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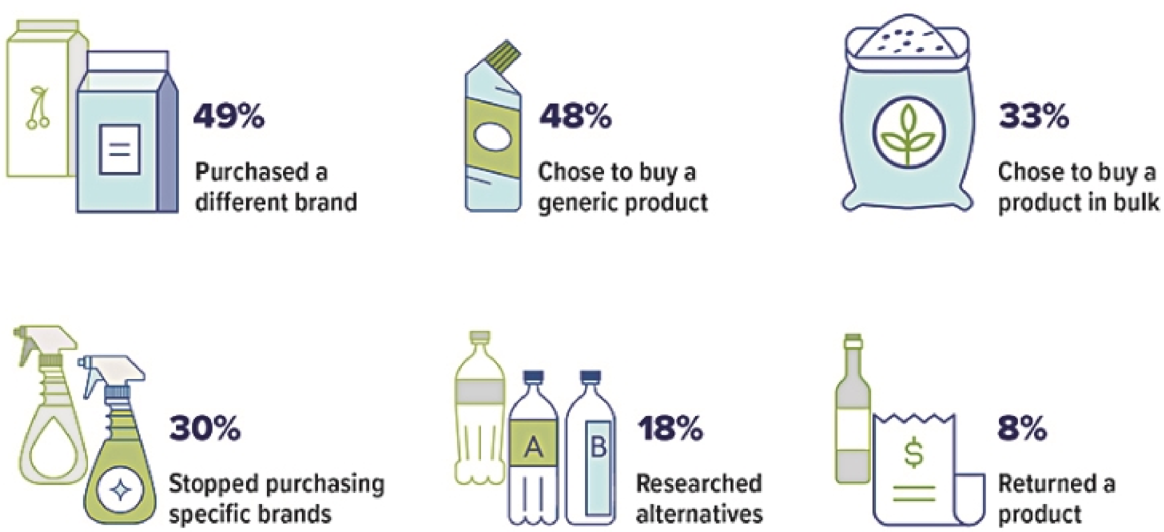
Honey, They Shrunk the Groceries

Have you noticed that packages are smaller at the grocery store? If so, you're not alone. A majority of U.S. adults have noticed shrinkflation — products shrinking in size while prices stay the same or increase. And about two out of three are very or somewhat concerned about the trend.

Consumers were most likely to say they noticed shrinkflation with snack items, followed by pantry items and frozen food. Shoppers also noticed it with meat, bread, beverages, dairy, produce, and other items. Here's what consumers did when they noticed shrinkflation.



Source: Morning Consult, August 29, 2022 (multiple responses allowed)

Key Retirement and Tax Numbers for 2023

Every year, the Internal Revenue Service announces cost-of-living adjustments that affect contribution limits for retirement plans and various tax deduction, exclusion, exemption, and threshold amounts. Here are a few of the key adjustments for 2023.

Estate, Gift, and Generation-Skipping Transfer Tax

- The annual gift tax exclusion (and annual generation-skipping transfer tax exclusion) for 2023 is $17,000, up from $16,000 in 2022.
- The gift and estate tax basic exclusion amount (and generation-skipping transfer tax exemption) for 2023 is $12,920,000, up from $12,060,000 in 2022.

Standard Deduction

A taxpayer can generally choose to itemize certain deductions or claim a standard deduction on the federal income tax return. In 2023, the standard deduction is:

- $13,850 (up from $12,950 in 2022) for single filers or married individuals filing separate returns
- $27,700 (up from $25,900 in 2022) for married joint filers
- $20,800 (up from $19,400 in 2022) for heads of household

The additional standard deduction amount for the blind and those age 65 or older in 2023 is:

- $1,850 (up from $1,750 in 2022) for single filers and heads of household
- $1,500 (up from $1,400 in 2022) for all other filing statuses

Special rules apply for those who can be claimed as a dependent by another taxpayer.

IRAs

The combined annual limit on contributions to traditional and Roth IRAs is $6,500 in 2023 (up from $6,000 in 2022), with individuals age 50 or older able to contribute an additional $1,000. The limit on contributions to a Roth IRA phases out for certain modified adjusted gross income (MAGI) ranges *(see chart).* For individuals who are active participants in an employer-sponsored retirement plan, the deduction for contributions to a traditional IRA also phases out for certain MAGI ranges *(see chart).* The limit on nondeductible contributions to a traditional IRA is not subject to phaseout based on MAGI.

MAGI Ranges: Contributions to a Roth IRA

	2022	2023
Single/Head of household	$129,000–$144,000	$138,000–$153,000
Married filing jointly	$204,000–$214,000	$218,000–$228,000
Married filing separately	$0–$10,000	$0–$10,000

MAGI Ranges: Deductible Contributions to a Traditional IRA

	2022	2023
Single/Head of household	$68,000–$78,000	$73,000–$83,000
Married filing jointly	$109,000–$129,000	$116,000–$136,000

Note: The 2023 phaseout range is $218,000-$228,000 (up from $204,000-$214,000 in 2022) when the individual making the IRA contribution is not covered by a workplace retirement plan but is filing jointly with a spouse who is covered. The phaseout range is $0-$10,000 when the individual is married filing separately and either spouse is covered by a workplace plan.

Employer-Sponsored Retirement Plans

- Employees who participate in 401(k), 403(b), and most 457 plans can defer up to $22,500 in compensation in 2023 (up from $20,500 in 2022); employees age 50 or older can defer up to an additional $7,500 in 2023 (up from $6,500 in 2022).
- Employees participating in a SIMPLE retirement plan can defer up to $15,500 in 2023 (up from $14,000 in 2022), and employees age 50 or older can defer up to an additional $3,500 in 2023 (up from $3,000 in 2022).

Kiddie Tax: Child's Unearned Income

Under the kiddie tax, a child's unearned income above $2,500 in 2023 (up from $2,300 in 2022) is taxed using the parents' tax rates.

Should You Consider Tax-Loss Harvesting?

Stock market losses can be rough on your portfolio's bottom line, but they may also offer the potential to reduce your tax liability and possibly buy shares at a discount. Whether this strategy — called tax-loss harvesting — is appropriate for you depends on a variety of factors, including your current portfolio performance, your long-term goals, and your current and future taxable income.

Gains and Losses

When an investment loses money, it's often best to look beyond current performance and hold it for the long term. Sometimes, though, you may want to sell a losing investment, which could help balance gains from selling an investment that has appreciated or reduce your taxable income even if you do not have gains.

Capital gains and losses are classified as long term if the investment was held for more than one year, and short term if it was held for one year or less. Long-term gains are taxed at a rate of 0%, 15%, or 20% depending on your income. Short-term gains are taxed at your ordinary income tax rate, which may be much higher than your capital gains rate.

For tax purposes, capital losses are applied first to like capital gains and then to the other type of gains; for example, long-term losses are applied first to long-term gains and then to short-term gains. Up to $3,000 of any remaining losses can then be applied to your ordinary income for the current year ($1,500 if you are married filing separately). Finally, any remaining losses can be carried over to be applied to capital gains or ordinary income in future years. For most taxpayers, the biggest benefit comes when applying losses to short-term gains or ordinary income.

Selling, Buying, and Washing

Some investors sell losing investments with the idea of harvesting the tax loss and then buying the same investment while its price remains low. In order to discourage this, the IRS has a *wash-sale* rule, which prohibits buying "substantially identical stock or securities" within 30 days prior to or after a sale. This also applies to securities purchased by your spouse or a company you own.

It is impossible to time the market, but under the right circumstances, harvesting a tax loss and then buying the same security at least 30 days later (i.e., after the wash-sale period) could potentially result in a lower tax liability when you sell that security later at a gain.

2023 Income and Capital Gains Tax Rates

Taxable income		
Income tax rate	Single filers	Joint filers
10%	Up to $11,000	Up to $22,000
12%	$11,001 to $44,725	$22,001 to $89,450
22%	$44,726 to $95,375	$89,451 to $190,750
24%	$95,376 to $182,100	$190,751 to $364,200
32%	$182,101 to $231,250	$364,201 to $462,500
35%	$231,251 to $578,125	$462,501 to $693,750
37%	Over $578,125	Over $693,750

Taxable income		
Long-term capital gains tax rate	Single filers	Joint filers
0%	Up to $44,625	Up to $89,250
15%	$44,626 to $492,300	$89,251 to $553,850
20%	Over $492,300	Over $553,850

This is most likely if you repurchase the security at a similar or lower price, and you are in a higher tax bracket at the time you take the loss than at the time you take the gain — for example, if you take the loss while working and sell when you are retired.

Any year in which your taxable income falls within the 0% capital gains rate is an opportune time to take gains, and any losses in that year would be applied to short-term gains or ordinary income. Keep in mind that capital gains and losses apply only when investments are sold in a taxable account.

Tax-loss harvesting is a complex strategy, and it would be wise to consult your financial professional before taking action. Although there is no guarantee that working with a financial professional will improve investment results, a professional can evaluate your objectives and available resources and help you consider appropriate long-term financial strategies.

All investing involves risk, including the possible loss of principal, and there is no guarantee that any investment strategy will be successful.

50 and Older? Here's Your Chance to Catch Up on Retirement Saving

If you are age 50 or older and still working, you have a valuable opportunity to super-charge your retirement savings while managing your income tax liability. Catch-up contributions offer the chance to invest amounts over and above the standard annual limits in IRAs and workplace retirement plans.

2023 Limits

In 2023, the IRA catch-up limit is an additional $1,000 over the standard annual amount of $6,500. Participants in 401(k), 403(b), and government 457(b) plans can contribute an extra $7,500 over the standard limit of $22,500. For SIMPLE plans, the catch-up amount is $3,500 over the standard limit of $15,500.[1]

Tax Benefits

Contributions to traditional workplace plans are made on a pre-tax basis, which reduces the amount of income subject to current taxes. Contributions to traditional IRAs may be deductible, depending on certain circumstances.

If you are not covered by a retirement plan at work, your traditional IRA contributions are fully tax deductible. If you are covered by a workplace plan, you may deduct the full amount if your adjusted gross income is $73,000 or less as a single taxpayer or $116,000 or less if you're married and file jointly. If you are not covered by a workplace plan but your spouse is, you are eligible for a full deduction if you file jointly and your income is $218,000 or less.[2]

Contributions to Roth accounts do not offer immediate tax benefits, but qualified distributions are tax-free at the federal, and possibly state, level. A qualified distribution is one made after the account has been held for five years and the account owner reaches age 59½, dies, or becomes disabled.

Distributions from traditional accounts prior to age 59½ and nonqualified distributions from Roth accounts are subject to ordinary income taxes and a 10% penalty, unless an exception applies.

Still Time for 2022 Contribution

If you qualify, you can make a deductible IRA contribution for 2022 up until the tax filing deadline on April 18, 2023. The total contribution limit for someone age 50 or older in 2022 is $7,000. You can open a new IRA or invest in a current one, but be sure to specify the contribution is for the 2022 tax year. The income limits for a full deduction in 2022 are $68,000 for single taxpayers, $109,000 for married taxpayers filing jointly, and $204,000 for taxpayers who aren't covered by a workplace plan but their spouse is.[2]

1) Participants in 403(b) and 457(b) plans may benefit from other catch-up contributions specific to each plan type. Participants in government 457(b) plans cannot combine age 50 catch-up contributions with other catch-up contributions. When calculating allowable annual amounts, contributions to all plans except 457(b)s must be aggregated.

2) Phaseout limits apply. Married couples filing separately cannot take a full deduction. You must have earned income at least equal to your IRA contribution. Talk to a tax professional.