

IT'S ASCENTIAL TO KNOW

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Changes in Education Planning

Dovetailing off the SECURE Act passed in 2019, the SECURE Act 2.0 further overhauls parts of our nation's retirement savings system. One of the new provisions allows for the conversion of unused 529 account balances to a Roth IRA. This creates an opportunity for legacy 529 accounts and should also be a consideration for those looking to open a new 529 account.

Additionally, there were significant changes to the Free Application for Federal Student Aid (FAFSA), impacting college students. These changes will affect federal grants and student loan eligibility.

▶ 529 TO ROTH CONVERSIONS

One of the main concerns many investors have when opening a 529 account is leaving unused money in the account. In a move that brings additional flexibility to education saving planning, 529 accounts will be allowed to be

converted into Roth IRA accounts, starting in 2024. This can have a significant impact when the funds are available in retirement.

▶ KEY TAKEAWAYS

- The Roth IRA account must be in same name as 529 beneficiary.
- There is a lifetime limit of \$35,000 for transfers from a 529 account to a Roth IRA.
- The 529 account must be 15 years old to be eligible.
- Rollover amounts are subject to the IRA earned income and contribution limits.
- Contributions made to the 529 account within the last 5 years are ineligible.

If you are interested in learning more, please reach out our office. We anticipate Raymond James will allow for these conversions early in 2024.

Giving college graduates a head start on retirement savings Growth of \$35,000 rollover from 529 plan to Roth IRA



Source: J.P. Morgan College Planning Guide, 2023

Changes in Education Planning (cont.)

► FAFSA UPDATES:

Streamlining the Financial Aid Process

The FAFSA is the application used to determine eligibility for student financial aid toward college tuition costs and was overhauled in 2023 to simplify and enhance the application process. The application itself has been shortened significantly to be more user-friendly.

In an effort to clarify FAFSA language and methodology, The Expected Family Contribution (EFC) has been replaced with Student Aid Index (SAI). The EFC figure has historically been part of the FAFSA and was based on a student and their family's income, available assets, and household size. While the name may have suggested that a student's EFC was an accurate representation of what they would be expected to pay, actual tuition costs after financial aid often exceeded the EFC figure.

While the financial data used to determine SAI is similar to that of EFC, the SAI calculates the amount of financial aid a student can expect to receive, rather than the amount of tuition they can expect to pay. The updated SAI calculation is designed to consider the variability of how colleges determine financial need and offer grants to complement federal aid and student loan funding.

Other changes for the 2024-2025 Academic Year, including those to income calculations and eligibility, are outlined below:

► Eligibility Determination Updates

- Pre-tax contributions to retirement accounts will no longer be included in the parent income figures.
- Child Support and Net Farm or Business Worth will be included in the parent asset figure.

- Withdrawals from grandparent owned 529 accounts will not count as student income like they have in the past.
- FAFSA will provide income protection for student income over \$9,400 (student income of \$9,400 or less will not be factored into financial aid eligibility).
- The "sibling discount" has been removed, meaning multiple household members attending college will not be a consideration in the SAI calculation.

► Other Changes

- Applicants will no longer have the option to input their tax return manually and will instead be directed to use the IRS Direct Data Exchange.
- A new term "contributor" has been introduced, typically the student applicant's biological parents and any other household members providing financial support. The contributor(s) will be required to provide their financial information on the student's FAFSA.

Did You Know?

Starting in 2024, grandparent-owned 529 accounts will not count toward student income on the FAFSA.

2023 DULUTH WOMEN'S 10-MILE RACE

Ascential Wealth Advisors has been the title sponsor of the Duluth Women's 10-Mile race (formerly Bridging the Gap) since its inception in 2021, and this year was another opportunity for the Ascential Wealth team to participate with our staff and their families as runners and volunteers, and hand out cookies to the hungry finishers of course!

We are happy to announce that this year's race raised over \$10,000 for the Bridging the Gap fund in support of the Women's Business Alliance (WBA)! Empowering female entrepreneurs is a cause close to our hearts, and we are excited to support the WBA in helping women Bridge the Gap to achieve success and foster growth in our local business community!

Please save the date for next year's race on September 28, 2024, and stay tuned for more details from us this spring. We would love for you to join us in supporting this important cause!



Ascential Wealth staff and their families at the finish line, cheering on the runners and trying to stay warm!



Income Planning for Medicare

The new year resets the deck for income planning for retirees, and an important consideration for those over age 65 are the income thresholds for Medicare premium adjustments. Medicare premiums for Part B and Part D are set each year based on participants' income from a previous tax year. For 2024 premiums are based on income from 2022 tax returns. The base premium for full Medicare Part B coverage in 2024 is \$174.40, while base premiums for Part D vary based on the plan participants select.

In addition to the base premiums, participants will be subject to an "Income Related Monthly Adjustment Amount" (IRMAA) if their 2022 Modified Adjusted Gross Income exceeded the threshold as shown in the table to the right.

The income threshold and brackets for IRMAA change annually, and each calendar year participants' premiums are reset based on their tax filing from two years prior. A participant may be subject to IRMAA one year but not the next if their income falls below the threshold. Sometimes IRMAA adjustments are unavoidable, for example when capital gains and IRA distributions stack on top of Social Security and other earned or

fixed income sources to push total income over the threshold. Each individual's situation is unique and can vary from year to year. However, there may be opportunities to optimize strategies to minimize impact to Medicare premiums when income planning. The IRMAA thresholds should be considered in decisions related to things that affect income, such as Roth conversion opportunities, capital gain or loss harvesting, or simply what type of account to draw distributions from.

Any premium adjustment that results from one of these decisions is a cost that should be weighed in decision making, and at a minimum, it is something to be aware of when income planning.

We have the tools and expertise to help you evaluate the potential impact financial decisions may have on your Medicare premiums, so let us know if you have questions or are concerned about whether IRMAA may apply to you.

Medicare Income-Related Monthly Adjustment Amounts (IRMAA)			
Single	Married filing jointly	Part B IRMAA	Part D IRMAA
Less than or equal to \$103,000	Less than or equal to \$206,000	\$0.00	\$0.00
Greater than \$103,000 and less than or equal to \$129,000	Greater than \$206,000 and less than or equal to \$258,000	\$69.90	\$12.90
Greater than \$129,000 and less than or equal to \$161,000	Greater than \$258,000 and less than or equal to \$322,000	\$174.70	\$33.30
Greater than \$161,000 and less than or equal to \$193,000	Greater than \$322,000 and less than or equal to \$386,000	\$279.50	\$53.80
Greater than \$193,000 and less than or equal to \$500,000	Greater than \$386,000 and less than or equal to \$750,000	\$384.30	\$74.20
Greater than or equal to \$500,000	Greater than or equal to \$750,000	\$419.30	\$81.00

Source: Kiplinger, 2023

RMDs & QCDs: 2024 Changes

Additional new provisions in the Secure 2.0 act regarding Required Minimum Distribution (RMDs) and Qualified Charitable Distribution (QCDs) guideline changes go into effect starting in 2024.

- QCD Eligibility Age: 70 1/2
- 2024 QCD Distribution Limit: \$105,000
- QCDs still count toward RMD

QCD AGE & LIMIT CHANGES

IRA Owners may use QCDs to satisfy their required distribution and reduce their tax burden. Secure 2.0 maintains the existing eligibility age and ability to satisfy part or all of an IRA account's RMD for the year, and adds an inflation-adjusted annual limit increase.

RMD START AGE

Starting in 2024, the age individuals are required to start taking their RMDs will increase from 72 to 73, with an additional start age increase to 75 in 2033. Eligibility for this change is based on year of birth.

RMD Start Age Changes	
Birth Year	RMD Start Age
1949-1950	72
1951-1959	73
1960+	75

2023 & 2024 CONTRIBUTION LIMITS

Retirement Contribution Limits		
	2023	2024
IRA/Roth IRA	\$6,500	\$7,000
Over 50 Catch-up	\$1,000	\$1,000
SIMPLE IRA*	\$15,500	\$16,000
Over 50 Catch-up	\$3,500	\$3,500
401(k)	\$22,500	\$23,000
Over 50 Catch-up	\$7,500	\$7,500

*2024 SIMPLE IRA Contribution deferral limits are higher for businesses with 25 or less employees.

Health Savings Plan Contributions		
	2023	2024
Individual	\$3,850	\$4,150
Family	\$7,750	\$8,300
Over 55 Catch-up	\$1,000	\$1,000
Min. Annual Deductible		
Individual	\$1,500	\$1,600
Family	\$3,000	\$3,200
Max Out-of-Pocket		
Individual	\$7,500	\$8,050
Family	\$15,000	\$16,100

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