



VAUGHN
— WEALTH —



Test Your Knowledge of 2020 Key Federal Numbers for Financial Planning

Presented by Kevin and Kyle Taylor

Each year, the government reviews the gift and estate tax exemptions and contribution limits for retirement plans to make inflation adjustments. As you assess your plans for gifts and retirement plan contributions for 2020, it's important that you understand this year's key federal numbers.

Which of the following is not true about 2020 federal financial planning numbers?

1. There was no change to the annual gift tax exclusion, and it remains steady at \$15,000 per individual
2. The federal estate tax and lifetime gift tax exemption increased to \$11,580,000.
3. Elective deferral contributions for 401(k) and 403(b) plan participants increased to \$19,500.
4. A catch-up contribution is available for 401(k) and 403(b) plan participants ages 55 and older, and it has been increased to \$6,500.

Answers

The catch-up contribution is available for 401(k) and 403(b) plan participants ages 50 and older. Individuals can contribute an additional \$6,500 in 2020—an increase from \$6,000 in 2019.

The 2020 federal annual gift tax exclusion remains unchanged from 2019, allowing individuals to gift up to \$15,000 without federal gift tax. If you are married, you can gift up to \$30,000 (\$15,000 per spouse) without federal gift tax. This can be helpful if you are setting aside funds for education planning, funding an irrevocable trust, or gifting to your family.

The combined federal estate tax and lifetime gift tax exemption increased from \$11.4 million per spouse in 2019 to \$11.58 million per spouse for 2020. This exemption allows assets to be transferred at death without federal tax. It also allows spouses to gift up to \$11.58 million each over the course of their lifetime without paying gift tax.

All 401(k) or 403(b) contributions are pretax and grow tax deferred to help build funds for retirement. The elective deferral contributions for 401(k) and 403(b) plans increased from \$19,000 in 2019 to \$19,500 in 2020.

As always, if you have any questions and would like to discuss this or any other topic, please feel free to call us.

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