TRANSCRIPT

2023 Year End Action Items

MS. THEODORE:

Hello and thank you for joining us for our 2023 Year End Action Items webinar.

It's hard to believe, but the end of the year is upon us, which means it’s time to review your investment accounts and financial plan to ensure you’re closing out the year on firm footing.

I'm Lindsay Theodore, a certified financial planner professional and Thought Leadership Senior Manager here at T. Rowe Price. Today we'll be exploring several actions you may want to take to get your financial house in order as 2023 comes to a close. We’ll discuss items that may impact your taxable income and how you might manage these liabilities, as well as cover some tax-savvy ways to allocate assets to the people and the causes you care about.

We'll discuss capital gains and required minimum distributions, both of which may increase your taxable income. We'll also explore charitable giving as well as 529 college savings plan contributions and IRA contributions, all of which may decrease your taxable income. And lastly, we’ll cover a few housekeeping items that are valuable to review at the end of the year such as making sure your beneficiaries, account services, and registrations are set up in line with your intent.

Joining me to talk about an item that may increase your taxable income is Roger Young, a certified financial planner professional and thought leadership director here at T. Rowe Price. Thank you for joining me, Roger.

MR. YOUNG:

Thanks, Lindsay. I'm happy to be here.

MS. THEODORE:

Let’s start by reviewing an item that may increase a client’s taxable income. Can you please define year-end mutual fund capital gain distributions and how they work?

MR. YOUNG:

Sure. So, over the course of a year mutual funds buy and sell securities to meet their investment objectives, seek investment opportunities, and manage the cash flow in and out of a mutual fund. These actions result in capital gains and losses in the individual securities the fund holds. The realized gains, to the extent they exceed realized losses, are then paid out of the fund. That's known as a capital gain distribution. The IRS generally requires mutual funds to distribute all income resulting from net capital gains to their shareholders each year. This results in a taxable event for investors in taxable accounts, whether they receive those payouts in cash or reinvest them in additional fund shares.

Now, this is treated differently if the mutual fund is held in a tax-advantaged account like an IRA. Money isn't taxed while in the IRA, but may be considered taxable income once you start pulling the money out.

MS. THEODORE:

So, when a portfolio manager sells for a gain within a fund they trigger a taxable event for the fund. Since the fund is owned by shareholders, that capital gain is then passed onto the individuals owning the fund. Keep in mind when a mutual fund sells a position it may result in a gain or loss. The IRS allows mutual funds to offset gains with the losses to reduce the tax liability. And, the IRS allows mutual fund managers to carry these losses forward to future years. The portfolio manager may be able to offset gains over multiple years. But if these carryover losses have already been used, it may result in sizable capital gain distributions for mutual fund shareholders. Since the individual investor isn't the one who triggers the capital gain, what are some actions investors can take to prepare for the year-end payouts?

MR. YOUNG:

Since each investor's circumstance is unique, working with a tax professional to determine the most appropriate action is always recommended. But it's important for investors to know that when capital gains are distributed, those amounts are not taxed again. If you reinvest, your cost basis is adjusted. and increases every time there is a capital gains distribution and reinvestment in that holding. You are only ultimately taxed on the profits you receive. Now, investors might be tempted to proactively sell the mutual fund prior to the record date which is the date the eligible ownership is determined. But there are

a couple of considerations.

This action may still result in a taxable event if you personally have an embedded gain. You also want to consider short-term versus long-term gains when assessing the tax impact of the distribution. Long-term capital gain tax rates are more favorable than short-term capital gain tax rates.

MS. THEODORE:
Great points, Roger. And, just as fund managers can harvest investment losses throughout the year, individuals have that option as well. Especially in a year when the markets have declined, there may be opportunities to harvest losses to offset realized gains, or carry forward for use against capital gains in future years. Of course, you would want to ensure that any changes you make are appropriate given your risk tolerance, time horizon, and asset allocation target. You may also want to consult a tax professional to ensure that you don't violate the wash sale rule, which would reduce or eliminate the benefit of tax loss harvesting. And what if investors are considering purchasing a mutual fund close to the record date?

MR. YOUNG:
If the capital gain will be distributed soon, you may want to consider waiting until after the distribution to make that purchase. This way you avoid a taxable event when you haven't even been able to benefit from any growth over time. Remember, this is only a potential issue for taxable accounts. This does not affect IRAs, for example.

If you find yourself uncomfortable with these types of payouts and are more concerned with minimizing a tax liability, you could consider other types of mutual funds that attempt to limit these distributions, such as tax-efficient funds. As always, make sure any fund is aligned to your investment objective.
It's also important that shareholders understand the share price of the mutual fund will go down on the day of the capital gain distribution. Essentially the value to the shareholder is the same. The capital gain amount is offset by a reduced share price.

This date is called the ex dividend reinvestment date. On this date distribution amounts are reinvested or

paid in cash depending on your election. If clients are unaware of the date this occurs, they may become concerned seeing a drop in the share price, especially if it's a day where markets are up. So, when gains are set to be distributed, you'll want to be aware of the record date which makes you eligible for the distribution, and the date that distribution will be paid. I should also note that dividend distributions may also occur around the same time.

MS. THEODORE:
Thank you, Roger. To view when these distributions are scheduled to take place, you can visit the tax planning section of our website at troweprice.com/taxplanning.

Another year-end event that affects IRA and 401(k) account holders in their 70s, is required minimum distributions, or RMDs. Here to talk about RMDs is Judith Ward, another certified financial planner professional and thought leadership director at T. Rowe Price. Thank you for joining me, Judy.

MS. WARD:
Thanks for having me, Lindsay.

MS. THEODORE:
So, Judy, we know that there have been some changes to RMDs recently. Can you shed some light on the latest developments and on RMDs more generally?

MS. WARD:
Absolutely. Even in tax-deferred accounts you eventually have to pay taxes. RMD amounts are based on the fair market value of your pre-tax qualified retirement plans and traditional or Rollover IRAs, as of December 31st of the previous year – and your life expectancy, according to the IRS. For individuals turning 72 in 2023, the starting age for RMDs has increased to age 73. This means that those turning 72 on or after January 1, 2023, can delay their RMDs until 2024. All individuals 73 and older who have already started taking RMDs must continue to take them this year.

You'll need to calculate your RMD separately for each IRA you own, but you can take your total RMD from a single IRA or a combination of IRAs.

The good news is that T. Rowe Price provides your RMD amount online for any pretax, Traditional IRAs you have held with us since December 31st of the previous year. Since Roth IRAs are post-tax investments, they don't have RMDs.

MS. THEODORE:
That's right Judy. In order to view your T. Rowe Price RMD, simply log into your account and click "RMD" in the top navigation. From there, in addition to locating your RMD calculation and amount, you can set up your distributions using our Auto-RMD tool. It's a simple way to set up and manage your required minimums.

Keep in mind that the calculation won't include workplace retirement plans held with T. Rowe Price or 401K and IRA accounts held externally. You'll need to contact your accountant, T. Rowe Price retirement plan services, or any outside retirement plan providers, in order to confirm your RMDs for those accounts.

MS. WARD:
And just to be clear, an investor can always take more than what is required. As a matter of fact, many individuals may already be using funds from their IRA to cover expenses in retirement.
Once the RMD is distributed, you aren't required to spend it if you don't need to. It simply cannot remain in the tax-deferred retirement account. If you don't wish to spend the distribution, you can reinvest the money in a taxable general investing account – either shoring up your rainy-day fund or investing for the longer term. You can contact a T. Rowe Price representative to discuss which options may make sense for your situation.

Another idea if you're charitably inclined – is to consider a Qualified Charitable Distribution (a QCD). A QCD is a payment directly from an IRA to a qualified charity, and can satisfy RMDs. Generally, once

you turn 70½, you can distribute up to $100,000 directly from a Traditional IRA to qualified charities each year. QCDs can count toward your RMD (if applicable) and won't be included in your taxable income, regardless of whether you're able to itemize your tax deductions or not.

This makes QCDs especially attractive (from a tax standpoint) for those who don't have enough deductions to itemize and are forced to take the standard deduction. In 2023, the standard deduction is $13,850 for individuals, $20,800 for heads of household, and $27,700 for married couples filing jointly.

MS. THEODORE:
Thanks, Judy. Now, that we've touched on RMDs, we should probably consider other options for reducing taxable income before the end of the year.

MS. WARD:
Of course. Let's continue with charitable contributions. Unlike with QCDs, contributions made to a qualified charitable organization are tax deductible, if an individual itemizes deductions. Unless your itemized deductions exceed the standard deduction amount for your filing status, itemizing won't be an option.

If you do itemize, however, and you're charitably inclined, a donor-advised fund, such as a T. Rowe Price Charitable account, can enable you to more efficiently meet and organize your charitable goals. You can take a large deduction for any contributions to the account up front, and then spread out the grants to charities over a longer period. You can also donate highly appreciated securities directly to a donor advised fund—thereby benefiting from the tax-deductible market value of the gift at the time of the contribution, while avoiding capital gains on the sale of the security. Just remember, you cannot direct a QCD to a donor advised fund. You can visit trowepricecharitable.org if you want to learn more about T. Rowe Price Charitable.

MS. THEODORE:
Yes, and in addition to the tax benefits, making contributions to charities you care about, and support

can prove a satisfying way to utilize your financial resources. Another way to pay it forward is by helping to fund the education of a loved one through the use of a 529 college savings account. College is certainly getting more expensive, after all. And a 529 college savings plan is a tax-advantaged way to help families reach their education savings goals.

This type of plan lets you set aside money in a professionally-managed account that can be used at nearly every accredited U.S. college, university, trade, or technical school. The benefit is that you may receive a state tax deduction on contributions to these accounts, the funds grow tax-deferred, and – when used for qualified expenses – the distribution is tax-free.

Also, 529 college savings plan can be used for up to $10,000 per year, per beneficiary, for tuition expenses at K through 12 private, public, and religious schools. It also allows for up to a lifetime maximum of $10,000 to pay down student loan debt.

MS. WARD:
That's right, Lindsay. Of course, contributions to these types of plans are subject to gift tax limits. In 2023 individuals can gift up to $17,000 per recipient without filing a gift tax return. Married couples who file their taxes jointly can make a joint gift up to $34,000 per recipient without incurring a gift-tax liability. Each spouse, however, may have to file a gift tax return consenting to split the gift.

If you exceed the $17,000 annual gift tax exclusion, you will generally need to file a gift tax return. The excess amounts could count against your lifetime gift and estate tax exclusion, so you won't necessarily owe more taxes in your lifetime, but it could increase the tax liability for your estate later.

You may also be able to combine five years' worth of annual gifts (or $85,000) in one year, per beneficiary via contributions to a 529 plan. This is a unique capability only offered through 529s. It's important to note that parents are not the only ones who are eligible to contribute to these accounts. Grandparents or other individuals can fund a 529 account as well, which can really be a big help.

MS THEODORE:

It really can. In past surveys T. Rowe Price has conducted, we found that only a fraction of applicable survey participants had saved money specifically earmarked for college education. Now, that may suggest parents are prioritizing other types of savings, like retirement, over college savings. But it certainly makes a case for why a grandparent’s contribution to a 529 plan each year could prove generous, beneficial, and perhaps, necessary. Thank you, Judy.

MS THEODORE:

Speaking of education planning, there are often questions about how 529 assets may affect financial aid. Back again is Roger Young. Roger, given the extensive writing and research you’ve done regarding college planning and financial aid, can you shed some light on those implications for us?

MR. YOUNG:

Certainly. There is a common misperception regarding the relationship between 529 college savings accounts and financial aid. Now, there is an impact on financial aid, but it's not as significant as you may think.

Money in a 529 plan is generally treated as an asset of the parent, or other owner of the account. The biggest factors for financial aid eligibility are actually household income and income or assets of the student. Assets belonging to the parents generally have a relatively small impact on financial aid eligibility.

Another important fact is the money you take out of a parent-owned 529 does not count as income for financial aid purposes. Starting in the 2024-2025 school year due to recent legislative changes, distributions taken from 529 accounts owned by non-parent family members will no longer count as untaxed student income on the FAFSA.

While many families may view this as a welcomed change, keep in mind most colleges do not meet 100 percent of a family’s financial needs. And some of the aid that they do provide is typically in the form of

loans instead of grants. So, our message is that making efforts to maximize education savings is more prudent than trying to maximize financial aid by not saving.

MS. THEODORE:
So, to recap, 529 college savings account contributions may provide a state tax deduction for some investors. And anyone can fund a 529 account for a future student, whether it's for K through 12 tuition, vocational school, or college expenses. The money in the account grows tax-deferred and distributions used to cover qualified education expenses are non-taxable. As Roger mentioned, 529 plan balances may impact financial aid eligibility, but it's still prudent to save as much as you can—seeing that that the majority of college expenses will need to be covered by some combination of savings, parental income, or loans—not necessarily financial aid.

Roger, let's review other account types clients may consider funding or changing before the end of the year to ensure they're eligible for relevant benefits in this year.

MR. YOUNG:
Sure. There are a few types of retirement contributions you would want to maximize prior to the end of the year. This includes any 401K contributions. One example is an individual 401K for self-employed people who don't have any employees.

These accounts generally have higher contribution limits than IRAs. They can reduce income – taxable income – for most investors. And, if you aren't able to make your retirement contribution before the end of the calendar year, you still have until the tax filing deadline to make a contribution to an IRA.

Just be aware that those contributions may not be deductible if you also have a workplace retirement plan, and your income exceeds IRS thresholds.

Another item many clients incorporate into their overall retirement plan is a Roth conversion strategy. There are many factors to consider when weighing the pros and cons of conversions, including your

current tax situation compared with your expected tax rate in the future, among others. But if a Roth conversion does make sense for your situation, and you plan to execute and pay income taxes on the conversion in this tax year, just make sure it's executed before December 31st.

MS. THEODORE:

Thank you, Roger. While the end of the year does carry with it several deadlines for action, it's also a good time to take inventory of your financial situation, and related account registrations and services. This way you're well-positioned for the upcoming year. Now I'd like to welcome back Judy Ward. Judy, would you mind walking us through some of the account-related matters individual investors may want to review at this time of year?

MS. WARD:

Of course. As we're all aware, many life or health events aren't planned. So, if you haven't recently reviewed your estate plan and beneficiary designations, now is as good a time as any. Estate planning tends to be a very personal and sensitive topic, and one we prefer not to focus on too much, if at all. But it's important to make sure things are properly situated to reflect your wishes.

Note that some assets pass to heirs outside your will through beneficiary designations, such as retirement plans, for example.

So, let's start with options for tax-advantaged retirement account registrations like IRAs and 401Ks. With these types of accounts, you're able to list both primary and secondary beneficiaries and you can list multiple in each category. You can review your designations by logging into your T. Rowe Price account online and navigating to your profile.

Another item to consider is whether you use per capita or per stirpes as methods of distribution to your beneficiaries. Depending on what you want to happen with your assets, this distinction could make a big difference.

MS. THEODORE:

That’s correct, Judy. At T. Rowe Price, the default method is per capita. Per capita means that the funds are distributed to your primary beneficiaries only. This means that if you have two or more primary beneficiaries on the account, and at the time of your passing, only one primary beneficiary is still alive, that single beneficiary will inherit the total amount.

Alternatively, per stirpes means that if you have two or more primary beneficiaries and at the time of your passing, one of your primary beneficiaries predeceased you, then the assets would pass to the heirs of that beneficiary. If you desire a per stirpes designation for your beneficiaries, you will need to provide written instruction indicating this. So, Judy, what should clients know about adding a beneficiary to a nonretirement account?

MS. WARD

In order to add beneficiaries to a taxable account, clients would need to add a transfer on death registration. This is often simply referred to as a TOD. By having this registration on file, your assets will pass to your designated heir without having to go through the probate process. Adding a TOD to your account doesn’t change who owns or has access to the account, but simply provides instruction as to who receives the assets upon your passing. Now, TOD registrations can be added to joint tenant accounts, although it is less common. This would be helpful should both account owners pass away at the same time.

Ultimately, it’s most important that you define what you’d like to happen to your assets upon your passing. This way, you can set up your accounts so that they transfer on to your heirs as easily as possible, and according to your wishes.

If you don’t take the time to regularly review these types of actions, you may end up with out-of-date information or a process in place that doesn’t fully reflect your final wishes. Of course, you should consult with your estate planning attorney to determine whether a TOD arrangement meets your needs. There is an estate planning guide you can check out for more information on this and other estate-related

items at troweprice.com/estateplanningguide.

MS. THEODORE:

Another account feature clients may want to consider adding or updating is their trusted contact on their accounts at T. Rowe Price. A trusted contact is simply someone T. Rowe Price may reach out to gather more information about the account owner. For example, if T. Rowe Price becomes concerned that the account owner is no longer able to handle their financial affairs. Or in the event that T. Rowe Price believes the account owner may be, or become, a victim of fraud or exploitation. In those cases, it enables T. Rowe Price to reach out to the trusted contact for guidance.

When this feature is added, it permits T. Rowe Price to share account details with that person, including information such as transactions, specific securities, beneficiary designations, and the account owner's contact information, so you really want to make sure this is an individual you fully trust. And account holders should keep in mind that their trusted contact will not be able to act on their account.

While there's no requirement that T. Rowe Price reach out to a trusted contact at any point in time, this service provides another avenue of account protection – in that it gives T. Rowe Price permission to bring awareness to a responsible, trusted individual when there are signs of diminished capacity or suspicion of fraudulent activity.

It’s easy to add a trusted contact to your accounts. You can do this either online or by completing a trusted contact form. You will find this information in the My Accounts section, under your profile.

Judy, is there anything else worth reviewing at the end of the year?

MS. WARD:

Well, I'd be remiss if I didn't mention reviewing your retirement plan and making sure your asset allocation still makes sense for your objectives – regardless of market performance. Over the course of a year, a lot can change, so you’ll want to ensure that your plan still aligns with your situation and goals. Having a thoughtful, up-to-date plan in place can provide peace of mind, and may help take the emotion

out of important investment decisions down the road.

MS. THEODORE:

Thanks again, Judy. And *I'd* be remiss if I closed without mentioning that one of the ways T. Rowe Price can help to ensure you're properly invested to meet your goals is by building a personalized financial plan through our Retirement Advisory Service, designed for individuals or households, with investable assets of $250,000 or more. If after receiving your personalized plan and recommendation, you opt to enroll in the ongoing service, you will be assigned a dedicated advisor and receive ongoing investment management and planning support from T. Rowe Price. You can learn more about our Retirement Advisory Service, and other types of advice solutions, by visiting **troweprice.com/plannow**.

Another great way to get the most out of your investments with T. Rowe Price is with the Summit Program. The T. Rowe Price Summit Program is our complimentary tiered benefits program. As clients increase their Summit Balance and Summit tier, they may be eligible for a variety of Summit Program benefits including special access to lower-cost I Class shares, preferred access to closed T. Rowe Price mutual funds, and opportunities like this event, with other thought leaders and investment professionals at T. Rowe Price. You can learn more about the Summit Program by visiting **troweprice.com/summit**.

MS. WARD:

Yes – from point-in-time, self-service tools to fully-managed, one-on-one advice, T. Rowe Price is here to help.

MS. THEODORE

We've covered a wide range of topics in this webinar. From year-end distributions and contributions, to end of year housekeeping items, we hope you took something valuable away from our discussion.

To learn more, or to further discuss actions you may want to take on your accounts at T. Rowe Price, please reach out to us at 1-800-366-5910, or visit us on the web at **troweprice.com/plannow**.

Thank you for your time, and confidence in T. Rowe Price.

T. Rowe Price – helping you achieve *your* best outcomes. Not just for retirement, but for life.

IMPORTANT INFORMATION

This material has been prepared by T. Rowe Price Investment Services, Inc., for general and educational purposes only. This material does not provide recommendations concerning investments, investment strategies, or account types. It is not individualized to the needs of any specific investor and not intended to suggest any particular investment action is appropriate for you nor is it intended to serve as the primary basis for investment decision-making. T. Rowe Price Investment Services, Inc., its affiliates, and its associates do not provide legal or tax advice. Any tax-related discussion contained in this material, including any attachments/links, is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding any tax penalties or (ii) promoting, marketing, or recommending to any other party any transaction or matter addressed herein. Please consult your independent legal counsel and/or tax professional regarding any legal or tax issues raised in this material.

An IRA should be considered a long-term investment. IRAs generally have expenses and account fees, which may impact the value of the account. Nonqualified withdrawals may be subject to taxes and penalties. Maximum contributions are subject to eligibility requirements. For more detailed information about taxes, consult IRS publication 590 or a tax advisor professional regarding personal circumstances.

Be sure to review any 529 college savings plan offered by your home state or your beneficiary's home state, as there may be state tax or other state benefits, such as financial aid, scholarship funds, and the protection from creditors that are only available for investments in the home state's plan. Be sure to read the college savings plan's disclosure document, which includes investment objectives, risks, fees, charges and expenses, and other information you should read and consider carefully before investing. Tax benefits may be conditioned on meeting certain requirements, such as residency, purpose for or timing of distributions, or other factors as applicable.

While distributions from 529 college savings plans for elementary or secondary education tuition

expenses are federally tax-free, state tax treatment will vary and could include state income taxes assessed, the recapture of previously deducted amounts from state taxes, and/or state-level penalties.

The T. Rowe Price Retirement Advisory Service™ is a nondiscretionary financial planning service and a discretionary managed account program provided by T. Rowe Price Advisory Services, Inc., a registered investment adviser, under the Investment Advisers Act of 1940. Brokerage accounts for the Retirement Advisory Service are provided by T. Rowe Price Investment Services, Inc., member FINRA/SIPC, and are carried by Pershing LLC, a BNY Mellon company, member NYSE/FINRA/SIPC, which acts as a clearing broker for T. Rowe Price Investment Services, Inc., T. Rowe Price Advisory Services, Inc. and T. Rowe Price Investment Services, Inc. are affiliated companies.

Summit Program benefits may be provided through T. Rowe Price Services, Inc. or its affiliates.

Consider the investment objectives, risks, and charges and expenses carefully before investing. For a prospectus or, if available, a summary prospectus containing this and other information, call (800) 638-5660. Read it carefully.

T. Rowe Price Investment Services, Inc.

202310-3178233