

Financial Education with Investment Services – Tax Help Podcast Transcript

Financial Wellness is just like anything else: It takes a little discipline, and some good advice. At Golden 1, we want to help. As a not-for-profit, member-owned credit union, our main goal is to help people like you reach your goals. Providing unbiased financial advice and education is another way of doing just that. So, whether you're trying to make a major purchase, start an investment fund, or just sleep better at night, let Golden 1 Credit Union be your financial partner and together we can be golden.

(MARTIN) Intro:

Hello, and welcome to The Golden 1 Financial Wellness podcast. My name is Martin, and today I am here talking with Jason Crowell. Jason is an LPL Financial Advisor with Golden 1 Investment Services, and Certified Financial Planner with Golden 1 Investment Services. Thanks so much for being here, Jason.

The start of a new year can mean a lot of things: New beginnings, new resolutions, and new presidents. For those of us in the financial sector, though, it means it's time to prepare for tax season. Now that it's February you should have received your W-2s, your 1095-Cs, or whatever forms are due to you. If you haven't received them yet, you should soon, and then...well, what comes next? I've asked Jason to join us today so that he can help guide us, yes I mean me too, through everything a financial advisor can help you with during tax season, and how they can help you prepare for next year.

JASON CROWELL: Thanks for having me, Martin.

MARTIN: So tell me a little bit about what you do.

JASON CROWELL: I've been with The Golden1 Credit Union over 12 years. I specialize in retirement planning, investments, insurance and various other financial programs, also a fan of the Sacramento Kings, vacationing on tropical islands, cruises, and eating at restaurants. Oh how I miss pre-COVID activities!

INTERVIEWER: what are you here to talk about today?

JASON CROWELL: I am here to talk about the exciting topic that will be at the forefront of our minds, and it is drumroll.... Taxes. That tax filing deadline is approaching, and I want to go over some of the major changes in the tax code that have occurred last year that you can find on the IRS.GOV website. This is where I stress a disclosure that I am not a tax expert and I'm not giving tax advice, please consult with your licensed tax professional.

2020 was a different year to say the least. Congress passed the Cares Act that made changes to the current tax code for individuals and businesses. Here are some of the major changes that went in effect in 2020 as you file your taxes. I want to disclose I am not a tax expert, and to consult your tax professional for help and advice.

INTERVIEWER: What should Golden 1 Credit Union members be aware of as the filing for tax deadline approaches?

JASON CROWELL: I would say prior year retirement contributions. It is one of the most common ways to reduce the amount of taxes you owe for the year 2020. You have until April 15th to make a Traditional or Roth IRA contribution for the year 2020. So if you have a taxable income of \$50k, and you contribute 5k to a traditional IRA, then your taxable income will go down to \$45k a year. The IRS will tax you as if you made 5k less. The main reason why you would want to do this, is to get out of paying taxes today. Of course you will eventually have to pay taxes on the money. When you turn the age of 59 ½, you will be able to withdraw the funds penalty free, but then you will pay taxes on the money. The idea is you should be in a lower tax bracket when you are retired and accessing the funds. The most you can put away in a traditional IRA is \$6k before age 50 and \$7k after age 50.

INTERVIEWER: That is a great way to reduce your income, is there any other accounts out there that you can possibly reduce your income?

JASON CROWELL: The Health Savings Account is great way to reduce your taxes, and not a lot of people use this account. To be able to contribute to an HSA, you have to be in a HIGH deductible medical plan. And it seems like every year the deductible continues to increase. For 2021, you can contribute up to 3600 a year tax free to an HSA and spend the money tax free for any medical expenses. Even if you don't use all the funds that year and can roll the funds to the next year. I imagine that some time in your life you will need to pay for medical expenses. Its tax deductible and you spend it tax free. Win win!!

INTERVIEWER: I know there are some changes in the tax code for 2020, especially if you have kids, can you go over some of those?

JASON CROWELL: The first one I want to go over is the Child Tax Credit. I recently had my second child, so I was paying close attention to any new benefits or changes that affect parents. Currently families can claim up \$2000 per qualified child. This is great, as of December 2020 I have two kids. So I can claim up to \$4,000 for both kids. Who say's kids don't help out financially? Now I just have to figure out how they are going to pay rent. This is from the IRS web site, "Taxpayers may be able to claim the child tax credit if they have a qualifying child under the age of 17. Part of this credit can be refundable, so it may give a taxpayers a refund even if they don't owe any tax." So you can receive up to \$1,400, even if you don't owe taxes.

INTERVIEWER: Another change is the RMD was suspended last year. Can you go over what that is?

JASON CROWELL: That's another topic that was big last year, Required Minimum Distributions or an RMD. This is an amount that must be taken out every year of your qualified retirement account when you reach over the age of 70 ½ or recently they changed the age 72. The

government requires you to take out the funds so you have to pay taxes on the money. Since you have not paid taxes on the funds, Uncle Sam is asking nicely to pay up.

INTERVIEWER: Were you required to take money out of a retirement account last year?

JASON CROWELL: No, Due to the pandemic, the government is not requiring you to take an RMD out of your account. Now in the current year of 2021, you must take the distribution to satisfy the RMD for this year. So don't forget and make sure you make the withdrawal by Dec 31, 2021 or the IRS will penalize you 50% of what you were supposed to take out. That's a lot!!

INTERVIEWER: Last year was tough for a lot of people. Was there a penalty exemption on accessing your 401k?

JASON CROWELL: Yes, last year was tough so the government was allowing everyone penalty free withdraw out of their retirement accounts up to 100k. Under the Cares act they feel that it was unfair to penalize you during this catastrophic pandemic. But they are not that nice, you still have to pay taxes on the money. So If you did take some money out of your retirement account, make sure you withhold for taxes or set some funds aside to pay the IRS .

Everyone last year had the option to take up to 100k out of their qualified retirement account without penalty. You have the option to pay it back over 3 years or you don't pay it back and pay taxes on the money as ordinary income. It may be a hefty tax bill.

INTERVIEWER: Can you talk a bit about the stimulus checks from the CARES act?

JASON CROWELL: Yes the government issued checks up to \$1,200 for qualifying American adults, and \$500 for the dependents listed on their 2019 tax returns -- so long as they were age 16 or younger with earned income up to 75k for individuals, and 150k for married with a phase out period.

Most people have asked "is the stimulus check that you received in 2020 taxable" the answer is no. The payment is not taxable and you won't owe taxes on it. If you still have not received your stimulus that you may be owed, you can go to www.irs.gov/coronavirus/get-my-payment. There you should be able to see if you will receive a check.

If you have received unemployment benefits, and did not withhold for taxes then you may owe taxes. Even though the stimulus checks are not taxable, the unemployment check is, so make sure you set funds aside for taxes.

INTERVIEWER: is there any other tax issues that members may encounter this year.

JASON CROWELL: Yes, capital gains on assets that were sold in 2020. There was a lot of buying and selling last year and you may owe on stocks that you made a profit on. But, if you sold a stock in 2020 for a loss, you may be able to write off capital gains on stocks that you sold last year for a gain. The last capital gains that most didn't realize that is there is the crypto

currency. And yes, if you sold any crypto currency for a gain, the gain is tax able and will be on your tax form for 2020. And no you cannot pay your taxes in crypto currency.

That should cover some of the differences and information about the upcoming tax year. Please always consult your tax professional when getting tax advice. Also contact your amazing financial services team at Golden 1 Credit Union and ask for the LPL Financial Advisor at your Branch.

(MARTIN) Outro:

Thank you, as always, for listening. If you're interested in more content like this please subscribe to our podcast station on Apple Podcasts, on Google Podcasts, or on Spotify. Keep an eye on our social media for announcements of new podcasts and useful financial tips. And of course, our series of webcasts that run every week. You can find our webcast schedule, educational videos, more podcasts, and our interactive Learning Lab at www.golden1.com/financial-wellness. Thanks again for listening, thank you Jason for the important information. We hope you are safe and healthy, and that everyone you know is safe and healthy. This has been Martin with Jason reminding you all to Stay Golden!

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