

Debbie Weber Photography

Happy New Year!



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business beat

Your Retirement in 2022



Retiring soon? You're not alone. Principal Financial Group reports that 11% of workers plan to retire or leave the workforce in 2022. But don't let last year's planning throw this year's retirement off-kilter. There are several changes in both Social Security benefits and IRS rules for retirement plans worth noting:

Full retirement age has increased. The full retirement age for receiving Social Security has grown a few months to 67. You can claim early retirement benefits at 62, but doing so will reduce monthly benefits by up to 30%. Every individual's retirement numbers add up differently, so it's essential to base your decision on when to claim benefits on several factors: other sources of savings and funds as well as your expenses, health, and family situation.

Social Security benefit and threshold increases: Social Security benefits will increase by a whopping 5.9% this year. It's the biggest cost-of-living adjustment since 1983. The income test has changed, too. You can now earn up to \$19,560 per year without a reduction in your benefits if you're an early filer claiming Social Security before your full retirement age. Of course, inflation is also at play, so don't expect those extra dollars to get you further than it did before.

Social Security increases for high earners: High earners will get more because the maximum monthly payout is also increasing. The biggest payouts in 2022 will be \$3,345. But, to get that amount, you'll need to wait until full retirement age after working at least 35 years at (or above) the maximum taxable earnings. The downside for high earners: If you're not ready to retire quite yet, you'll be paying more into the system. The Social Security-funding income threshold has increased to \$147,000.

Wrap up your free early distribution. The CARES Act expanded distribution options, special rollover rules, and no early distribution penalty for up to \$100,000 for coronavirus-related distributions from eligible retirement plans. If you claimed such an event in 2020, this is the final year you can either pay that amount back or report it as income spread over the next three years.

Retirement account adjustments. Social Security will not be your most reliable source of retirement income. It's essential to

keep an eye on your other retirement accounts to maintain stability. The IRS has released cost-of-living adjustments for qualified retirement plans and other retirement benefits. Ask your tax advisor about any changes in deferrals, regular and catch-up contribution limits, compensation definitions, and employee stock ownership plan (ESOP) limits that may apply to you.

Every retiree will be affected differently by these and other changes, so don't forget to re-evaluate your retirement blueprint right away.

Steven Bankler has more than 44 years of experience in the accounting industry. Steven's expertise lies in consulting, planning, tax, and asset protection, as well as exit strategy services for closely-held businesses. He also provides litigation support (both as a testifying expert witness and a consulting expert), business negotiations, and estate planning. Visit www.bankler.com for additional tax strategy tips and to learn more about Steven Bankler, CPA, Ltd.

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