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QUARTERLY NEWSLETTER

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Travel to Italy with
Impact!

From all of us



HAPPY THANKSGIVING, MERRY CHRISTMAS, AND HAPPY NEW YEAR

A look back on 2023

Message from the CEO

The end of the year is always a time of reflection, it seems. As I look back on 2023, I am so grateful and so humbled. We started Impact Wealth Management in February with a mission to revolutionize the way people think about and pay for financial advice. The response has been overwhelming.

We are not in pursuit of accolades to convince the world we've made it. We are concerned with the hard work of becoming better every day... better teammates, better financial advisors, and better humans.

It has been our honor to help our clients navigate market fluctuations and transition into new phases of life – from retiring to starting new businesses.

To our clients, thank you for your belief in our mission and for being part of our journey. We are proud of our beginning and excited for what lies ahead.

Wishing you all a holiday season filled with warmth, happiness and the promise of opportunity in the new year.



Richelle Hofer

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End of Year Charitable Giving

1

Have a “Giving List”.

Talk with your family about the causes that are important to you. Make a list of the organizations that align with your family values. When approached by a charity that’s not on the list, decline by saying you will consider adding them to your list in the future.

2

Consider bunching donations.

With a standard deduction of \$27,700 for a married couple filing a joint return, most people can’t itemize. If you’re close to exceeding the standard deduction, consider making your charitable donations for NEXT year in the current tax year.

3

Are you at least 70 ½? Give from your IRA.

Donations made directly from your IRA to a charitable organization are disbursed without any tax liability. If you’re RMD age, these distributions also count towards satisfying your minimum distribution.

4

Consider a donor advised fund.

Establish a Giving Account and then donate cash, stocks or non-publicly traded assets such as private business interests, cryptocurrency and private company stock to be eligible for an immediate tax deduction.

Tax-Smart Giving Strategies

Beyond the joy of gift-giving, the holiday season also presents a unique opportunity to make a lasting impact through charitable donations. And though we give for the benefit of others, tax-smart strategies can both maximize the effectiveness of your philanthropy and provide potential benefits for your own financial well-being.



Itemizing Charitable Contributions

If you donate money to someone in need, you can write that gift off on your taxes, right? If only tax laws were so simple!

The actual rules say that you can itemize your charitable donations on Schedule A of IRS Form 1040. But (and these are enormous 'buts') only if you're giving to a registered charitable organization, and only if that contribution plus your other deductions exceeds the standard deduction (\$13,850 for single filers; \$27,700 for joint filers).

If your donation plus your other deductions come to less than the standard deduction, then you get essentially no tax benefit for your donation.

Overcoming the Standard Deduction

If you are 70 ½ years old or older, one of the most tax effective ways to give is directly from your IRA. This strategy is called "Qualified Charitable Distributions" or "QCD". Unlike regular distributions made from your IRA, distributions made from your IRA directly to a qualified charitable organization, are not taxed.

Bunching contributions is another popular strategy. You could, for instance, give the equivalent of two years of donations every other year.

Another way to overcome the standard deduction hurdle is to make a large contribution (usually 5 years' worth or more) to a charitable trust. In this scenario, you get the tax deduction for the large contribution in the year that you make it, but the actual donations can be made from the trust on a yearly basis.

U.S. tax code is currently about 75,000 pages long, so as you can imagine, there are many other rules and restrictions that apply to charitable donations. We ALWAYS recommend working both with your financial advisor and your tax professional to make sure you are using the strategy that makes the most sense for your individual family situation.



Estate Planning: Understanding Gift Tax

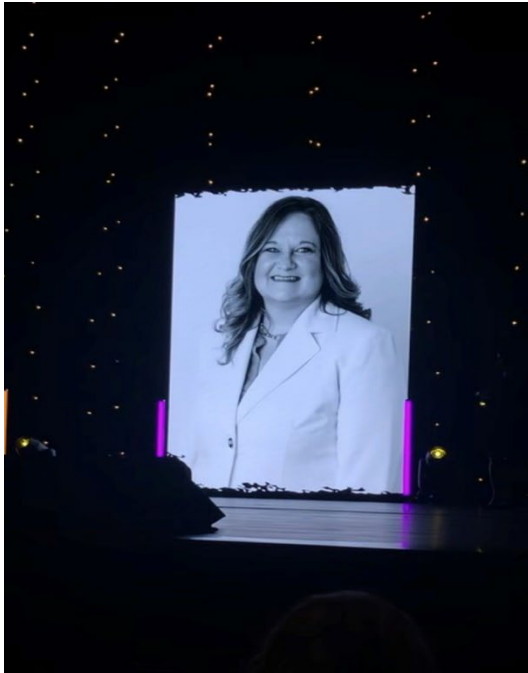
Every year at Impact, we get questions about how much money can be given to an individual without incurring “gift tax.” Here are a few key points to know about gift tax in the US:

- 1. Annual Exclusion:** The IRS allows individuals to gift a certain amount each year to an unlimited number of recipients without incurring gift tax. As of 2023, the annual exclusion amount is \$17,000 per person. This means that you can gift up to \$17,000 to any individual without needing to report it or pay any gift tax.
- 2. Lifetime Exemption:** The lifetime gift exemption allows individuals to give away a certain amount over their lifetime without paying gift tax. As of 2023, the lifetime exemption is \$12.92 million per person.
- 3. Gift Splitting:** Married couples have the option to "split" their gifts, effectively doubling the annual exclusion. This means that a married couple can give up to \$34,000 per recipient without incurring gift tax. However, to split gifts, both spouses must consent, and they must file a gift tax return (Form 709) to inform the IRS of the split.
- 4. Gift Tax Return:** If your gifts exceed the annual exclusion, you must file a gift tax return. This return provides the IRS with information about the gifts you've made, but it doesn't necessarily mean you'll owe any gift tax. Filing a gift tax return is generally required when the gifts exceed the annual exclusion or when you want to apply the excess towards your lifetime exemption.

Gift tax and estate tax are interconnected. The lifetime gift tax exemption and the estate tax exemption are unified, meaning that any gifts made during your lifetime (that are over the annual exclusion) reduce the amount of exemption available for estate tax purposes. Therefore, it's important to consider both gift tax and estate tax implications when making significant financial gifts.



Latest Events



EmBe Tribute to Women Nomination

On October 19th, Impact attended EmBe's 50th annual Tribute to Women awards ceremony. Richelle was humbled and honored to be recognized as one of seven nominees in the category of Banking and Finance.

Since our last update...

- In August, Impact hosted its first ever Education Event.
- Impact Wealth Management joined the Sioux Falls Estate Planning Council.
- In October, we met for food and football at Shenanigans in Sioux Falls.
- In October Richelle attended a SD CEO East Women's Business Center get together. We are looking forward to expanding our partnership with them!
- Watch for us in the latest edition of Sioux Falls Woman Magazine!



Upcoming Events



Holiday Open House

December 7th and 8th

Visit the Sioux Falls office any time from 2 p.m. to 5 p.m. on December 7th and 8th for holiday treats and cheer. We have fun things planned and you won't want to miss it!

EVERYONE is welcome! Make plans to join us as we kick off the holiday season!



Italy Booking Deadline

December 15th, 2023

If you are planning to travel with Impact to Italy in 2024, please have your deposit turned in to All About Travel before December 15th. We are planning to do several events for the Italy travelers in 2024. At these events we will complete our travel paperwork together and get to know our fellow travelers. (more info on page 10)



Education Event

TBA

We are making plans for a January Education Event. We plan to host this event in conjunction with some of our community partners.

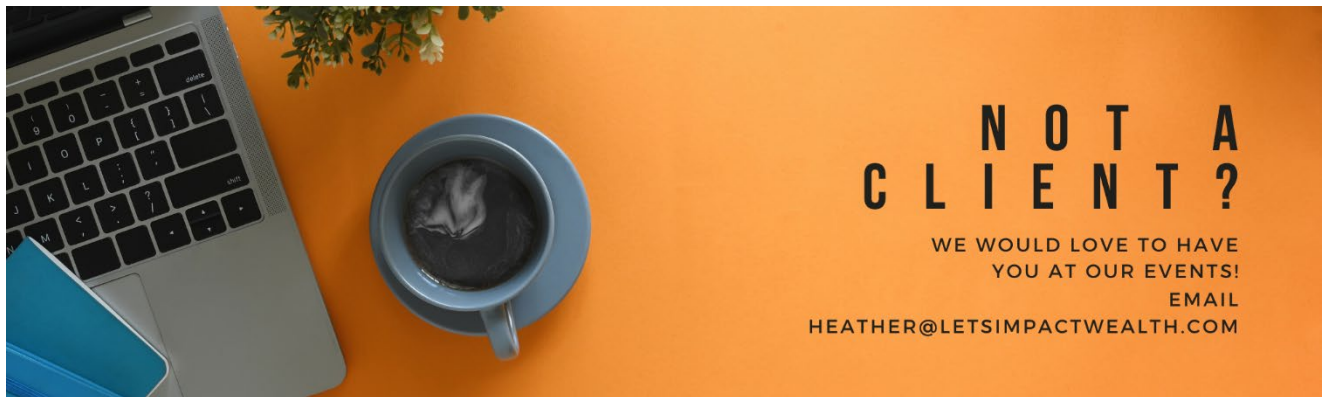
We will send out more information when the details are finalized.



Arizona Impact

February 2024

The whole Impact team is planning to be in Arizona in early February. We will be hosting an event for prospective clients, and we'll plan to connect with current clients while we're there as well. If you'd like to get on our schedule, email Heather at heather@letsimpactwealth.com



News & Updates



Mixed Messages from the U.S. Labor Market

The unemployment rate has started to rise a bit - which is usually seen as a bad sign. But a related number, labor-force participation (the percentage of working-age people actually working) ticked upward to 62.8% in August, the highest rate since February 2020. More people are looking for work after being on the sidelines, which would seem to be a positive sign for economic growth. The growth rate of the economy has been a rollercoaster since the pandemic, but inflation appears to be slowing down for the first time since 2021.

Rising Costs of Insurance.

Last year was one of the costliest years on record for natural disasters, with \$120 billion in insured losses. Total losses, including uninsured losses suffered by homeowners and consumers, came to more than \$250 billion last year and more than \$300 billion in 2021. This year, the numbers could look even worse. If this trend continues, homeowners' insurance will be increasingly more important - and increasingly costly - going forward.



Regulating Artificial Intelligence

The Biden Administration recently created a series of guidelines and federal programs designed to both protect the human race from the dystopian consequences of artificial intelligence and promote the development and adoption of AI in the U.S. economy. We don't know what AI will do in the future, but it is something we all (not just the government) should probably be paying more attention to.

Tax Loss Harvesting

As financial advisors, we often tell clients not to sell good investments just because they've lost value. But there is a time when this could actually make sense. The strategy is used in taxable accounts (not IRA's or Roth's) and is referred to as tax-loss harvesting. This strategy takes advantage of U.S. federal income tax laws that allow capital losses to offset capital gains, and up to \$3,000 of ordinary income. If a mutual fund or stock is distributing capital gains in the form of dividends, then the losses that are 'harvested' when an underwater security is sold will neutralize them—saving taxes when they come due at tax time.

There's a catch though. The rules mandate that the seller who 'harvests' the loss cannot immediately buy back the same investment. You must wait 30 days before a repurchase; otherwise, the tax loss is invalidated. However, in today's marketplace, there are lots of similar (but not substantially equal) investments to most mutual funds or ETFs. This makes it possible to stay invested during that waiting period at minimal risk of losing out on a significant market movement.

Of course, one could argue that this is just "kicking the tax can down the road." Selling and rebuying lowers your tax basis, which likely leads to higher taxable gains down the road. However, in some situations, the tax savings over time may offset or overwhelm the future tax obligation. And, if you hold the investment until death, the investments in taxable accounts are passed on with a "step up in basis" – which basically means tax on the capital gains die with you.



Chrometophobia

An extreme fear of spending money. Even the thought of doing so can trigger a panic attack.

Plutophobia

The fear of becoming wealthy due to the associated responsibilities it brings or potential negative impacts on our lives and relationships.

Atychiphobia

Atychiphobia, or fear of failure, can prevent people from taking even calculated risks in their lives



"LET'S GO TO ITALY
AND FORGET ABOUT
THE REST"

Small Group Travel Opportunity

So often clients have told us that they WANT to travel, but they either have no one to travel with or they don't know where to start with the planning.

It is so important to us at Impact to help clients live their bucket list retirement, so we've asked All About Travel to organize small group travel each year exclusively for clients and friends of Impact Wealth Management.

October 28th thru November 12th 2024, take in the Italian Lakes, the Tuscan countryside, Venice, Florence and much more with 24 other travelers, including Richelle and her husband.

This trip includes some truly unique experiences including wine tasting and an Italian cooking class.

Email heather@letsimpactwealth.com for more details.

SINGLE TRAVELERS: If you're booking as a single traveler (with no one else staying in your room with you) then the cost is \$6199 plus \$449 for travel insurance. This includes airfare from Sioux Falls.

COUPLES: The trip cost is \$5499 per person including airfare from Sioux Falls. Travel insurance is an additional \$449 per person.

DEPOSIT INFORMATION: A deposit of \$698 per person + \$449 per person for travel insurance is required to reserve your spot (all payments are payable to All About Travel). Deposits should be made by December 15th, 2023. Seats are limited to 24 travelers and will be reserved on a first come, first served basis.

On a Personal Note...

RICHELLE HOFER, CEO and Wealth Advisor - Football season has always been the Hofer Family's favorite season (Go Chief's), but this year it was just a little extra special. Our youngest son, Zachary, played football for the Dell Rapids Quarriers. The Quarriers went undefeated through the regular season and are heading to the Dome in Vermillion, SD on Friday, November 10th to face off against West Central Highschool. Win or lose, we are so proud of this Dell Rapids team and their coaches for all the hard work that went into this winning season.



HEATHER MOORE, Director of Client Experience - It's hard to believe that our little 1 lb 12 oz micro preemie miracle started preschool this year! There is nothing more rewarding to me than celebrating these milestones with my sweet girl. Going to school has opened a new chapter for us at home as our mornings must now accommodate time for careful outfit selection, hair styling, and fingernail painting. So far this new chapter has been a fun one and I am enjoying (almost) every moment of it!

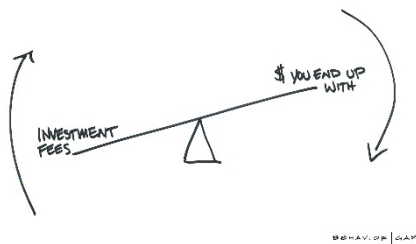
MICHAEL PETERSON, Wealth Advisor - When the crisp air of fall rings in hunting, playoff baseball, and the foreboding winter up north, I get excited for my annual Rim to Rim hike through the Grand Canyon. In October 2023, I embarked on my sixth annual Rim to Rim hike with several former college roommates and their spouses. It is always exciting to see the new "rim to rimmers" as they get ready to hike 26 miles. With each passing year, the canyon reveals new facets of its personality, and new hikers join me so there are no two hikes that are alike. I am always taking on new hikers and if you want to know more about the trip, please reach out to me!



Fees Matter!

There is so much nuanced language in the financial planning world! There probably isn't a topic that is more clouded and confusing than the topic of fees. At Impact we believe that transparency creates clarity and trust. We never want you to feel like you must ask exactly the right question in order to find the answer you're looking for. We are HAPPY to discuss fees, because we believe that we have the industry's most fair and transparent model!

FLAT FEE. FEE ONLY. FIDUCIARY.



Fees can have a **BIG impact** on your portfolio over time

Research has shown that investors who work with a financial advisor can realize up to 4% better returns over time than those who invest independently. You know you need professional advice and you're willing to pay for it... but you don't want to pay TOO MUCH!

Breaking it down

Fee Based vs. Fee Only

Fee BASED advisors can use both AUM fees and commission-based products. Fee ONLY advisors can never earn a commission. They are paid only for their advice, and they are always held to a fiduciary standard.

Flat Fee vs. % AUM Fee

Perhaps the most common way that advisors charge is through a fee that equates to a percentage of your overall portfolio. For clients whose portfolios are more than \$400,000, this model is lucrative to financial advisors and unfair to clients.

Fiduciary vs. Suitability

When you're working with a fiduciary, they are required to make recommendations that are in the best interest of the client. When you're working with an advisor who earns commissions, those recommendations are only required to be "suitable" and not necessarily "best".

What Makes Us Different?



Estate Planning

We help you craft your estate plan and collaborate with your legal professionals to seamlessly transfer your wealth to the next generation.

Retirement Planning

We help you clearly define your dreams for the future so that you can find the balance of living today and planning for tomorrow.



Protection Planning

We help you identify potential risks to your financial situation so you can make informed decisions about areas you want to protect with insurance and where you can go without it.

Tax Planning

Nearly every piece of financial planning has a tax component. We work in harmony with your accountant and find strategies to maintain control over as much of your money as possible.



Investment Planning

We take the task of investing your hard-earned money seriously. Every portfolio is carefully designed for your risk personality using our IMPACT Framework for investing.

Flat Fee. Fee Only. Fiduciary.

Impact Wealth Management is a Comprehensive Financial Management firm with a focus on retirement planning. We carefully help our clients plan for all aspects of their financial lives. We are held to a fiduciary standard which means that we must put our clients' interests first.

What really sets us apart is the way that we charge for our services. We NEVER receive commissions. We are a FEE ONLY firm. That means the only person we're working for is YOU.

We do not charge according to the size of your portfolio. Because, let's be honest, the size of your portfolio is not directly correlated to the complexity of your situation. Instead, we charge a flat fee for the services we provide. This is commonplace in nearly every industry in the world, but it's unique in the financial planning industry.

If your portfolio is over \$400,000, you are probably paying your advisor TOO MUCH.

Give Impact a call today and let us show you how we can IMPROVE your service AND save you money with our flat fee platform!



Thank you

We are constantly inspired by YOU! YOU taught us that financial freedom isn't found in money alone. True financial freedom comes from making decisions that align your money with your dreams and your values. We are honored to help you on the journey.

Our attorneys want us to remind you that everything in this newsletter is meant for general educational purposes and should not be interpreted as legal or tax advice. Every one's situation is unique so you should always talk to your financial advisor before implementing any investment strategy.

Impact Wealth Management is a Registered Investment Advisor in beautiful Sioux Falls, SD and sunny Arizona and is regulated by both the State of South Dakota and the State of Arizona.

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