

# CHART OF THE MONTH

OCTOBER 2023

Social Security Cost-of-Living Adjustments (1976 - 2024)					
1976	8.0%	1993	3.0%	2010	0.0%
1977	6.4%	1994	2.6%	2011	0.0%
1978	5.9%	1995	2.8%	2012	3.6%
1979	6.5%	1996	2.6%	2013	1.7%
1980	9.9%	1997	2.9%	2014	1.5%
1981	14.3%	1998	2.1%	2015	1.7%
1982	11.2%	1999	1.3%	2016	0.0%
1983	7.4%	2000	2.5%	2017	0.3%
1984	3.5%	2001	3.5%	2018	2.0%
1985	3.5%	2002	2.6%	2019	2.8%
1986	3.1%	2003	1.4%	2020	1.6%
1987	1.3%	2004	2.1%	2021	1.3%
1988	4.2%	2005	2.7%	2022	5.9%
1989	4.0%	2006	4.1%	2023	8.7%
1990	4.7%	2007	3.3%	2024	3.2%
1991	5.4%	2008	2.3%		
1992	3.7%	2009	5.8%	Average	3.8%

Social Security benefits will increase by 3.2% in 2024 due to the annual cost-of-living adjustment (COLA). This bump is based on the rate of change in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) from the third quarter of 2023 compared to the same period in 2022. As shown in the table above, next year’s increase is on top of the 8.7% boost this year, the largest since the high-inflation environment of the early 1980s. Since 1976, the average annual adjustment has been 3.8%.

The Internal Revenue Service (IRS) will reset the standard deductions and income-tax brackets higher next year based on a similar formula. While the income-tax rates of 10%, 12%, 22%, 24%, 32%, 35%, and 37% will remain the same in 2024, the thresholds will climb, effectively reducing the taxes owed on the same level of income from one year to the next (see tables for single and married filers below). The brackets indicate the percentage a taxpayer owes on each portion of his/her income. The total amount of taxes divided by one’s income is known as the *average* tax rate whereas the *marginal* tax rate is the percentage of additional tax paid for every additional dollar earned.

Lastly, and perhaps most importantly for high-net-worth individuals and married couples, the federal estate tax exemption of \$12.92 million in 2023 and an estimate of \$13.61 million in 2024 per individual is set to expire in 2025, potentially cutting the estate tax exemption by more than half for the 2026 tax year if no legislative action is taken between now and then. As a result of these prospective changes, it may prove beneficial to explore strategies for those estates that are likely to be affected by any reductions in the allowable credit.

Meanwhile, for 2024, the annual exclusion amount for gifting is projected to increase to \$18,000 for individuals and \$36,000 for married couples. For example, a married couple with three children would be able to gift \$108,000 in total (or \$216,000 if one wanted to include the spouses, if applicable) without using their lifetime estate and gift tax exemption amounts.

The Impact on Single Filers in 2024		
Tax rate	2023	2024
10%	up to \$11,000	up to \$11,600
12%	\$11,000.00 — \$44,725	\$11,600.00 — \$47,150
22%	\$44,725.00 — \$95,375	\$47,150.00 — \$100,525
24%	\$95,375.00 — \$182,100	\$100,525.00 — \$191,950
32%	\$182,100.00 — \$231,250	\$191,950.00 — \$243,725
35%	\$231,250.00 — \$578,125	\$243,725.00 — \$609,350
37%	Over \$578,125	Over \$609,350

The Impact on Married Filers in 2024		
Tax rate	2023	2024
10%	up to \$22,000	up to \$23,200
12%	\$22,000 — \$89,450	\$23,200 — \$94,300
22%	\$89,450 — \$190,750	\$94,300 — \$201,050
24%	\$190,750 — \$364,200	\$201,050 — \$383,900
32%	\$364,200 — \$462,500	\$383,900 — \$487,450
35%	\$462,500 — \$693,750	\$487,450 — \$731,200
37%	over \$693,750	over \$731,200