limitations against the IRS for challenging the value of a gift.[115] On the gift tax return, the individual also must include:

- a description of the transferred property,
- a description of any consideration that the individual received in exchange for the property,
- the identity of each transferee,
- the relationship between the individual and each transferee,
- if the property is transferred in trust, the trust's tax identification number and a brief description of the terms of the trust, or in lieu of a brief description of the trust terms, a copy of the trust instrument.[116]

Given the time that's often involved in preparing an appraisal, an individual should start the process of obtaining an appraisal as soon as possible.

Given the time that's often involved in preparing an appraisal, an individual should start the process of obtaining an appraisal as soon as possible.

Preparing to file a gift tax return

An individual's 2023 gift tax return generally is due April 15, 2024.[117] By filing an application to extend the due date for filing an income tax return, an individual also automatically extends the due date for filing their gift tax return.[118] Accordingly, with the extension, an individual's 2023 gift tax return is due October 15, 2024.[119]

[108] See Treas. Reg. § 25.2511-1(h)(4) and Rev. Rul. 69-148.
[109] See Treas. Reg. § 25.2511-1(h)(9).
[110] IRC § 6651(a)(1).
[111] Treas. Reg. § 26.2632-1(b). For a discussion of the GST tax and how it applies to trusts, see *Generation-Skipping Transfer Tax* (a publication of the UBS Advanced Planning Group).
[112] Treas. Reg. § 301.6501(c)-1.
[113] IRC § 6501(a).
[114] *Estate of Redstone v. Commissioner*, 145 T.C. 259. In *Redstone*, Edward Redstone made a transfer in 1972 and died in 2011, having never reported the transfer. The IRS subsequently (and successfully) assessed a gift tax on the 1972 transfer.
[115] Treas. Reg. § 301.6501(c)-1(e)(2). Alternatively, the individual can provide a detailed description of the method used to determine the fair market value of the gift. The individual must include this description with their gift tax return. With a qualified appraisal, the regulatory requirements are clearer, so there's usually more certainty with respect to whether the individual has adequately disclosed a gift on a gift tax return.
[116] Id.
[117] IRC § 6075(b).
[118] Treas. Reg. § 25.6081-1(a).
[119] Treas. Reg. § 1.6081-4(a). See also IRC § 7503.

Reviewing the estate plan and corresponding documents and structures

An individual should periodically review their estate plan to ensure that their plans reflect their current wishes and objectives. This includes both tax and non-tax objectives. This review may be especially important if there has been a significant life event—such as a marriage, divorce, birth, or death—or a significant change in financial circumstances.

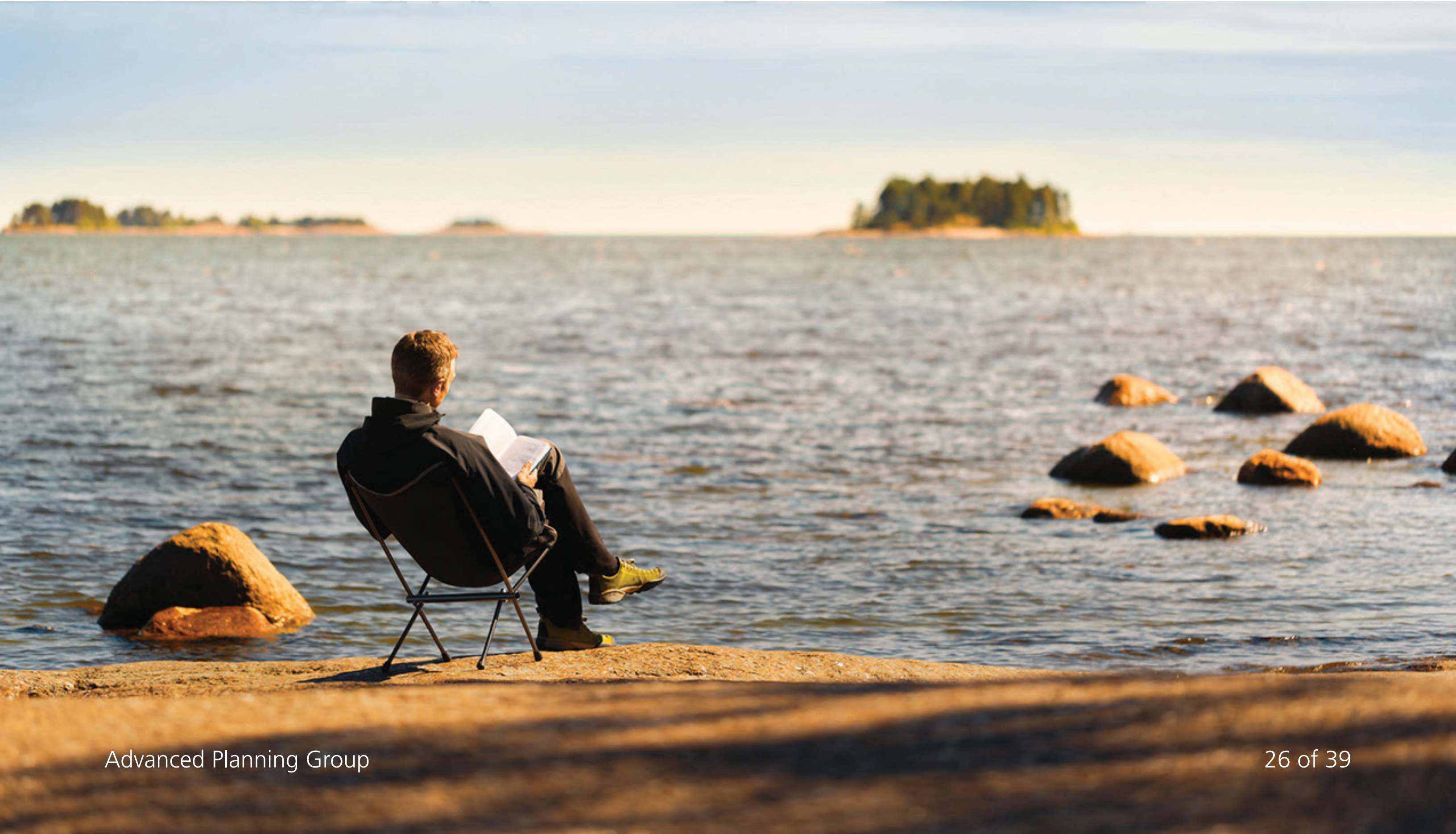
Additionally, an individual who owns an interest in a family limited partnership or similar structure might consider reviewing the governing documents such as the partnership agreement and the entity's administration to ensure that it achieves the desired tax and non-tax objectives. If the family limited partnership or similar structure isn't properly structured and administered, it may not achieve those objectives. Often, these structures are interwoven into the individual's estate plan.

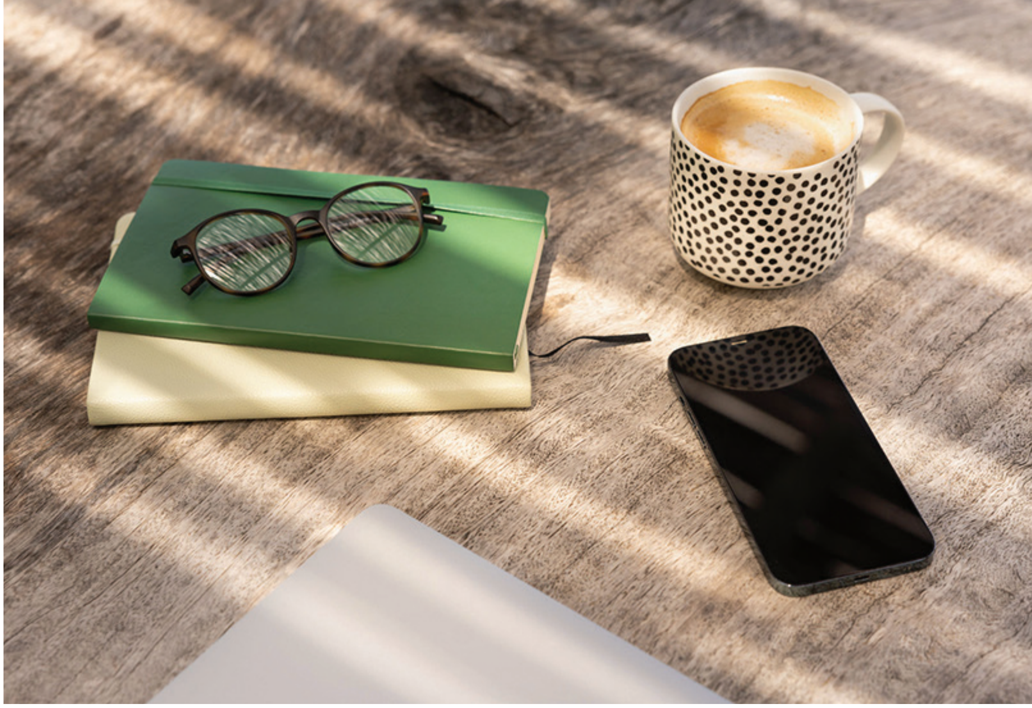
For a more information about estate planning, see Joanna Morrison, *Estate Planning: An Overview* (a publication of the UBS Advanced Planning Group).

Reviewing ownership of assets

An individual should review how they own their assets for purposes of making sure that the way in which they own them aligns with their estate plan. They should confirm the titling of the assets, so that they can ensure those assets will be distributed according to their goals and objectives.

For a more information about asset titling, see Catherine McDermott, *Asset Titling* (a publication of the UBS Advanced Planning Group).





Reviewing beneficiary designations
An individual should periodically review the beneficiary designations for purposes of ensuring that they reflect the individual's current wishes and objectives. Assets that have beneficiary designations include:

- IRAs, qualified plans, and 403(b) plans
- annuities
- life insurance
- pay on death (POD) accounts
- transfer on death (TOD) accounts

Corporate Transparency Act

The Corporate Transparency Act created new reporting requirements that will affect many family businesses and other entities that families use in their wealth structures.[120] Under the act, reporting companies must provide information about their beneficial owners to the Financial Crimes Enforcement Network (FinCEN).[121]

On September 30, 2022, FinCEN issued regulations implementing the reporting requirements.[122] These reporting requirements, which apply to many family-controlled and other types of companies, aim to diminish the ability of bad actors to use entities for illicit purposes, including corruption, money laundering, terrorist financing, and tax evasion.[123]

A reporting company generally is any corporation, limited liability company, or other entity formed or registered in the United States, unless it qualifies for an exemption. A trust is not a reporting company. A beneficial owner generally is any individual who (directly or indirectly) exercises substantial control over the reporting company or (directly or indirectly) owns or controls 25% or more of the reporting company's ownership interests.

According to the regulations:

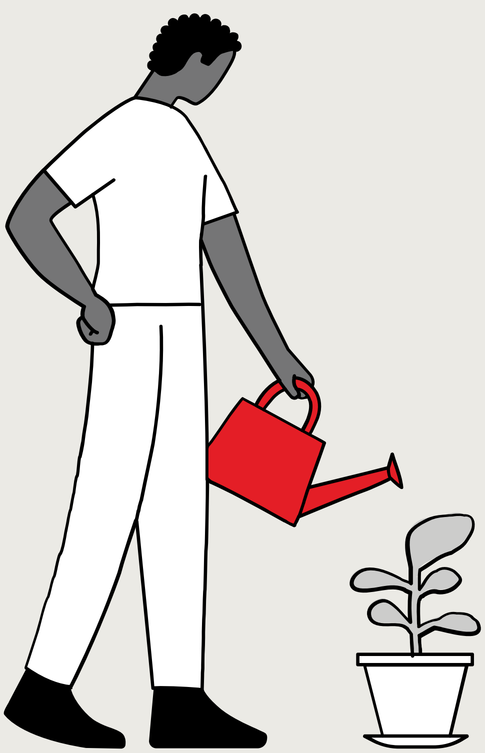
- For entities formed or registered before January 1, 2024, all reportable information as required by the Corporate Transparency Act is required to be submitted to FinCEN not later than January 1, 2025.
- For entities formed or registered on or after January 1, 2024, all reportable information as required by the Corporate Transparency Act is required to be submitted to FinCEN within 30 calendar days of formation.[124]
- Thereafter, updates to reportable information are required to be submitted to FinCEN within 30 calendar days (e.g., changes to the management or ownership structure of a reporting company).

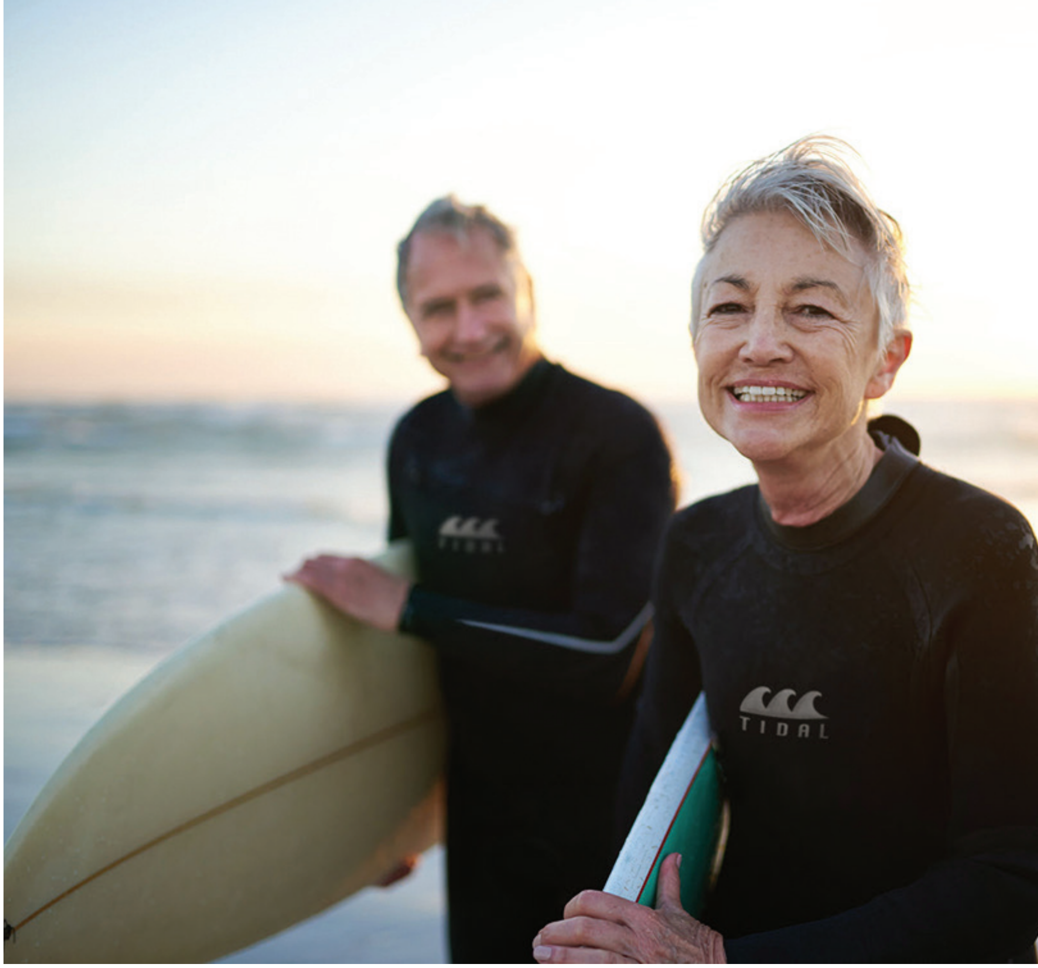
For more information on the reporting requirements, see Todd D. Mayo, *Beneficial Ownership Reporting Requirement under the Corporate Transparency Act* (a publication of the UBS Advanced Planning Group).

[120] Pub. Law 116-283 (2020), §§ 6401 to 6403.
[121] See, generally, 31 USC § 5336(b)(1).
[122] *Beneficial Ownership Information Reporting Requirements*, 87 Fed. Reg. 59498 (September 30, 2022). In 2021, FinCEN promulgated proposed regulations. See *Beneficial Ownership Information Reporting Requirements*, 86 Fed. Reg. 69920 (December 8, 2021). FinCEN had previously issued an advance notice of proposed rulemaking, soliciting comments on the regulations implementing the reporting requirements. See *Beneficial Ownership Information Reporting Requirements*, 86 Fed. Reg. 17557 (April 5, 2021).
[123] 87 Fed. Reg. 59498, 59500-59507.
[124] Under the proposed extension, a reporting company created in 2024 would have to file its initial report within a 90-day period (rather than a 30-day period). For more information on this proposal, see Todd D. Mayo, *FinCEN Proposes to Extend the Time for Filing Certain Beneficial Ownership Information Reports under the Corporate Transparency Act* (a publication of the UBS Advanced Planning Group).

Trust planning and administration

As year-end approaches, an individual may wish to review the administration of any trusts of which they are a grantor, beneficiary, or trustee.





Sending Crummey notices

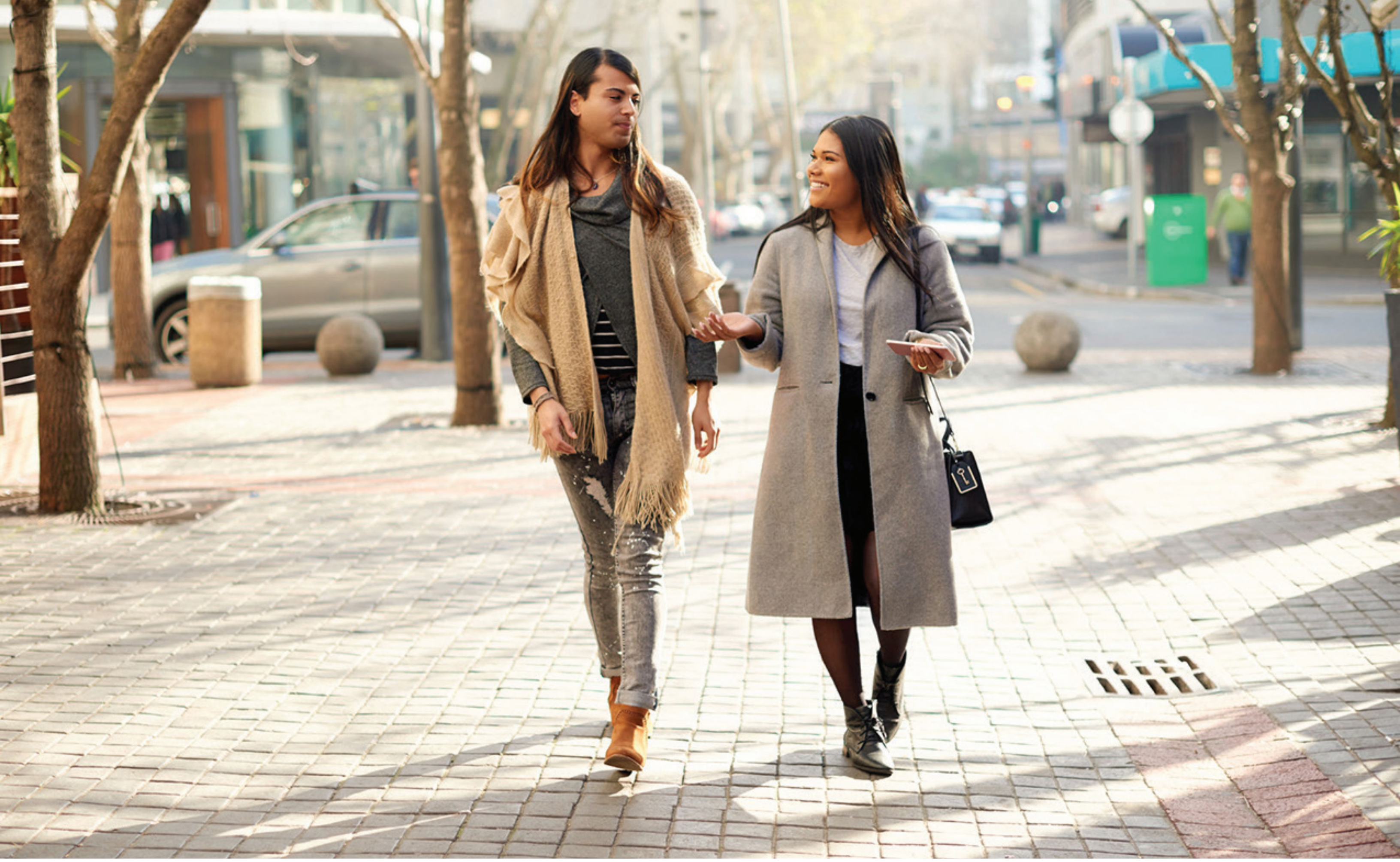
In some cases, an individual may design an irrevocable trust so that one or more of the beneficiaries has the power to withdraw some or all of each contribution made to the trust. To the extent that a beneficiary can withdraw a contribution to a trust, the contribution is a gift to the beneficiary and qualifies for the gift tax annual exclusion.[125] When an individual makes a contribution to a trust, the trust agreement may require the trustee to provide notices to the beneficiaries who can withdraw some or all of the contribution. Even if the trust agreement doesn't require the trustee to send those notices, it may be advantageous to do so to ensure that the contribution qualifies for the gift tax annual exclusion (to the extent of the withdrawal powers).

Considering the income tax implications of a grantor trust

In the case of a grantor trust, the grantor (or sometimes a beneficiary) must report the trust's income, deductions, and credits on their personal income tax return. The trust itself is generally disregarded for income tax purposes. While it's often advantageous for a trust to be a grantor trust—by paying the tax, the grantor (or beneficiary) allows the trust property to accumulate without any diminution due to those taxes—the tax bite sometimes becomes unpalatable.

What if the tax bite is unpalatable? The individual may be able to borrow from the trust for purposes of paying the taxes. By borrowing from the trust, the individual gets the liquidity to pay the taxes but doesn't increase the individual's estate for estate tax purposes. In the case of a self-settled trust, the trustee may have the power to distribute trust property to the grantor. In the case of a spousal lifetime access trust, the trustee may have the power to distribute trust property to the grantor's spouse. In the case of a trust that's a grantor trust with respect to the grantor, the trustee (or possibly another person) may have the power to reimburse the grantor for the income taxes attributable to the trust. An individual might wish to avoid a pattern of distributions or reimbursement payments, because the individual may be seen as having retained an interest that would cause the trust property to be includible in the individual's estate for estate tax purposes.

[125] *Crummey v. Commissioner*, 397 F.2d 82 (9th Cir. 1968).



An individual who created a trust that is a grantor trust with respect to them might consider whether they should toggle off grantor trust status, if possible. This individual usually can cause a trust to become a nongrantor trust—and thus its own taxpayer—by releasing certain powers that the individual has under the terms of the trust. It's important to think through all of the ramifications of toggling off grantor trust status. For example, converting a trust from a grantor trust to a nongrantor is an inclusion event with respect to any qualified opportunity fund, causing the immediate recognition of any deferred gains. A conversion also might trigger certain gains.

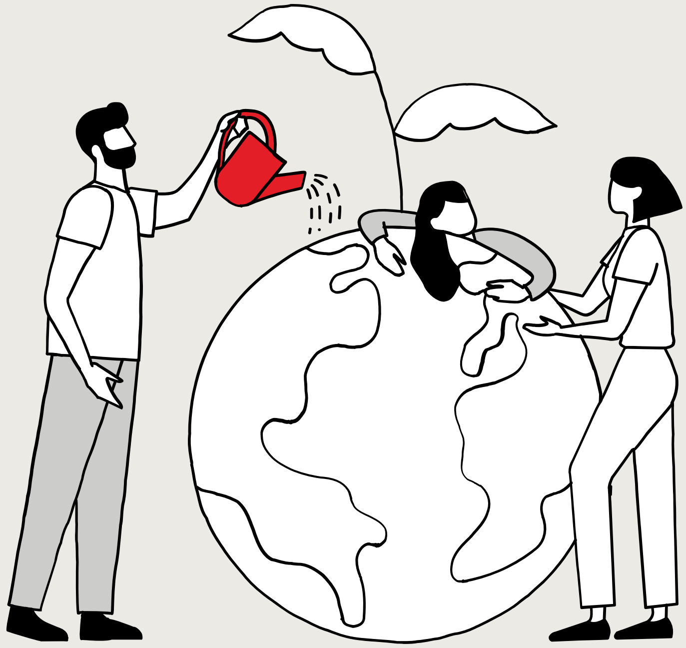
Making year-end distributions from nongrantor trusts

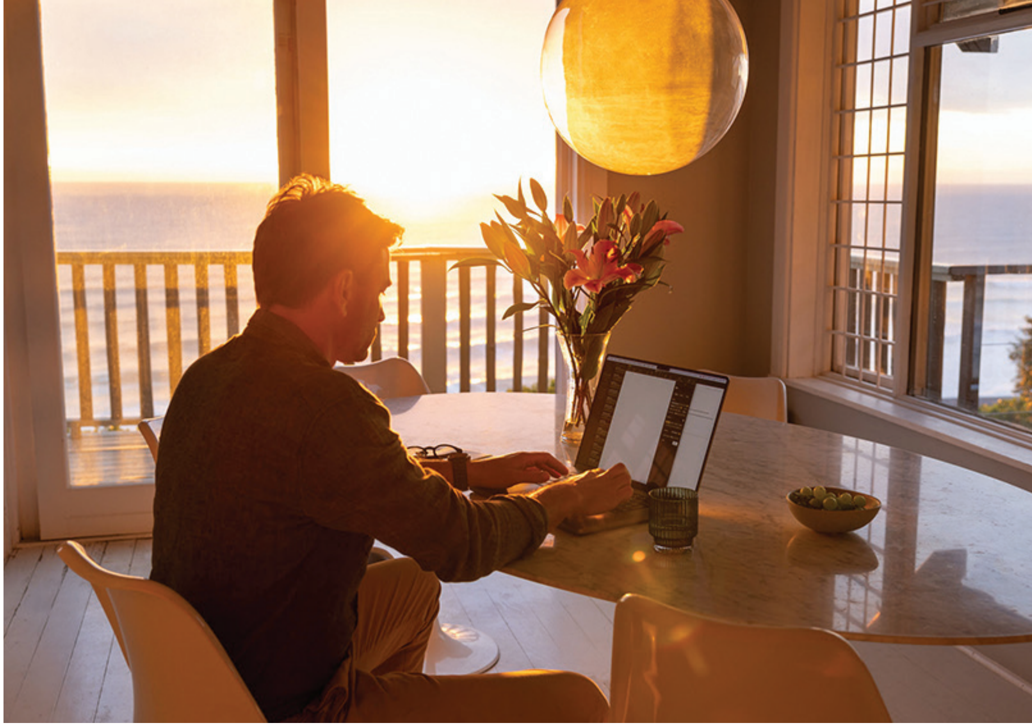
As year-end approaches, a grantor or beneficiary of a nongrantor trust might ask the trustee to consider distributing the trust's income (and, depending on the terms of the trust, the trust's capital gains) to the beneficiaries who are taxed at lower rates than the trust. This may be more tax efficient, because trusts are subject to compressed income tax brackets and a lower threshold for the 3.8% net investment income tax. Under the 65-day rule, the trustee may make a distribution within the first 65 days of 2024 and, for tax purposes, treat it as being made on December 31, 2023.[126] This gives the trustee some extra time to evaluate whether to make a distribution. Of course, the trustee should consider the tax status, goals, and objectives of the trust and beneficiaries before making any tax-motivated distributions to any of the beneficiaries.

[126] IRC § 663(b).

Charitable giving

If an individual is charitably inclined, then that person should review the charitable gifts they've made so far for the year and also consider whether they wish to make additional gifts. In addition to helping an individual achieve their philanthropy objectives, a charitable gift often provides tax benefits. The individual may be able to claim an income tax charitable deduction (which can reduce their regular income tax and AMT), and sizable gifts may help to reduce the individual's estate for estate tax purposes (which potentially can reduce estate taxes).





Making year-end gifts

If an individual wishes to obtain an income tax charitable deduction for 2023, the individual must make their gift on or before December 31, 2023.[127]

When contemplating year-end gifts, an individual should be mindful of the practical issues with completing the gift. For example, a gift of stock for which the donor has a physical stock certificate may take several weeks to complete. Similarly, a gift of real estate involves preparing a deed, signing it, and delivering it to the charitable organization.

Just as there are a number of different assets that can be used to make gifts, there are also several types of charitable organizations to receive those gifts. The type of asset gifted and the particular charitable organization the asset is gifted to will determine the available charitable deduction.

Charitable deduction limitations

The donor will be subject to adjusted gross income (AGI) limitations for charitable contributions.[128] If a donor contributes cash to a private foundation, the donor can deduct the amount of the gift up to 30% of AGI, whereas if the donor contributes cash to a public charity, the donor can deduct the amount of the gift up to 60% of AGI. Similarly, if a donor contributes appreciated publicly traded stock held more than one year to a private foundation, the donor may deduct the fair market value of the stock up to 20% of AGI, whereas if the donor donates the same stock to a public charity (including donor-advised funds), the donor may deduct the fair market value of the stock up to 30% of AGI.[129]

Table 3

Charitable deduction amounts and AGI limits[130]

Type of asset donated	Public charity	Private foundation	Amount of deduction
Cash	60%[131]	30%	Amount of cash
Publicly traded securities held long term	30%	20%	Fair market value
Long-term capital gain property (other than publicly traded securities noted or tangible personal property)	30%	20%	When gifted to a public charity, fair market value; when gifted to a private foundation, basis.

[127] IRC § 170(a)(1).
[128] More precisely, these limits are based on the donor's contribution base, which is the donor's AGI calculated without regard to any net operating loss carrybacks.
[129] For a detailed discussion of the rules relating to the deductibility of charitable contributions, see Rebecca Sterling, *Donor Advised Funds and Private Foundations* (a publication of the UBS Advanced Planning Group) and Todd D. Mayo, *2023 Planning Guide* (a publication of the UBS Advanced Planning Group).
[130] More precisely, the limitation is based on the donor's contribution base, which is the donor's AGI computed without regard to any net operating loss carryback. Additionally, if the donor also makes non-cash contributions during the calendar year, cash can be deducted only up to 50% of AGI.
[131] Beginning in 2026, cash contributions to public charities (and CRTs that ultimately may benefit only public charities) generally will be 50% of AGI.

An individual who owns appreciated property, wishes to diversify in a tax-efficient manner, and is charitably inclined might consider creating a charitable remainder trust (CRT).

Other considerations

In addition to the charitable deduction limitations, an individual who makes charitable contributions during the year should consider the following:

- The individual should make sure they have proper substantiation of those contributions.[132] For a gift in excess of $250, a donor must obtain a receipt.[133] This is so even if the donor made the gift to their own private foundation. For a gift of property (other than publicly traded securities) having a value of more than $5,000, a donor generally must obtain a qualified appraisal.[134]
- To the extent that an individual's charitable contributions exceed the amount allowable as an income tax charitable deduction under the percentage limitations, the individual has a charitable contribution carryforward, which the individual can use over the next five years.[135]

Making qualified charitable distributions

An individual who has attained 70½ years of age and is charitably inclined might consider making a qualified charitable distribution, which is a distribution from an IRA to a public charity (other than a donor advised fund or supporting organization).[136] An individual generally can make up to $100,000 of qualified charitable distributions during a calendar year.[137] To qualify as a qualified charitable distribution, the distribution must be made from an IRA directly to a qualifying charity.[138] An individual's qualified charitable distributions count toward the individual's RMDs.[139]

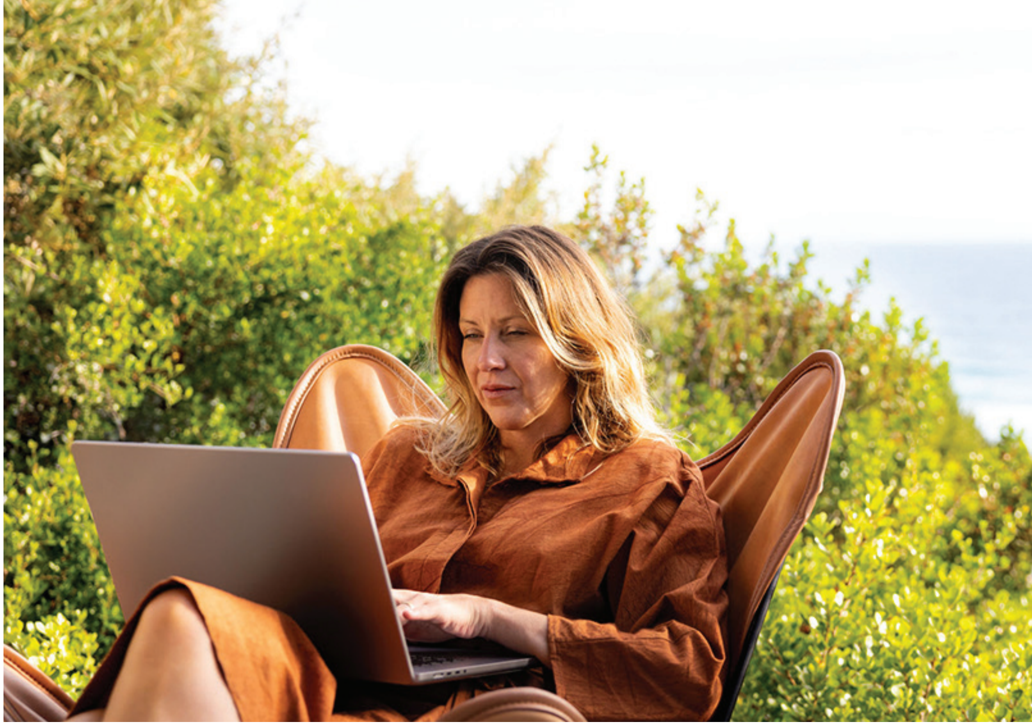
A qualified charitable distribution isn't includible in the IRA owner's income and thus isn't subject to income tax.[140] A qualified charitable distribution doesn't qualify for an income tax charitable deduction.[141] Excluding a qualified charitable deduction from income and allowing an income tax deduction for the distribution would be a double tax benefit.

Additionally, under SECURE 2.0 Act, beginning January 1, 2023, individuals are able to make a one-time election to treat a distribution of up to $50,000 from an IRA to a charitable remainder annuity trust, charitable remainder unitrust, or a charitable gift annuity as a QCD, subject to certain limitations, including that such entity is funded exclusively by the QCD.

Creating a charitable remainder trust

An individual who owns appreciated property, wishes to diversify in a tax-efficient manner, and is charitably inclined might consider creating a charitable remainder trust (CRT). The trust potentially enables the individual to sell the appreciated property, defer recognition of the capital gains, and receive a stream of income (typically for life).

[132] For more information on substantiation requirements for charitable deductions, see Todd D. Mayo, *Reporting Requirements for Gifts and Other Transfers* (a publication of the UBS Advanced Planning Group).
[133] IRC 170(f)(8)(A).
[134] IRC § 170(f)(11)(C).
[135] IRC § 170(d)(1).
[136] IRC § 408(d)(8)(B). A distribution from an active SEP IRA or an active SIMPLE IRA, however, doesn't qualify as a qualified charitable contribution. A SEP IRA is an IRA that's set up by or for an employee under a simplified employee pension (SEP). See IRC § 408(k)(1). A SIMPLE IRA is an IRA that's set up for an employee under a savings incentive match plan for employees of small employers (SIMPLE) IRA plan. See IRC § 408(p)(1). A SEP IRA or SIMPLE IRA is active (or, in the IRS's parlance, ongoing) if the employer makes a contribution to it during the plan year that ends in the calendar year in which the employee would make a qualified charitable distribution. Notice 2007-07, A-36.
[137] IRC § 408(d)(8)(A). This cap may be less if the individual has made deductible contributions to IRAs beginning in the year they attain 70½ years of age. We discuss this below. Additionally, under SECURE 2.0 Act, beginning in 2024 this $100,000 limitation will be indexed for inflation, rounded to the nearest multiple of $1,000.
[138] IRC § 408(d)(8)(B)(i).
[139] Id.
[140] IRC § 408(d)(8)(A).
[141] IRC § 408(d)(8)(E).



This may be an attractive strategy for someone who owns a low-basis concentrated stock position or a business owner who anticipates that there may be a sale of the company in the not-too-distant future.

A CRT is an irrevocable trust that provides distributions to individuals during their lives (or for a term of not more than 20 years), with the remainder passing to charity at the end of the trust's term.[142] Because a CRT generally is tax-exempt, it's generally well-suited for the tax-efficient diversification of highly appreciated assets. Although the trust itself is generally not taxable, payments to the non-charitable beneficiaries are taxable under a system of taxation unique to CRTs known as the four-tier system. There are two basic types of CRTs, the unitrust (which provides for variable payments) and the annuity trust (which provides for fixed payments). Finally, the donor receives an income tax deduction in the year the trust is funded for the present value of the charitable remainder interest (which must be at least 10% of the amount contributed).[143]

For a more in-depth discussion of charitable remainder trusts, see Jennifer Lan, *Charitable Remainder Trusts* (a publication of the UBS Advanced Planning Group). For more information about using charitable remainder trusts in pre-sale planning, see David Leibell, *Planning for the Sale of a Closely Held Business* (a publication of UBS Family Office Solutions and the UBS Advanced Planning Group).

Creating a charitable lead annuity trust

An individual who is charitably inclined and likes the idea of shifting wealth on a gift and estate tax free basis to children (or others) might consider creating a charitable lead annuity trust. A charitable lead annuity trust is an irrevocable trust that annually pays an annuity (that is, a fixed dollar amount) to one or more charities for a period of time (often, 10 or 20 years), after which the remaining property is distributed (either outright or in trust) to one or more non-charitable beneficiaries (typically, the donor's children). The trust could pay the annuity to the individual's donor advised fund or private foundation, or it could pay the annuity to one or more charities that the trustee selects each year.

If the trust is designed as a grantor trust, then the donor generally can claim an income tax charitable deduction for the present value of the charitable interest in the trust (i.e., the annuity interest).[144] Of course, if the trust is designed as a grantor trust, then the donor must include the trust's income, deductions, and credits on the grantor's income tax return.[145] If, in contrast, the trust is designed as a nongrantor trust, then the donor can't claim an income tax charitable deduction for the donor's contribution to the trust, but the trust generally can claim an income tax charitable deduction for the annuity payments that it makes.[146]

For a more in-depth discussion of charitable lead annuity trusts, see Jennifer Lan, *Charitable Lead Annuity Trusts* (a publication of the UBS Advanced Planning Group).

[142] See IRC § 664.
[143] IRC §§ 664(d)(1)(D) and (d)(2)(D).
[144] IRC § 170(f)(2)(B).
[145] IRC § 671.
[146] IRC § 642(c).

Managing a private foundation

An individual who created a private foundation and remains involved in its management (such as a director or trustee) should review the foundation's investments and operations before year end.[147] Some key things to consider doing:

- Confirm that the directors and trustees have or will have had any meetings that the foundation's governing documents or state law may require and that those meetings have been properly documented (e.g., through minutes of those meetings).
- If there have been any changes affecting who is serving as a director, officer, or trustee, confirm that any appointment, resignation, or removal has been properly documented.
- Calculate an estimated amount of grants that the foundation must make this year.
- Confirm that, before year end, the foundation made (or will have made) all of the grants that it was required to make for last year.
- Consider making a grant from the private foundation to a donor advised fund before year's end if there isn't time to decide which charities should receive some or all of the amount that the foundation must grant this year.
- Consider making grants of low-basis stock instead of selling the stock to raise cash for the grants, so that the foundation avoids the 1.39% excise tax on the gain from such sales.
- If the foundation recognized any losses during the year, consider selling appreciated property, so that the foundation can offset those losses (because the foundation can't carry losses forward to next year).

For a more in-depth discussion of managing private foundations, see Ann Bjerke, *Managing a Private Foundation* (a publication of the UBS Advanced Planning Group).

For a comprehensive discussion of charitable giving, see David Leibell, *Charitable Giving: Rules of the Road* (a publication of UBS Family Office Solutions, the UBS Advanced Planning Group, and UBS Family Advisory and Philanthropy Services).

[147] For simplicity, this guide assumes that the foundation's taxable year is the calendar year, which is commonly the case.

Key dates

The following is a list of key dates relating to tax planning.

Table 4

Key dates for individuals.

2023

September 16	Estimated tax payment due
October 16	2022 income tax return due if an application for extension was timely filed
November 29	Last day to buy a security as a part of a doubling-up strategy
December 29	Last trading day
	Last day to sell publicly traded securities that are held in an investment account and recognize a loss in 2023 (unless the wash-sale rule or another loss disallowance rule applies)
	Last day to make a non-charitable gift using publicly traded securities that are held in an investment account
	Last day to make a gift to charity using publicly traded securities that are held in an investment account
December 31	Last day to make a non-charitable gift
	Last day to make a gift to charity

2024

January 16	Estimated tax payment due
January 29	First day to buy the same or substantially identical security as a security sold on December 29, 2023 (i.e., the last trading day in 2023) without being subject to the wash-sale rule
April 15	For anyone who isn't a resident of Maine or Massachusetts, 2023 income tax return due, unless an application for extension is timely filed
	For anyone who isn't a resident of Maine or Massachusetts, 2023 taxes due
	Estimated tax payment due
April 16	For anyone who is a resident of Maine or Massachusetts, 2023 income tax return due, unless an application for extension is timely filed
	For anyone who is a resident of Maine or Massachusetts, 2023 taxes due
June 17	Estimated tax payment due
October 15	2023 income tax return due if an application for extension was timely filed

Year-End Considerations[148]

Income tax and investment-related planning

- Review portfolio
  - Harvest losses and doubling on a security
  - Identify worthless securities
  - Defer gains using qualified opportunity funds
  - Deduct state and local taxes
  - Manage a concentrated stock position
- Estimate taxes and plan to pay them
  - Determine 2023 versus 2024 income, deductions and credits
  - Determine effective alternative minimum tax

State tax planning

- Manage residency
- Change residence
- Shift income and gains out of state

Retirement planning

- Maximize contributions to applicable retirement plans
- Take required minimum distributions

Wealth transfer planning

- Review estate plan and ownership of assets
- Make annual exclusion gifts
- Pay tuition and medical expenses directly to provider
- Use lifetime exemption

Trust planning and administration

- Send Crummey notices
- Income tax implications of a grantor trust
- Make year-end distributions from a non-grantor trust

Charitable giving

- Make year-end gifts
- Make qualified charitable distributions
- Create a charitable remainder trust or charitable lead annuity trust
- Management of private foundation

[148] This list is not intended to be exhaustive, just options to consider at year-end.

About the Advanced Planning Group

The Advanced Planning Group consists of former practicing estate planning and tax attorneys with extensive private practice experience and diverse areas of specialization, including estate planning strategies, income and transfer tax planning, family office structuring, business succession planning, charitable planning and family governance.

The Advanced Planning Group provides comprehensive planning and sophisticated advice and education to ultra high net worth (UHNW) clients of the firm. The Advanced Planning Group also serves as a think tank for the firm, providing thought leadership and creating a robust intellectual capital library on estate planning, tax and related topics of interest to UHNW families.

Purpose of this document.
This report is provided for informational and educational purposes only. It should be used solely for the purposes of discussion with your UBS Financial Advisor and your independent consideration. UBS does not intend this to be fiduciary or best interest investment advice or a recommendation that you take a particular course of action. The information is current as of the date indicated and is subject to change without notice.

Personalized recommendations or advice.
If you would like more details about any of the information provided, or personalized recommendations or advice, please contact your UBS Financial Advisor.

Conflicts of interest.
UBS Financial Services Inc. is in the business of establishing and maintaining investment accounts (including retirement accounts) and we will receive compensation from you in connection with investments that you make, as well as additional compensation from third parties whose investments we distribute. This presents a conflict of interest when we recommend that you move your assets to UBS from another financial institution or employer retirement plan, and also when we make investment recommendations for assets you hold at, or purchase through, UBS. For more information on how we are compensated by clients and third parties, conflicts of interest and investments available at UBS please refer to the 'Your relationship with UBS' booklet provided at ubs.com/relationshipwithubs, or ask your UBS Financial Advisor for a copy.

No tax or legal advice.
UBS Financial Services Inc., its affiliates and its employees do not provide tax or legal advice. You should consult with your personal tax and/or legal advisors regarding your particular situation.

Important additional information applicable to retirement plan assets (including assets eligible for potential rollover, distribution or conversion).
This information is provided for educational and discussion purposes only and are not intended to be fiduciary or best interest investment advice or a recommendation that you take a particular course of action (including to roll out, distribute or transfer retirement plan assets to UBS). UBS does not intend (or agree) to act in a fiduciary capacity under ERISA or the Code when providing this educational information. Moreover, a UBS recommendation as to the advisability of rolling assets out of a retirement plan is only valid when made in a written UBS Rollover Recommendation Letter to you provided by your UBS Financial Advisor after a review of detailed information that you provide about your plan and that includes the reasons the rollover is in your best interest. UBS and your UBS Financial Advisor do not provide rollover recommendations verbally.

With respect to plan assets eligible to be rolled over or distributed, you should review the IRA Rollover Guide UBS provides at ubs.com/irainformation which outlines the many factors you should consider (including the management of fees and costs of your retirement plan investments) before making a decision to roll out of a retirement plan. Your UBS Financial Advisor will provide a copy upon request.

Important information about brokerage and advisory services.
As a firm providing wealth management services to clients, UBS Financial Services Inc. offers investment advisory services in its capacity as an SEC-registered investment adviser and brokerage services in its capacity as an SEC-registered broker-dealer. Investment advisory services and brokerage services are separate and distinct, differ in material ways and are governed by different laws and separate arrangements. It is important that you understand the ways in which we conduct business, and that you carefully read the agreements and disclosures that we provide to you about the products or services we offer. For more information, please review client relationship summary provided at ubs.com/relationshipsummary, or ask your UBS Financial Advisor for a copy.

Borrowing using securities as collateral involves special risks, is not suitable for everyone and may not be appropriate for your needs.
All loans are subject to credit approval, margin requirements, and margin call and other risks; credit lines may be subject to breakage fees. For a full discussion of the risks associated with borrowing using securities as collateral, review the Loan Disclosure Statement included in your application package/account opening package. **UBS Financial Services Inc. (UBS-FS) and its Financial Advisors have a financial incentive to recommend the use of securities backed loans, rather than the sale of securities to meet cash needs because we receive compensation related to the loan as well as the investments used to secure the loan.** We benefit if you draw down on your loan to meet liquidity needs rather than sell securities or other investments, and have a financial incentive to recommend products or manage an account in order to maximize the amount of the loan. UBS-FS and its Financial Advisors and employees offer banking and lending products to clients through our affiliates and third-party banks in our capacity as a broker-dealer and not as an investment adviser.

UBS-FS, their employees and affiliates do not provide legal or tax advice. You should contact your personal tax and/or legal advisors regarding their particular situations, including the legal and tax implications of borrowing using securities as collateral for a loan.

This information is not provided based on your particular financial situations or needs and does not take into account individual investors' circumstances. You should not consider this information to be a "recommendation" by UBS or your UBS Financial Advisor.

Original Publication Date: October 2023
Approval Code: IS2305567
Expiration Date: 9/30/2024