2023 Retirement Guide

Modern retirement monthly

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- The SECURE 2.0 Act of 2022 introduces major changes to the retirement savings system, including four key changes to required minimum distributions, higher catch-up contribution limits, and matching contributions for student loan payments.
- In this year's Retirement Guide, we provide an overview of the key changes coming from the SECURE 2.0 Act, as well as what's new with Social Security and Medicare in the light of recent inflationary pressures.
- In the Appendix, we review Medicare Parts A, B, C, and D and provide a reference guide to the IRS tables for 2023, including tax brackets and gift and estate tax thresholds.

In this report, we provide an update on what's new this year for the retirement planning landscape, including recent legislation, as well as Social Security and Medicare updates in light of recent inflationary pressures.

SECURE 2.0 Act

The SECURE 2.0 Act was created to make it easier for Americans to save more money for retirement. And, while these provisions will benefit investors regardless of how close to, or far into, retirement they are, several provisions won't be effective immediately.

In this section of the report, we highlight the provisions that are particularly important to individuals with assets held in employer-sponsored retirement plans and IRAs in the coming years. Please keep in mind that the provisions are subject to additional clarification and interpretation, so please consult with your plan provider, financial advisor, and tax advisor before taking any action in response to the provisions listed below.

Changes to RMDs

#1) Increase in age for RMDs: If you're turning age 72 this year, your retirement assets get to stay invested in your account for one more year.

Thanks to the SECURE 2.0 Act, if you reach age 72 in 2023 or later, then you don't have to start taking required minimum distributions (RMDs) until you reach age 73. And, if you reach age 73 in 2033 or later, then you won't be subject to RMDs until you reach age 75. Although, the effective date for when the applicable age will increase to 75 is pending clarification.

Birth year	1951 – 1959	1960 or later
Age when RMD begins	73	75

If you turn age 73 in 2024, you have until 1 April 2025 to satisfy your first RMD (2024's RMD). And you'll have until 31 December 2025 to take your second RMD. Please bear in mind, if you choose to take both RMDs in a single tax year, if could cost you more in taxes by pushing you into a higher tax bracket.

If you are not yet taking RMDs, the delayed RMD age means that you *can* delay taking assets from your retirement accounts, but that does not necessarily mean that you *should*. After all, deferring your taxable retirement account withdrawals—and thus compressing your taxable income into fewer years—could push you into a higher tax bracket in later years, increasing the overall tax cost of funding your retirement.

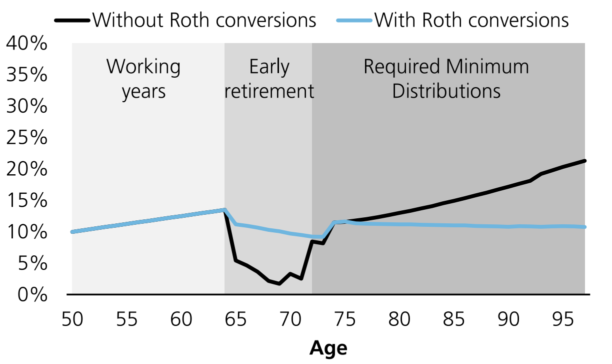
Instead of sticking to the minimum distributions required by the government, we recommend working with your financial advisor and your tax advisor on a strategy that maximizes your after-tax wealth potential.

One strategy is to take advantage of your "gap years": the period between your retirement date and the point at which you begin receiving Social Security benefits and taking RMDs. During these years, you will generally have lower-than-normal taxable income, and thus face lower-than-normal tax rates. By moving some of your taxable income from later retirement years (when you will face a higher tax bracket) into your gap years, you can reduce the overall income tax rate on your retirement account distributions.

In some cases, you may want to take advantage of your gap years by distributing the funds to your taxable account and either reinvesting them or using them to fund near-term spending. In other cases, we would recommend implementing partial Roth conversions, transferring a portion of your Traditional IRA/401(k) to a Roth IRA/401(k).[1]

Fig. 1: Partial Roth conversions can help to shift taxable income into years where you will face a lower tax rate

Effective tax rates with and without a series of partial Roth conversions during the early retirement "gap years"



Source: UBS. For illustration purposes.

The dollar amount of your Roth conversion will count as taxable income, so conversions in low-tax years are a great way to fund tax-exempt assets that will continue growing, won't be subject to lifetime RMDs, and will pass income tax-free to your beneficiaries. For more information, please see "You should consider a partial Roth conversion this year."

#2) Reduced penalty for failure to take your RMD: Before the SECURE 2.0 Act was passed, if you failed to take your RMD on time, you would be subject to a penalty tax of 50% of the RMD amount that was not distributed.

Beginning in 2023, this penalty is reduced to 25%. What's more, if you are able to correct the missed RMD in a timely manner, the penalty is reduced further to 10% of the RMD amount that was not taken on time.

#3) Roth 401(k)s are now exempt from RMDs: Under current law, you are required to take lifetime RMDs from your Roth-designated account in an employer retirement plan (e.g., 401(k) plans), but not from your Roth IRAs.

Starting in 2024, you will no longer be required to take lifetime RMDs from Roth assets in 401(k) plans. This means, once this rule takes effect, Roth assets in Roth IRAs *and* Roth 401(k)s will both be exempt from lifetime RMDs.

#4) Surviving spouse election to be treated as employee: The SECURE 2.0 Act expands the post-death RMD options for surviving spouses to include the ability to elect to be treated as the deceased spouse (beginning in 2024). Once the election is made, it cannot be revoked except with the consent of the Secretary.

A surviving spouse who makes this election would begin RMDs no earlier than the date the deceased spouse would have reached the applicable RMD age. If the surviving spouse dies before RMDs begin, the RMD rules would apply as if the surviving spouse was the employee. This means that the surviving spouse's beneficiaries will be treated as though they were the original beneficiaries of the account.

Additionally, if the surviving spouse is the employee's sole designated beneficiary, then the applicable distribution period is determined using the uniform table. It's important to note that clarification on how this will work is needed.

Changes to IRA QCDs

#1) One-time election allowed for QCDs to split-interest entity: This provision expands IRA charitable distributions to allow for a one-time election of up to USD 50,000 (indexed for inflation) per individual to transfer via a qualified charitable distribution (QCD) to a charitable gift annuity (CGA), charitable remainder unitrust (CRUT), or a charitable remainder annuity trust (CRAT).

There are restrictions on the type of CRUTs and CRATs that can receive a QCD. For instance, they must be funded exclusively by the QCD. Additionally, it's important to note that you still cannot make a QCD to a Donor Advised Fund or a private foundation.

Previously, QCDs needed to go directly to a charitable entity in order for the donor to keep the IRA distribution from being included in their taxable income. CGAs, CRUTs, and CRATS are arrangements that allow a donor to give away assets to charity while still receiving fixed income payments for the rest of their life (or for a specified time period). This is effective beginning 1 January 2023.

#2) QCDs limit will be indexed: Additionally, beginning in 2023, the annual USD 100,000 QCD limit will be indexed for inflation, allowing you and your spouse the opportunity to transfer more of your retirement assets in future years directly to qualified charities without incurring any income tax on those dollars, while simultaneously offsetting all or a portion of your RMD that year.[2]

Changes to catch-up contributions

#1) IRA catch-up limit will be adjusted for inflation: The USD 1,000 IRA catch-up contribution for individuals age 50+ will have a cost-of-living adjustment effective 1 January 2024.

#2) Higher catch-up contribution limit will apply to some employees ages 60 – 63: Beginning in 2025, for employees ages 60–63, the catch-up contribution limit will increase to the greater of USD 10,000 or 150% of the "regular" catch-up amount that year (the catch-up available to employees age 50 years and older).

For instance, if the regular catch-up contribution limit for employees age 50+ is USD 7,500, then the catch-up for employees ages 60–63 would be USD 11,250 (150% x USD 7,500 = USD 11,250). This change is going into effect in 2025, after which the increased amounts will be indexed for inflation.

#3) Catch-up contributions to qualified retirement plans will be subject to Roth tax treatment: In 2023, catch-up contributions made to qualified retirement plans can be made on a pretax or Roth basis (if the plan allows). Beginning in 2024, these catch-up contributions will be subject to Roth tax treatment. However, if your compensation is USD 145,000 or less (indexed to inflation), you will still have the option to choose the tax treatment.

Some 529 assets can be rolled over to a Roth IRA

Distributions of earnings from 529 plans that are not used for qualified education expenses are subject to ordinary income tax and may be subject to a 10% penalty. This has resulted in many families becoming concerned with accumulating more assets in a 529 plan than is actually needed to cover their level of education costs.

While there are several expenses that are considered "qualified education expenses" and there are a few options for transferring leftover 529 assets to family members of the beneficiary, the concern still exists.

Fortunately, one provision in the SECURE 2.0 Act gives families another option to help some of their leftover 529 assets avoid being taxed or penalized upon distribution.

Effective 1 January 2024, a beneficiary of a 529 account opened for more than 15 years can transfer up to USD 35,000 over the course of their lifetime from that account to their Roth IRA.

It's important to note that these rollovers will be subject to Roth IRA contribution limits (currently USD 6,500), so you can only roll over an amount up to that year's annual contribution limit, less any other IRA contributions you've made that year. However, unlike regular contributions to Roth IRAs, a beneficiary's eligibility to contribute will not be impacted by their income level.

For more information on saving for college and other options you may have available for leftover 529 assets, please see "Giving the gift of education with a 529 plan."

Your employer may offer matching contributions as Roth contributions

Any matching contributions you received in prior years were made on a pretax basis. Beginning in 2023, employers with defined contribution plans will be allowed to provide participants with the option of receiving matching contributions on a Roth basis, rather than a pretax basis as has been the case previously.

It's important to note that the matching Roth contributions will be added to your taxable income in the year of the contribution.

When assessing whether you should be adding to your Traditional or Roth accounts, it's important to be mindful of your current and future tax rates, as well as your current mix of taxable, tax-deferred, and tax-exempt assets.

While pretax contributions can help reduce your taxable income today, they will also increase your taxable income in the future. So, we generally recommend against deferring too much income to your retirement years.

Maintaining tax diversification—spreading your retirement assets between taxable, tax-deferred, and tax-exempt accounts—will give you more options to manage your taxable income in retirement while still receiving the income that you need to fund your spending.

If your employer chooses to give you the option for matching contributions to be made on a Roth basis, this can help you to get more tax-exempt dollars on your balance sheet to enhance your tax diversification.

Your employer may help you save for retirement if you're paying off student loan debt
If you graduated from college with student loans, you may find it difficult to save for retirement when you have to make significant debt repayments every month.

Not only will delaying your retirement savings mean you'll miss out on years of tax-advantaged investment growth, but you may also be missing out on your employer's matching contributions that are designed to incentivize you to save for retirement.

Fortunately, you may soon be able to benefit from an employer match even if student loan payments are keeping you from saving for retirement.

Effective for contributions made for plan years beginning after 31 December 2023, employers will be allowed to treat "qualified student loan payments" as elective deferrals for purposes of matching contributions.

This means that if you have student loans, your employer may be able to help you save for retirement by making matching contributions to your retirement plan based on those loan payments.

Your employer isn't required to offer matching contributions to your retirement account, and they won't be required to treat student loan payments as elective deferrals for matching contribution purposes.

Additionally, there may be certain requirements you'll need to meet, such as length of service, and the amount of the matching contribution will vary.

SECURE 2.0 Act timeline

The SECURE 2.0 Act offers a number of benefits for individuals saving for retirement, as well as employers who are looking to help their employees save for retirement.

Some provisions are effective beginning this year, while others might not be effective until 10 years from now. And this report has only discussed a few of the provisions from the Act that are especially important to individuals with assets held in employer-sponsored retirement plans and IRAs.

The timeline below includes the provisions discussed in this report, as well as a few others that may be beneficial to you in the coming years.

Please keep in mind that the provisions are subject to additional clarification and interpretation, so please consult with your plan provider, financial advisor, and tax advisor before taking any action in response to the provisions listed below.

2023	2024	2025	Later
• RMD age increased to 73	• 529 rollovers to Roth IRAs	• Higher catch-up contribution limit for employees ages 60 – 63	• 2027: Saver's Match
• Reduced penalty for failure to take RMDs	• Indexed IRA catch-up limit	• 401(k) and 403(b) plans will be required to automatically enroll eligible participants and automatically increase contributions annually	• 2028: Deferral of tax for certain sales of employer stock to ESOPs sponsored by S corporation
• One-time election allowed for QCDs to split-interest entity	• Roth 401(k)s exempt from lifetime RMDs	• Improved retirement plan participant eligibility for part-time workers	• 2028: Certain securities treated as publicly traded in case of ESOPs
• Indexed QCD limit	• Election to treat surviving spouses as employees		• 2033: RMD age will increase to 75
• Employers can offer matching contributions on a Roth basis	• Catch-up contributions to qualified retirement plans will be subject to Roth tax treatment		
• Small immediate financial incentives for contributing to a plan are allowed	• Employers can help employees save for retirement if they have student loans		

Social Security & Medicare

2023 cost-of-living adjustment (COLA): 8.7%
Each year, Social Security benefits are increased based on a measurement of inflation, with the goal of protecting the purchasing power of retirees' benefits. In 2023, Social Security retirement benefits will see an increase of 8.7%.

While the annual benefit increases have historically kept up with the Consumer Price Index (CPI) of broad inflation, many retirees may find that they do not keep pace with their own personal expenditures' inflation.

One reason for this is because the Social Security Administration calculates COLAs using the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W).

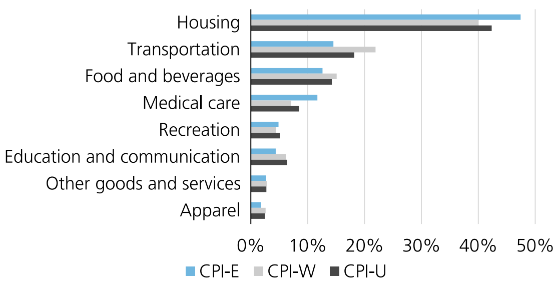
Since many retirees are not urban dwellers or wage earners, this inflation index likely doesn't capture the spending composition of many retired households.

The Bureau of Labor Statistics maintains another price index, known as the Consumer Price Index for the Elderly (CPI-E) specifically developed to track the expenses of households of people age 62 and older.

If we look at the relative importance ratios of components of CPI-E compared to other price indexes, it shows that retirees tend to spend a higher percentage of their consumption on housing and medical care, and a smaller percentage on transportation, education, and apparel.

Periods of high price inflation in housing and medical care can therefore have an exacerbated effect on Social Security's purchasing power.

Fig. 2: Retirees spend differently than pre-retirees
Relative importance of expenditure categories for CPI-E, CPI-W, and CPI-U



Source: Bureau of Labor Statistics, UBS

With an increase of 8.7%, the 2023 COLA is the largest benefit increase we've seen in over 40 years. Even so, you shouldn't assume that this COLA will give you a net boost to your spending power when it comes to planning your 2023 spending.

In order to understand the full extent of the COLA, you'll need to review how all of your income has adjusted relative to all of your expenses. We suggest including this in your next discussion with your financial advisor, who can help you review your financial plan to ensure you're still on track to meet your future spending needs.

For more information, please see "Social Security's COLA for 2023 is 8.7%."

2023 Medicare premiums decrease
While healthcare costs are one area where prices have historically risen more quickly than broad inflation averages, the standard monthly premium for Medicare Part B is set for a rare decrease this year, falling from USD 170.1 per person in 2022 to USD 164.9 per person in 2023.

Keep in mind that Part B premiums increased by 14.5% from 2021 to 2022. One reason for this significant increase was to establish a reserve to pay for projected Part B spending for a new Alzheimer's drug. But lower-than-projected spending on the new drug and other Part B costs resulted in larger reserves.

These excess reserves can be used to limit future Part B premium increases, which is why the standard monthly premium decreased by USD 5.20 this year.

Even still, this doesn't guarantee that all of your healthcare costs will be lower this year. For instance, if you have supplemental or Medicare Advantage coverage, your policy's premium could still be different from the average. Or, if your premium stays the same or decreases, the deductible, copayments, or coinsurance still could have increased.

What's more, if your income increased recently, this could result in higher monthly costs for Part B and Part D premiums, thanks to the income-related monthly adjustment amounts.

Review any changes to your coverage this year and make sure you're away of all the costs you may be exposed to, such as copayments, coinsurance, and your maximum out-of-pocket limit.

Next steps

- During your working years, prioritize your savings based on after-tax growth potential. Ideally, you will be able to spread your investments across a mix of tax treatments (taxable, tax-deferred, and tax-exempt), which will give you more options for managing the timing of your taxable income and realized capital gains in retirement. Our 2023 Savings waterfall worksheet provides a good tool for evaluating this on a year-by-year basis, including a summary of the limits for 2023 contributions.
- If you're still in your working years, consider contributing to a Health Savings Account (HSA), which can offer a triple tax advantage for investments earmarked for qualified healthcare expenses. Maximizing your HSA contributions each year—and investing in a growth-oriented strategy—can go a long way to funding your family's out-of-pocket healthcare costs during retirement. See "HSAs and the power of tax-free growth" for more information.
- While leaving assets in your retirement account for as long as possible may seem like the obvious response to the delayed RMD age—the longer the assets remain in tax-advantaged accounts, the greater the potential of maximizing tax-deferred growth—consider reviewing your distribution plans in light of these new circumstances. For more information, please see "Beyond RMDs: 3 strategies to improve your after-tax wealth potential."
- Talk to your financial advisor about when you plan to claim Social Security. A smart claiming strategy can help to protect against the risk of outliving your savings, boost resilience against higher inflation, and increase the growth potential of your overall portfolio. You can also enhance the value of your Social Security strategy by staging when you and your spouse claim your benefits. See "Social Security's spousal and survivor benefits" for details.
- If you're looking to retire before age 65 when you become eligible for Medicare, early retirement healthcare costs can have a significant impact on how much you will need to have saved for retirement. But, the earlier you estimate the costs, the easier it will be to save for them. For more information, please see "Planning for healthcare costs in early retirement."
- As you prepare for your healthcare costs in 2023, be sure to account for the full range of potential healthcare costs, including Medicare Parts A, B, C, and D (see Appendix 1 for more details).

Endnotes

[1] Not all 401(k) providers allow participants to implement an in-plan Roth conversion. If they do not, you may need to consider rolling your 401(k) into an IRA (if you are eligible) in order to implement the Roth conversion. Please refer to the UBS IRA Rollover Guide, available here, for key considerations prior to deciding whether to roll your 401(k) to an IRA.

[2] It's important to note that QCDs are only an option if you are at least age 70 1/2, can generally only be done with Traditional IRA assets, and they cannot exceed the annual limit (USD 100,000 in 2023). Another limitation is that, if you are also planning to make deductible contributions to your IRA during any tax year beginning with the year you turn age 70 1/2, that deductible contribution may reduce the portion of QCDs that you're able to exclude from future taxes.

Appendix 1: Medicare

Medicare Part A covers stays in nursing facilities and hospitals beginning at age 65 and is free if the retiree paid the Federal Insurance Contributions Act (FICA) tax for 40 quarters. While premiums are free for some retirees, they are still responsible for copayments and deductibles.

The first 60 days of a hospital stay are fully reimbursed after a USD 1,600 deductible; the next 30 days have USD 400 of coinsurance per day of each benefit period, and a USD 800 charge is levied for every "lifetime reserve day" after day 90 for each benefit period (up to 60 days over your lifetime). Beyond the lifetime reserve days, you pay all costs. All in, a three-month stay in a nursing facility or hospital can cost USD 13,600 in out-of-pocket expenses for those enrolled in premium-free Medicare Part A.

Medicare Part B generally covers 80% of the Medicare-approved amounts for covered outpatient care costs, such as doctor visits and diagnostic tests, after the USD 226 deductible is met. The standard Part B premium amount is USD 164.90 per month. If your modified adjusted gross income (MAGI) as reported on your IRS tax return from two years ago is above a certain amount, you'll pay the standard premium amount as well as an income-related monthly adjustment amount (IRMAA). The late-enrollment penalty for Part B is added to one's monthly premium, and can increase by as much as 10% of the standard premium for every year the beneficiary could have been signed up for Part B but failed to do so.

Medicare Part D covers prescription drugs and can be obtained by purchasing a Medicare prescription drug plan or by getting a Medicare Advantage Plan through a health maintenance organization (HMO) or preferred provider organization (PPO) that offers prescription drug coverage. Deductibles vary between plans, but no Medicare drug plan may have a deductible more than USD 505.

Part D premiums can also vary based on the plan you choose. Additionally, if your MAGI is above a certain amount, you are required to pay the Part D IRMAA, even if your employer or a third party (like a retirement system or teachers' union) pays for your Part D plan premiums.

The late-enrollment penalty for Part D is added to your monthly premium and is calculated by multiplying 1% of the "national base beneficiary premium" (USD 32.74 in 2023) by the number of full, uncovered months one was eligible to enroll in Part D and went without other creditable prescription drug coverage. The national base beneficiary premium can fluctuate each year, so the penalty may also change each year.

Outside of the Medicare program, **Medigap** policies are **supplemental insurance policies** sold by private companies and help pay for expenses not covered by Medicare, such as copayments and coinsurance. **Medicare Advantage** (also known as **Part C**) is another way to get Medicare, separate from Original Medicare. These bundled plans can include extra benefits that Original Medicare doesn't cover, such as, vision and dental. For more information, see "Medicare & You 2023."

Fig. 3: Part B and D premiums are subject to an income-related monthly adjustment amount (IRMAA)
Based on modified adjusted gross income (MAGI) from two years prior. Part B and Part D premiums are paid by each spouse.

Income in 2021 (2022 tax return)		2023 Part B premiums		2023 Part D premiums
Individual tax return	**Joint tax return**	**IRMAA**	**Total monthly premium**	**Total monthly premium (plan premium + IRMAA)**
0 to 97,000	0 to 194,000	0.00	164.90	plan premium
97,000 to 123,000	194,000 to 246,000	65.90	230.80	plan premium + 12.20
123,000 to 153,000	246,000 to 306,000	164.80	329.70	plan premium + 31.50
153,000 to 183,000	306,000 to 366,000	263.70	428.60	plan premium + 50.70
183,000 to 500,000	366,000 to 750,000	362.60	527.50	plan premium + 70.00
500,000 and above	750,000 and above	395.60	560.50	plan premium + 76.40

Source: CMS, UBS

Appendix 2: Summary of Key 2023 Tax Information

Taxable income tax rates

Marginal tax rate	Single	Head of Household	Married Filing Jointly	Married Filing Separately
10%	0 to 11,000	0 to 15,700	0 to 22,000	0 to 11,000
12%	11,000 to 44,725	15,700 to 59,850	22,000 to 89,450	11,000 to 44,725
22%	44,725 to 95,375	59,850 to 95,350	89,450 to 190,750	44,725 to 95,375
24%	95,375 to 182,100	95,350 to 182,100	190,750 to 364,200	95,375 to 182,100
32%	182,100 to 231,250	182,100 to 231,250	364,200 to 462,500	182,100 to 231,250
35%	231,250 to 578,125	231,250 to 578,100	462,500 to 693,750	231,250 to 346,875
37%	578,125 or more	578,100 or more	693,750 or more	346,875 or more
	Single	**Head of Household**	**Married Filing Jointly**	**Married Filing Separately**
Standard deduction*	13,850	20,800	27,700	13,850
Change from 2022	(up from 12,950)	(up from 19,400)	(up from 25,900)	(up from 12,950)

* For single or head of household taxpayers, the annual standard deduction is increased by USD 1,850 if you are age 65 or older or blind (USD 3,700 if both 65+ and blind). For married taxpayers, the deduction is increased by USD 1,500 for each married taxpayer aged 65 or older or blind (e.g. USD 3,000 if one spouse is both 65+ and blind).

Long-term capital gains tax rates

Maximum tax rate	Single	Head of Household	Married Filing Jointly	Married Filing Separately
0%	0 to 44,625	0 to 59,750	0 to 89,250	0 to 44,625
15%	44,625 to 492,300	59,750 to 523,050	89,250 to 553,850	44,625 to 276,900
20%	492,300 or more	523,050 or more	553,850 or more	276,900 or more
3.8% surtax**	200,000	200,000	250,000	125,000

** Some of your investment income may be subject to a 3.8% surtax. The tax is applied to the lesser of: 1) Your net investment income or 2) The amount that your modified adjusted gross income exceeds these thresholds. Net investment income includes "passive" sources of income such as taxable interest, dividends, realized capital gains, annuities, royalties, and rental income.

Additional Medicare tax

Tax rate	Single	Head of Household	Married Filing Jointly	Married Filing Separately
0.9%	200,000	200,000	250,000	125,000

Note: The 0.9% surtax applies to wages, railroad retirement compensation, and self-employment income over these thresholds.

Social Security

Wage base limit	160,200
Change from 2022	(up from 147,000)
Earnings test exemption (below Full Retirement Age)	21,240
Change from 2022	(up from 19,560)
Earnings test exemption (at Full Retirement Age)	56,520
Change from 2022	(up from 51,960)

Note: The Old-Age, Survivors, and Disability Insurance (OASDI) tax—commonly called "the Social Security tax"—is based on a worker's earned income. This 12.4% tax (6.2% paid by the employee, 6.2% paid by the employer) only applies to earned income up to the "wage base". There is also a Medicare withholding tax of 2.9% (1.45% paid by the employee, 1.45% paid by the employer)—this tax applies to all earned income (no wage base limit).

Note: For workers receiving Social Security benefits before reaching full retirement age, Social Security applies a "retirement earnings test" and withhold benefits based on "excessive" income in the years leading up to full retirement age. The test only counts earned income, not "passive" income sources such as capital gains, dividends, interest income, or retirement plan distributions.

For individuals younger than their full retirement age, Social Security withholds USD 1 for every USD 2 of income exceeding the exemption amount. For individuals attaining full retirement age in the year of the earnings test, Social Security withholds USD 1 for every USD 3 of income exceeding the exemption amount.

Gift and estate tax

	Unmarried	Married
Gift tax annual exclusion	17,000 per recipient	34,000 per recipient
Change from 2022	(up from 16,000)	(up from 32,000)
Lifetime unified gift and estate tax exemption	12,920,000	25,840,000
Change from 2022	(up from 12,060,000)	(up from 24,120,000)
Maximum federal gift/estate tax rate	40%	40%

Note: Families should think beyond the federal estate tax when considering estate planning. According to research from the Tax Foundation, 17 states currently impose a state-level estate or inheritance tax (including Maryland, which imposes both types of tax). The top state-level estate tax rate is 20%, and state-level taxes can affect estates as small as USD 1 million.

Source: IRS, Tax Foundation, UBS

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