

# marrick wealth monthly

## marrick wealth

2211 Michelson Drive • Suite 545 • Irvine • CA • 92612

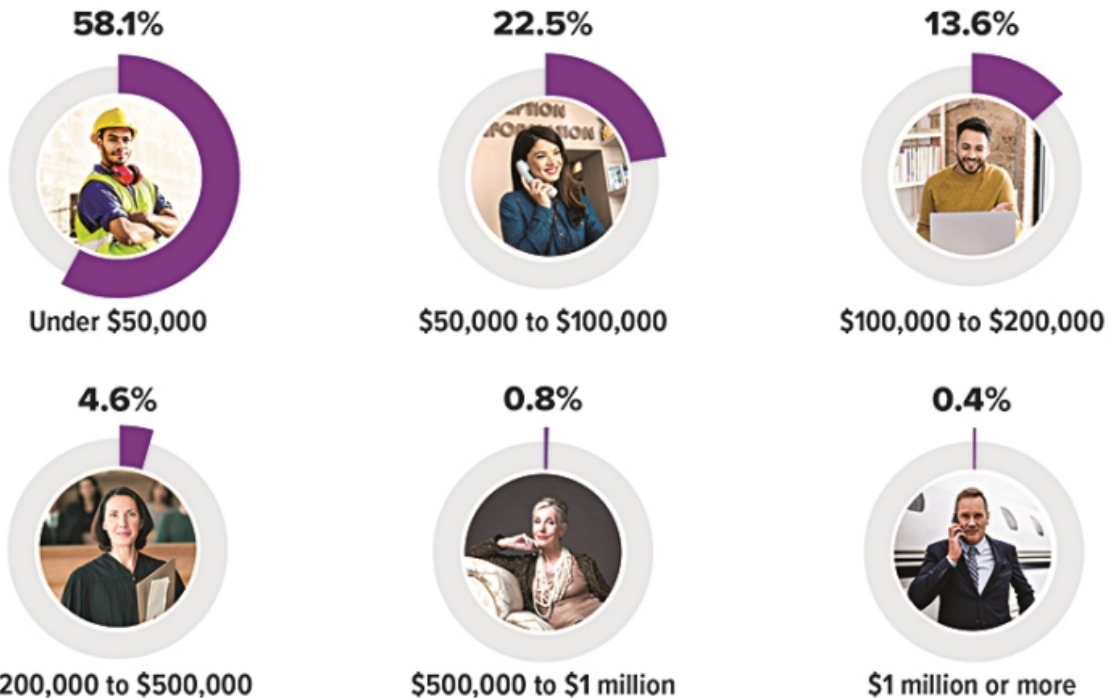
949-258-9700

info@marrickwealth.com • www.marrickwealth.com



## Where Does Your Income Fit?

The IRS processed more than 164 million individual income tax returns for tax year 2020 (most recent full-year data). Almost three out of five returns showed an adjusted gross income (AGI) under \$50,000, while a little over 1% showed an AGI of \$500,000 or more.



Source: Internal Revenue Service, 2022

# Are You Eligible for Any of These College-Related Federal Tax Benefits?

College students and parents deserve all the help they can get when paying for college or repaying student loans. If you're in this situation, here are three federal tax benefits that might help put a few more dollars back in your pocket.

## American Opportunity Credit

The American Opportunity tax credit is worth up to \$2,500 per student per year for qualified tuition and fees (not room and board) for the first four years of college. It is calculated as 100% of the first \$2,000 of qualified tuition and fees plus 25% of the next \$2,000 of such expenses.

There are two main eligibility restrictions: the student must be enrolled in college at least half-time, and the parents' modified adjusted gross income (MAGI) must be below a certain level. To claim a \$2,500 tax credit in 2023, single filers must have a MAGI of \$80,000 or less, and joint filers must have a MAGI of \$160,000 or less. A partial credit is available for single filers with a MAGI between \$80,000 and \$90,000, and joint filers with a MAGI between \$160,000 and \$180,000. The same limits applied in 2022 (and would be used when completing your 2022 federal tax return).

One key advantage of the American Opportunity credit is that it can be claimed for multiple students on a single tax return in the same year, provided each student qualifies independently. For example, if Mom and Dad have twins in college and meet the credit's requirements for each child, they can claim a total credit of \$5,000 (\$2,500 per child).

## Lifetime Learning Credit

The Lifetime Learning credit is worth up to \$2,000 for qualified tuition and fees for courses taken throughout one's lifetime to acquire or improve job skills. It's broader than the American Opportunity credit — students enrolled less than half-time as well as graduate students are eligible. The Lifetime Learning credit is calculated as 20% of the first \$10,000 of qualified tuition and fees (room and board expenses aren't eligible).

Income eligibility limits for the Lifetime Learning credit are the same as the American Opportunity credit. In 2023, a full \$2,000 tax credit is available for single filers with a MAGI of \$80,000 or less, and joint filers with a MAGI of \$160,000 or less. A partial credit is available for single filers with a MAGI between \$80,000 and \$90,000, and joint filers with a MAGI between \$160,000 and \$180,000. The same limits applied in 2022.

One disadvantage of the Lifetime Learning credit is that it is limited to a total of \$2,000 per tax return per year, regardless of the number of students in a family who may qualify in a given year. So, in the previous example, Mom and Dad would be able to take a total

Lifetime Learning credit of \$2,000, not \$4,000. Two other points to keep in mind: (1) the American Opportunity credit and the Lifetime Learning credit can't be taken in the same year for the same student; and (2) the expenses used to qualify for either credit can't be the same expenses used to qualify for tax-free distributions from a 529 plan or a Coverdell education savings account.

---

## Student Loan Debt Statistics

Outstanding U.S. student loan debt in 2022:  
**\$1.745 trillion**

Loan source breakdown:  
**92.7% federal**  
**7.3% private**

Number of borrowers with federal student loan debt:  
**42.8 million**

Average federal student loan balance:  
**\$37,787**

Source: EducationData.org, 2022

---

## Student Loan Interest Deduction

Undergraduate and graduate borrowers can deduct up to \$2,500 of interest paid on qualified federal and private student loans during the year if income limits are met. In 2023, a full \$2,500 deduction is available for single filers with a MAGI of \$75,000 or less, and joint filers with a MAGI of \$155,000 or less. A partial deduction is available for single filers with a MAGI between \$75,000 and \$90,000, and joint filers with a MAGI between \$155,000 and \$185,000. In 2022, the income limits were slightly lower: a full deduction was available for single filers with a MAGI of \$70,000 or less, and joint filers with a MAGI of \$140,000 or less; a partial deduction was available for single filers with a MAGI between \$70,000 and \$85,000, and joint filers with a MAGI between \$145,000 and \$175,000. The 2022 limits would be used when completing your 2022 federal income tax return.

If you paid at least \$600 in student loan interest during the year, your loan servicer should send you a Form 1098-E showing how much you paid. If you don't receive a 1098-E, you can still claim the deduction. You just need to call your loan servicer or log in to your online account to find the amount of interest you paid.

# Social Security Offers Benefits from Birth Through Old Age

The bulk of Social Security benefits go to retirees, but Social Security is much more than a retirement program. Most Americans are protected by the Old-Age, Survivors, and Disability Insurance (OASDI) program — the official name of Social Security — throughout their lives.

## Current Social Security Beneficiaries



Source: Social Security Administration, 2023

## At the Beginning of Your Career

Your first experience with Social Security might be noticing that Federal Insurance Contributions Act (FICA) taxes have been taken out of your paycheck. Most jobs are covered by Social Security, and your employer is required to withhold payroll taxes to help fund Social Security and Medicare.

Although most people don't like to pay taxes, when you work and pay FICA taxes, you earn Social Security credits. These enable you (and your eligible family members) to qualify for Social Security retirement, disability, and survivor benefits. Most people need 40 credits (equivalent to 10 years of work) to be eligible for Social Security retirement benefits, but fewer credits may be needed for disability or survivor benefits.

## If You Become Disabled

Disability can strike anyone at any time. Research shows that one in four of today's 20-year-olds will

become disabled before reaching full retirement age.<sup>1</sup>

Social Security disability benefits can replace part of your income if you have a severe physical or mental impairment that prevents you from working. Your disability generally must be expected to last at least a year or result in death.

## When You Marry...or Divorce

Married couples may be eligible for Social Security benefits based on their own earnings or on their spouse's.

When you receive or are eligible for retirement or disability benefits, your spouse who is age 62 or older may also be able to receive benefits based on your earnings if you've been married at least a year. A younger spouse may be able to receive benefits if he or she is caring for a child under age 16 or disabled before age 22 who is receiving benefits based on your earnings.

If you were to die, your spouse may be eligible for survivor benefits based on your earnings. Regardless of age, your spouse who has not remarried may receive benefits if caring for your child who is under age 16 or disabled before age 22 and entitled to receive benefits based on your earnings. At age 60 or older (50 or older if disabled), your spouse may be able to receive a survivor benefit even if not caring for a child.

If you divorce and your marriage lasted at least 10 years, your former unmarried spouse may be entitled to retirement, disability, or survivor benefits based on your earnings.

## When You Welcome a Child

Your child may be eligible for Social Security if you are receiving retirement or disability benefits, and may receive survivor benefits in the event of your death. In fact, according to the Social Security Administration, 98% of children could get benefits if a working parent dies.<sup>2</sup> Your child must be unmarried and under age 18 (19 if a full-time elementary or secondary school student) or age 18 or older with a disability that began before age 22.

## At the End of Your Career

Social Security is a vital source of retirement income. The benefit you receive will be based on your lifetime earnings and the age at which you begin receiving benefits. You can get an estimate of your future Social Security benefits by signing up for a *my* Social Security account at [socialsecurity.gov](https://www.socialsecurity.gov) to view your personal Social Security statement. Visit this website, too, to get more information about specific benefit eligibility requirements, only some of which are covered here.

1-2) Social Security Administration, 2022

# Keep an Eye Out for IRS-Related Scams

The IRS warns that although scams are especially prevalent during tax season, they also take place throughout the year.<sup>1</sup> As a result, it's important to always be on the lookout for suspicious activity so that you don't end up becoming the victim of a scam.

One of the more common IRS scams involves phishing emails. These scams involve unsolicited emails that pose as the IRS to convince you to provide personal information. Scam artists then use this information to commit identity or financial theft.

Another dangerous type of phishing, referred to as "spear phishing," is targeted towards specific individuals or groups within a company or organization. Spear phishing emails are designed to get you to click on a link or download an attachment that will install malware in order to disrupt critical operations within your company or organization.

Another popular IRS scam involves fraudulent communications that appear to be from the IRS or a law enforcement organization. These scams are designed to trick you into divulging your personal information by using scare tactics such as threatening you with arrest or license revocation. Be wary of any email, phone, social media, and text communications from individuals claiming they are from the IRS or law enforcement saying that you owe money to the IRS.



*The IRS will not initiate contact with you by email, text message, or social media to request personal information.*

A relatively new IRS scam involves text messages that ask you to click on a link in order to claim a tax rebate or some other type of tax refund. Scammers who send these messages are trying to get you to give up your personal information and/or install malware on your phone. Watch out for texts that appear to be from the IRS that mention "tax rebate" or "refund payment."

The IRS will not initiate contact with you by email, text message, or social media to request personal information. The IRS usually contacts you by regular mail delivered by the U.S. Postal Service. Here are some steps that may help you avoid scams.

- Never share your personal or financial information via email, text message, or over the phone.
- Don't click on suspicious or unfamiliar links or attachments in emails, text messages, or instant messaging services.
- Keep your devices and security software up to date, maintain strong passwords, and use multi-factor authentication.

1) Internal Revenue Service, 2022

## IMPORTANT DISCLOSURES

This publication is not intended to provide investment, tax, or legal advice. The information presented here is not specific to any individual's personal circumstances.

To the extent that this material concerns tax matters, it is not intended or written to be used, and cannot be used, by a taxpayer for the purpose of avoiding penalties that may be imposed by law. Each taxpayer should seek independent advice from a tax professional based on his or her individual circumstances.

These materials are provided for general information and educational purposes based upon publicly available information from sources believed to be reliable—we cannot assure the accuracy or completeness of these materials. The information in these materials may change at any time and without notice.