Private Client Services: Create Financial Opportunities for You and Your Family

We'll get you there.

CPAs | CONSULTANTS | WEALTH ADVISORS

The information herein has been provided by CliftonLarsonAllen LLP for general information purposes only. The presentation and related materials, if any, do not implicate any client, advisory, fiduciary, or professional relationship between you and CliftonLarsonAllen LLP and neither CliftonLarsonAllen LLP nor any other person or entity is, in connection with the presentation and/or materials, engaged in rendering auditing, accounting, tax, legal, medical, investment, advisory, consulting, or any other professional service or advice. Neither the presentation nor the materials, if any, should be considered a substitute for your independent investigation and your sound technical business judgment. You or your entity, if applicable, should consult with a professional advisor familiar with your particular factual situation for advice or service concerning any specific matters.

CliftonLarsonAllen LLP is not licensed to practice law, nor does it practice law. The presentation and materials, if any, are for general guidance purposes and not a substitute for compliance obligations. The presentation and/or materials may not be applicable to, or suitable for, your specific circumstances or needs, and may require consultation with counsel, consultants, or advisors if any action is to be contemplated. You should contact your CliftonLarsonAllen LLP or other professional prior to taking any action based upon the information in the presentation or materials provided. CliftonLarsonAllen LLP assumes no obligation to inform you of any changes in laws or other factors that could affect the information contained herein.

Today’s Speakers

Michael Prinzo
Managing Principal of Tax

Brian D’Orazio
Principal – Wealth Advisory

Alan Huberman
Principal of Tax

Melissa Nuñez
Senior Wealth Advisor

Christopher Dhanraj
Managing Principal of Investments

Agenda

- CLA Market Outlook 2024
- Year-End Planning Strategies
- Summary & Conclusion

CLA Outlook 2024

Back to Basics

Updated October 2023

Presented by Chris Dhanraj

CLA Outlook 2024 — Back to Basics

How Businesses Have Driven Profits

2020-2021: COVID Shutdown
Tough - revenues fell and costs remain

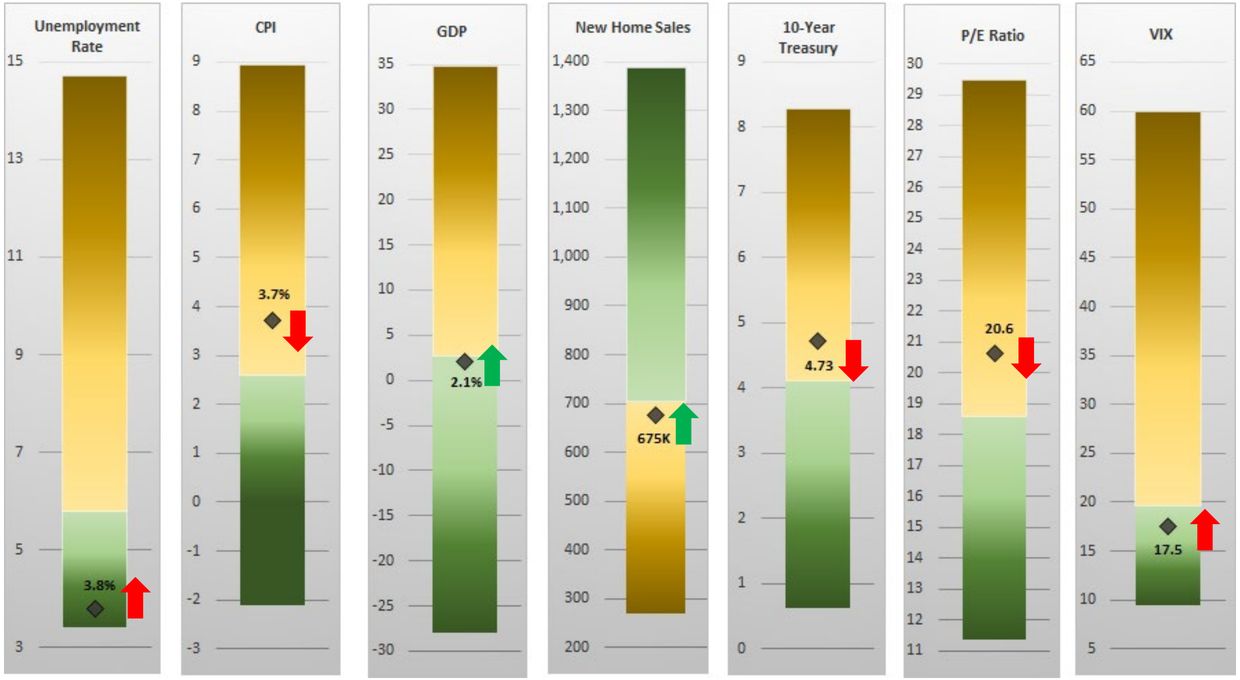
2022: Inflation
Better - revenue growth with price hikes

2023: Cost Control & Optimization
Stable - Muted revenue growth + expense control

2024: Back to basics
Growth – Drive revenue with unit growth & some price hikes while controlling costs

Extreme Data Swings to Renormalize

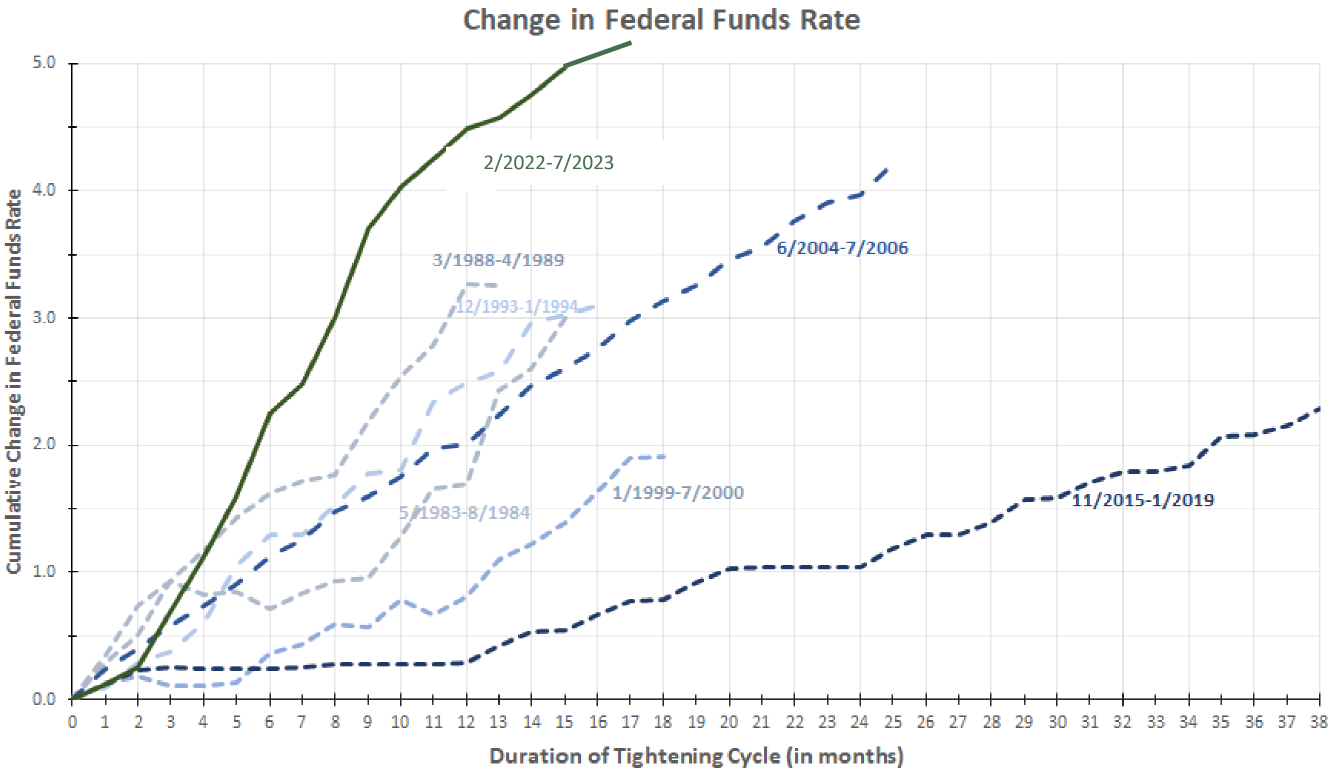
Data from January 1991 to September 2023



Average	5.8%	2.6%	2.8%	704k	4.10%	18.6	19.6

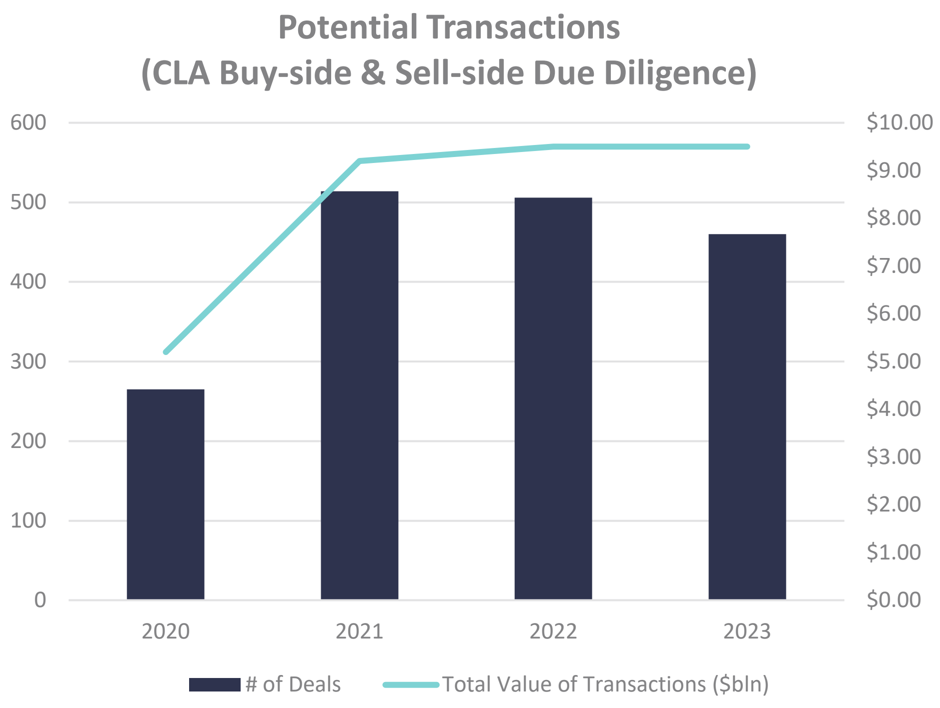
Source: Federal Reserve Bank of St. Louis, Bloomberg, CLA Wealth Advisors
Data is based upon availability as of 9/13/2023

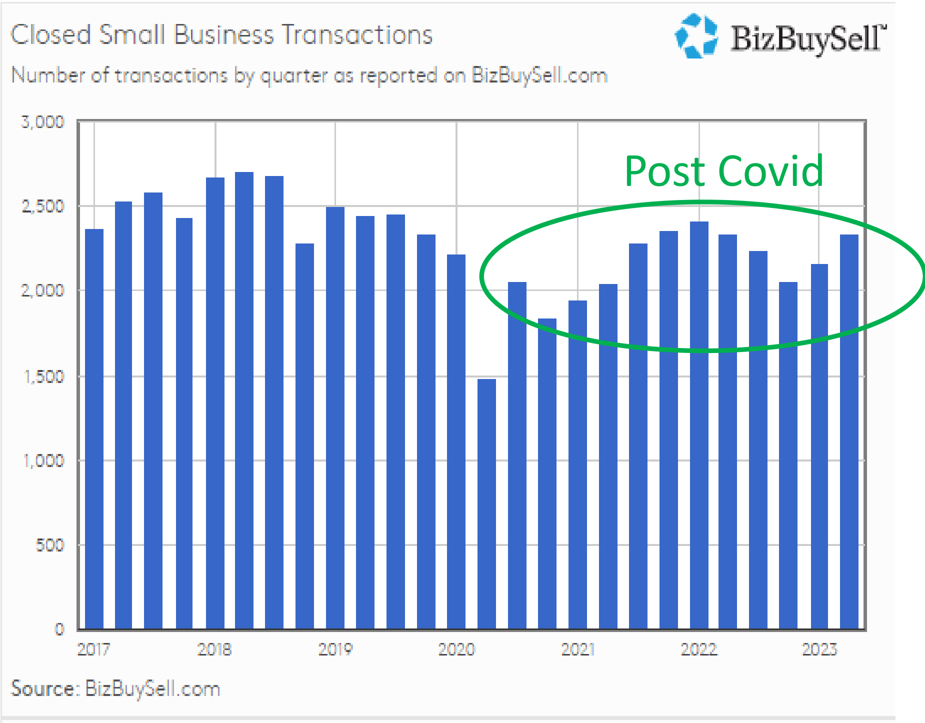
Interest Rates have Never Risen So Far, So Fast



Source: Federal Reserve Bank of St. Louis, CLA Wealth Advisors
Data is based upon availability as of 9/13/2023

Business Owners Looking to Exit Continue to Find Buyers





Year-End Planning Opportunities

- Tax Loss Harvesting
- Asset Location and Rebalancing
- Qualified Opportunity Zone Funds
- Required Minimum Distributions
- Charitable Accounts

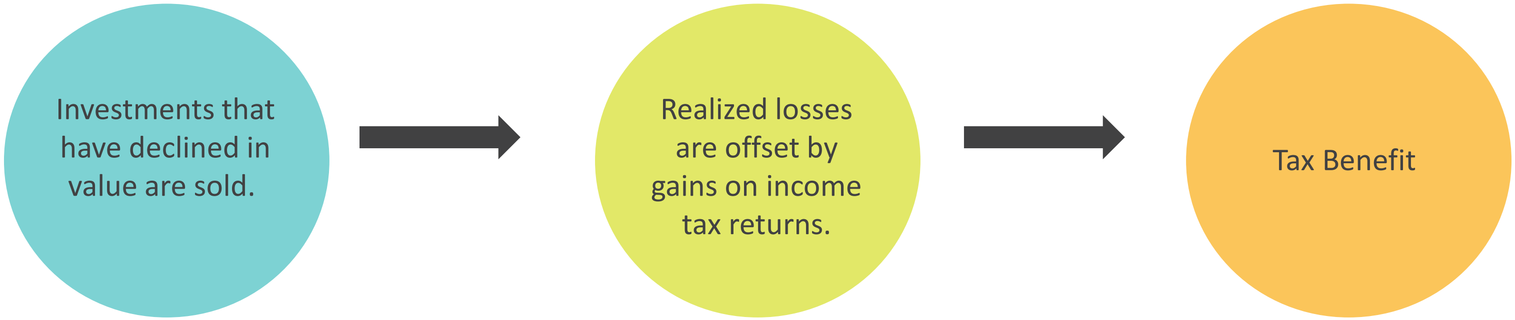
Tax Loss Harvesting

Presented by: Mike Prinzo and Melissa Nuñez

Tax Loss Harvesting

***Tax-loss harvesting**—is the process of offsetting capital gains with capital losses; this can be done any time of the year— it can lower your tax bill and better position your portfolio going forward.*

Tax Loss Harvesting (TLH) Process



When to Consider TLH?

Appropriateness

An investor must have gains from other investment(s) on their **Schedule D** (Form 1040) for loss harvesting to be valuable. Be sure to offset losses against ST and LT losses appropriately. Can't be used in Tax Deferred accounts.

Timing

Harvest losses **regularly** and proactively— you don't have to wait for year-end. Rebalancing your portfolio, can save you money over the long run, effectively boosting your after-tax return.

Wash Sale

Be aware of the **Wash Sale Rule** which states that if you sell a security at a loss and buy the same or a "substantially identical" security within 30 days before or after the sale, the loss is typically disallowed for current income tax purposes.

Tax Alpha

Tax Alpha **=** **After-tax portfolio return** *Minus* **After-tax benchmark return** **−** **Pre-tax portfolio return** *Minus* **Pre-tax benchmark return**

- A tax-loss harvesting strategy generates losses that can be used to lower a client's tax bill where the client has gains that can be offset (ETFs/MFs are not permitted to pass through losses)
- Tax alpha is achieved through tax-loss harvesting while avoiding realized gains.

Sample –TLH Strategy

	1st Sample Trade		Between Trades		2nd Sample Trade
Sample Portfolio with TLH	Hypothetical Investor: Buys $5M of Stock A Buys $5M of Stock B		Assume: Stock A goes up $1M Stock B goes down $1M		The investor: •Sells Stock B for $4M, then buys $4M of Stock C •Realizes a loss of $1M for a tax benefit of $408K
Value of Stock A **Value of Stock B** **Value of Stock C**		$5,000,000 $5,000,000		$6,000,000 $4,000,000	$6,000,000 $4,000,000
Total Portfolio Value **Cost Basis**		$10,000,000 $10,000,000		$10,000,000 $10,000,000	$10,000,000 $9,000,000
Losses Harvested Tax Benefit* Tax Benefit % of value					$1,000,000 $408,000 4.08%

*Tax benefit assumes investor has gains to fully offset any losses from tax-loss harvesting. Tax benefit also assumes a 2022 federal short-term tax rate of 40.8% and no state tax. Tax benefit would be greater in states with state taxes. To fully benefit from tax-loss harvesting, the investor will need to have other gains on their Schedule D (Form 1040) that can be offset by the harvested losses.
For illustrative purposes only.

Asset Location and Rebalancing

Presented by: Alan Huberman and Brian D'Orazio

Consider Where You Place Your Investments

Account registration

Tax treatment

Asset Location

Stocks

Favorable tax rates

Taxable Accounts

Bonds

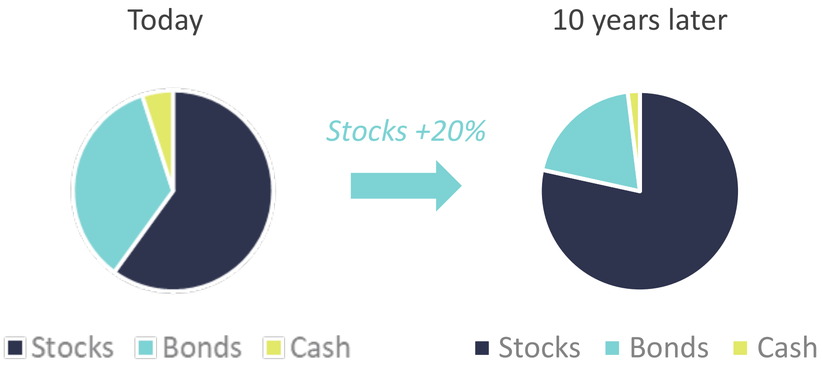
Deferral of ordinary income

Tax-deferred Accounts

Rebalancing Your Portfolio

Price fluctuation occurs over time

Risk of not rebalancing

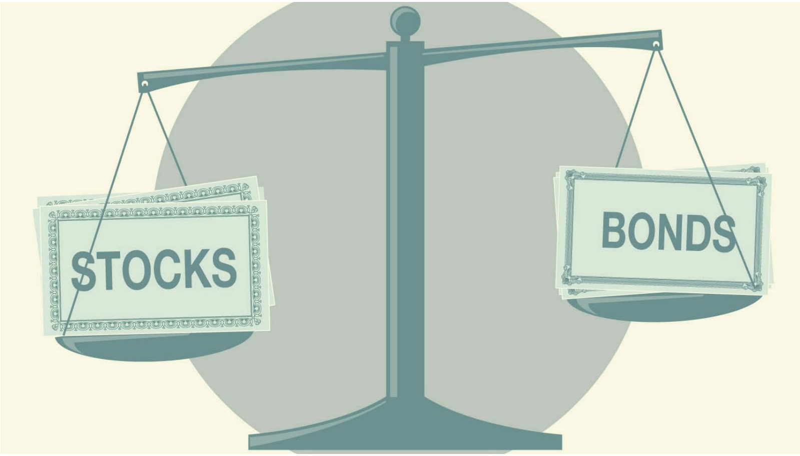


For illustrational purposes only; hypothetical growth over time.

Rebalancing Your Portfolio

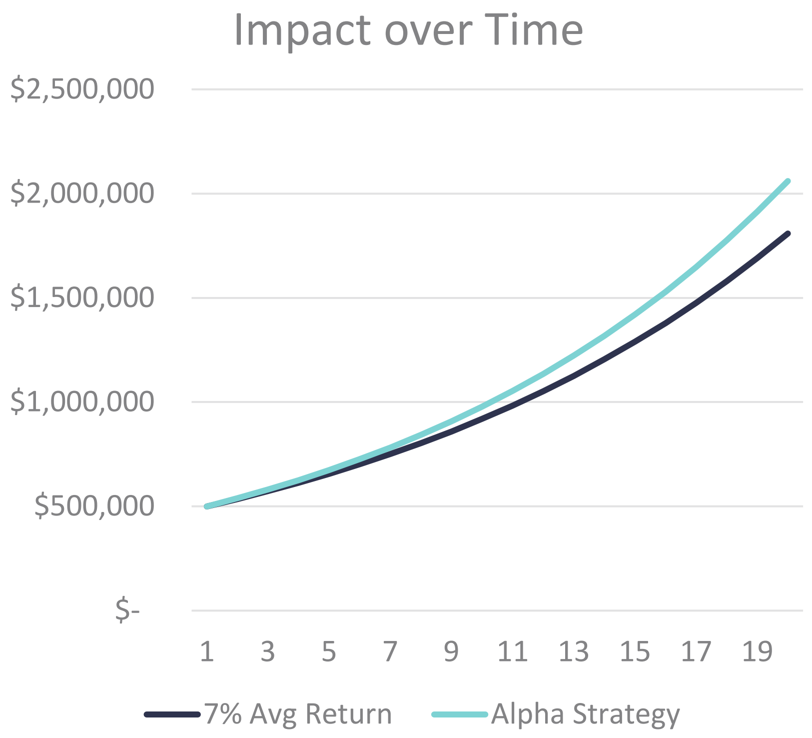
Price fluctuation occurs over time

Risk of not rebalancing



Potential Impact

Alpha Strategy	Typical Value Added
Asset Location	0.14%
Rebalancing	0 to 0.60%
Potential Total Impact	***0 to 0.74%***



Source: Vanguard Investment Advisory Research Center, July 2022; *Putting a value on your value: Quantifying Vanguard Advisor's Alpha®*

Qualified Opportunity Zone Funds

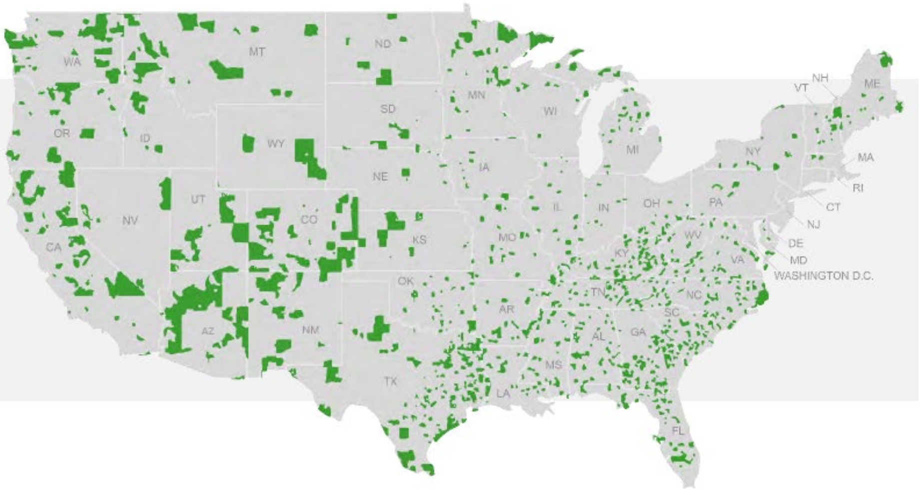
Presented by: Mike Prinzo and Melissa Nuñez

Qualified Opportunity Zones

Qualified Opportunity Zones were created under the Tax Cuts and Jobs Act of 2017 and introduced transformative ways to- incentivize new, long-term capital investment in low-income communities throughout the United States. Providing **tax incentives** for investors to reinvest their realized capital gains into dedicated Qualified Opportunity Zone Funds.

8,700+

Qualified Opportunity Zones located across all 50 States, the District of Columbia, and five U.S. territories provide significant development opportunities that can generate attractive, after-tax, risk-adjusted returns[1].



When to Consider a QOZ Fund Investment?

Investment Opportunity:

- Investor has sizeable capital gains from stock, real estate, businesses and other asset.
- Investor can maintain 10-year hold period (illiquid).
- Investor has cashflow to pay tax on deferred gain in 2027.

Qualified Opportunity Zone Tax Benefits

Investment of Realized Gain

2023

Tax Deferral

2026

Capital gains from the sale of any investment can be reinvested in a QOF within 180 days of such sale, deferring tax liability until December 31, 2026.

Tax Elimination

2033

Investments held for 10 years will pay zero tax on the QOF capital gains.

Tax Strategy: Ex. QOZ Fund Investment

	Traditional Investment		QOZ Fund Investment	
Realized Capital Gain	$	400,000	$	400,000
2023 Capital Gains Tax (23.8%)	$	(95,200)	$	-
Funds to Invest	$	304,800	$	400,000
Capital Gains Tax due 12/31/2026			$	(95,200)
10 Year Hold Period				
Year 10 Value (Assumes 10% annual appreciation)	$	790,573	$	1,037,497
Less: Capital Gains Tax Paid Year 10	$	(115,614)	$	-
	$	674,959	$	1,037,497
Year 10 Value After Tax	**$**	**674,959**	**$**	**942,297**
Year 10 Net Gain After Tax	**$**	**274,959**	**$**	**542,297**

*Assumes 10 year holding periods, annual investment appreciation of 10% and a long-term capital gains rate of 23.8%

Required Minimum Distributions

Presented by Alan Huberman and Brian D'Orazio

Required Minimum Distributions (RMDs)

Required Minimum Distributions (RMDs) are the minimum amounts you must withdraw from your retirement account each year.

Your withdrawals are included as **taxable income.**

2022

RMD starting age of 73 for individuals who reach 72 after 2022.

2032

RMD starting age of 75 for individuals who reach 72 after 2032.

Tax Strategy: Qualified Charitable Distributions

A **Qualified Charitable Distribution (QCD)** allows individuals who are 70½ years old or older to donate up to $100,000* per year to one or more charities directly from a taxable IRA instead of personally taking their required minimum distributions.

Tax Advantage

May assist donors in managing income levels.

Satisfy RMD

QCD satisfies RMD requirement.

Donor Impact

Support organizations that align with your goals and values.

*indexed for inflation in tax years beginning after 2023

When to Utilize a QCD

It may be a suitable giving strategy for donors who:

- Charitably inclined.
- May not need the income and interested in managing tax liability.
- Interested in potentially reducing future RMDs.
- Individuals that may be limited to charitable cash donations.
- Do not wish to make their contribution to a foundation or donor-advised fund.
- Have identified which charities they want to support immediately.

Example of a Qualified Charitable Distribution

	Standard Deduction	Itemized Deductions	Qualified Charitable Distribution
Other Income	$75,000	$75,000	$75,000
Taxable IRA Distributions	$25,000	$25,000	$0
Total Income	**$100,000**	**$100,000**	**$75,000**
Standard Deduction	($28,000)	$0	($28,000)
Itemized Deductions	$0	($35,000)	$0
Taxable Income	$72,000	$65,000	$47,000
Total Tax	***$8,200***	***$7,360***	***$5,200***

Qualified Charitable Distribution	***$0***	***$0***	***($25,000)***

Assumptions: 2023 tax rates, married filing jointly, $25,000 RMD, $25,000 charitable contribution, other itemized deductions of $10,000.

Donor Advised Funds

Presented by: Alan Huberman and Melissa Nuñez

Donor Advised Fund Account

A DONOR-ADVISED FUND, or DAF, is a giving account established at a public charity. It allows donors to make a charitable contributions, receive an immediate tax deduction and then recommend grants from the fund over time. Donors can contribute to the fund as frequently as they like, and then recommend grants to their favorite charitable organizations whenever it makes sense for them.

Donor Contributes

The donor makes an irrevocable contribution to the donor-advised fund (DAF) and can take an immediate tax deduction.

Growth of Assets

The charitable assets in the DAF may be invested, and any investment growth is tax-free for the donor.

Charities Benefit

The donor recommends grants from the DAF assets to support qualified charities

Tax Strategies: When to Use a Donor Advised Fund

- Consider utilizing in high-income or windfall years
- Utilize a DAF to establishing a charitably legacy
- Establish a DAF in prime earning years when you have little time to devote to giving. Reduce current taxes and establish fund to grant in the future.

Once the **DAF** account is established at a 501(c)(3) and the donor has funded the contribution, the organization has legal control over it.

The donor (representative) retains **distribution** and **investment** privileges over the assets in the account.

How a Donor Advised Fund works?

CASH

If you donate cash, via check, wire transfer or credit card, you're generally eligible for an income tax deduction up to **60%** of your adjusted gross income (AGI).

STOCK

With long-term appreciated assets, such as stocks or bonds, you have an opportunity to further maximize your deduction. By donating these types of assets directly to charity, you generally won't have to pay capital gains and you can take an income tax deduction in the amount of the **full fair-market value**, up to 30% of your AGI.

Next Steps…

Brian D'Orazio and Mike Prinzo

Key Takeaways

Interconnected decisions

Planning is the key to success

Holistic advice

Income Tax Planning and Compliance

Investment Advisory and Portfolio Management

Private Client Services

Risk Management

Estate Tax Planning and Compliance

We'll Get You There

Thank you!

Michael Prinzo
Managing Principal of Tax
303.265.7844
michael.prinzo@claconnect.com

Brian D'Orazio
Managing Principal of Wealth Advisory
303.265.7890
brian.dorazio@claconnect.com

Alan Huberman
Principal of Tax
617.658.5220
alan.huberman@claconnect.com

Christopher Dhanraj
Managing Principal of Investments
813-384-2737
christopher.dhanraj@claconnect.com

Melissa Nuñez
Senior Wealth Advisor
505-222-3594
Melissa.nunez@claconnect.com

CLAconnect.com

CPAs | CONSULTANTS | WEALTH ADVISORS