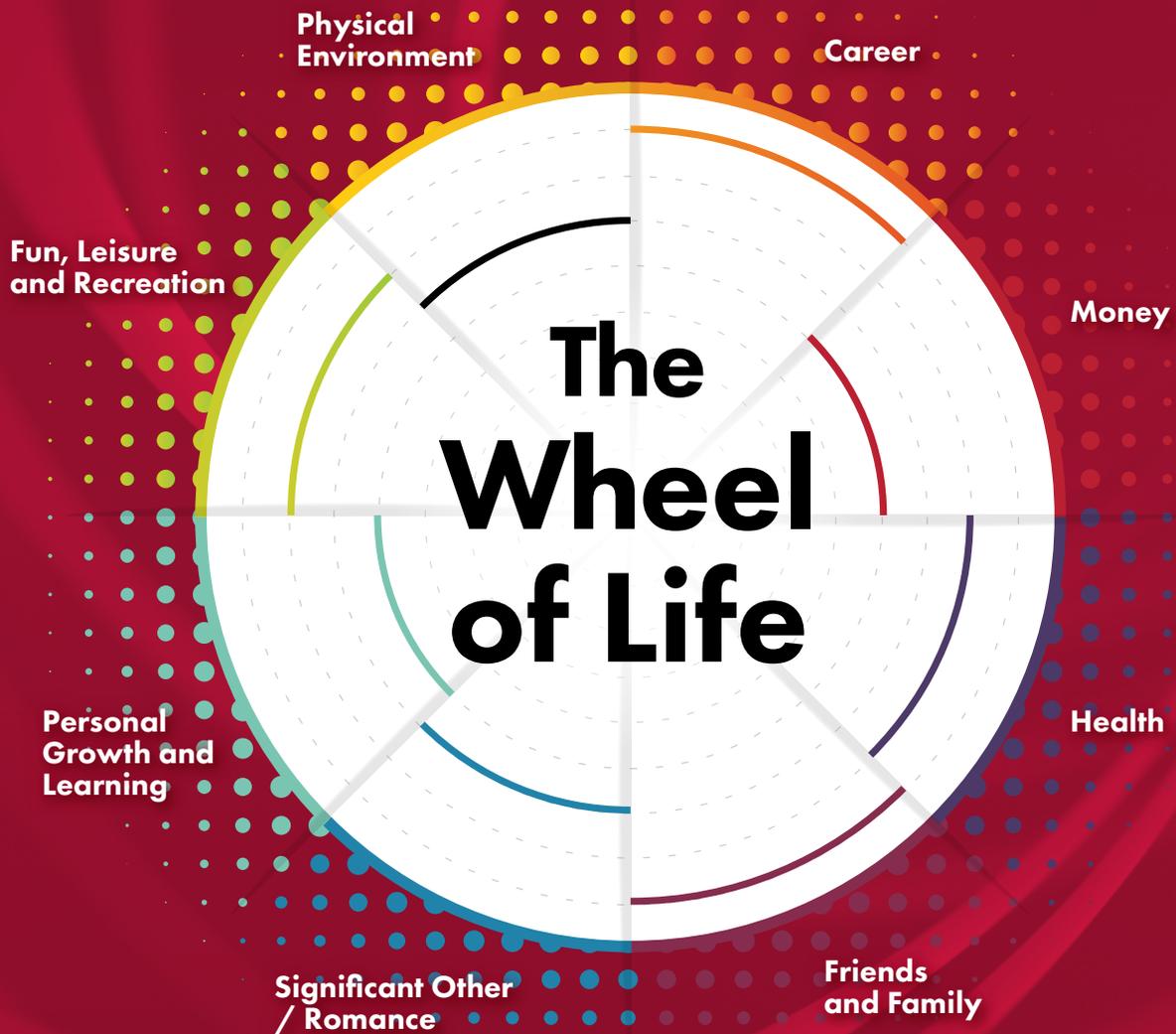


Parsec Financial

THRIVE BY DOING WHAT YOU LOVE

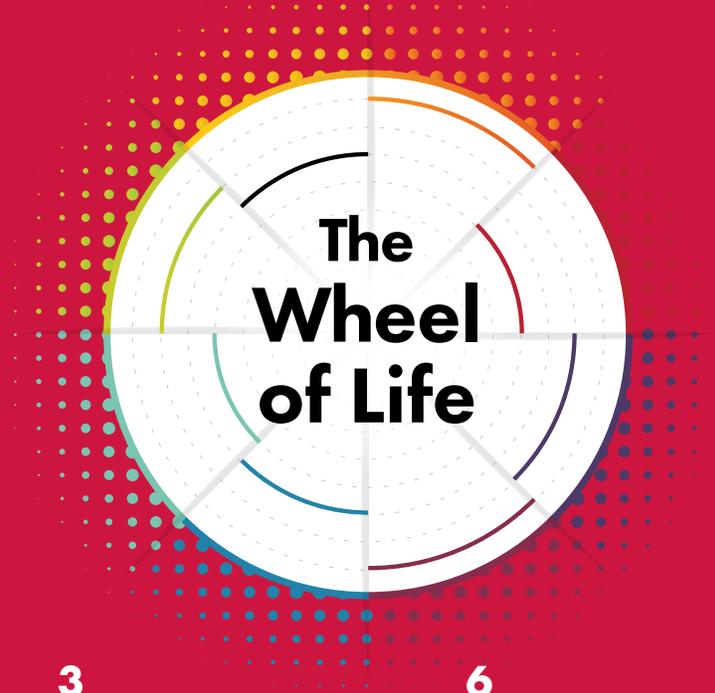


“ If you’re not doing what you love,
you’re just wasting your time. ”

- Billy Joel

Parsec Financial

— Thrive by Doing What You Love —

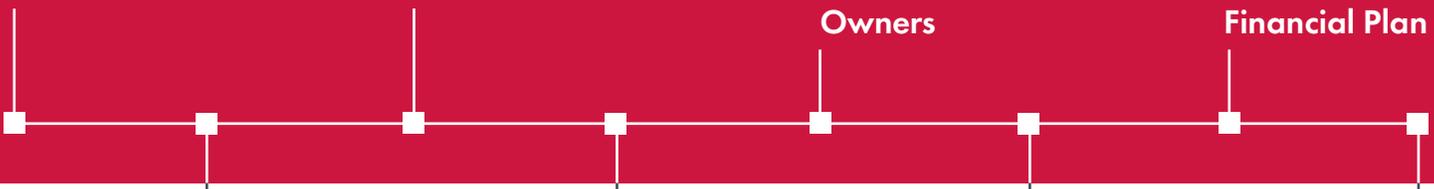


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A NOTE FROM THE CEO



Our core ideology is that “we help our clients, employees and communities thrive.” It sounds easy enough, but we all know that thriving can be elusive, and it is not always the place we find ourselves as a company, individual or community. Such lofty language can feel sort of defeating. Nothing is always perfect, and there is no faster way to burn out than not being able to admit that.

When we ask whether we are thriving, we must not answer too succinctly. Instead, I recommend looking at thriving through the perspective of excellence, recognizing that the journey to maintaining a thriving life is ongoing and will ebb and flow.

I understand that there are many facets of a thriving life. We thrive at our deepest level when all these facets are individually thriving. Years ago, I came across a cool exercise that helped me to assess my life and its many facets. It is called the “wheel of life” exercise. This is a tool used to identify balance and recognize steps we can take to improve areas of our life. I found the exercise helped with imagining a more satisfying life. I encourage you to play around with the graphic on the next page. As part of doing so, it is OK and encouraged to notate where you are not fully thriving and then assess how to improve in that area.

I hope the exercise helps you like it did me. There is no better season to make a positive change than now.

Happy holidays!

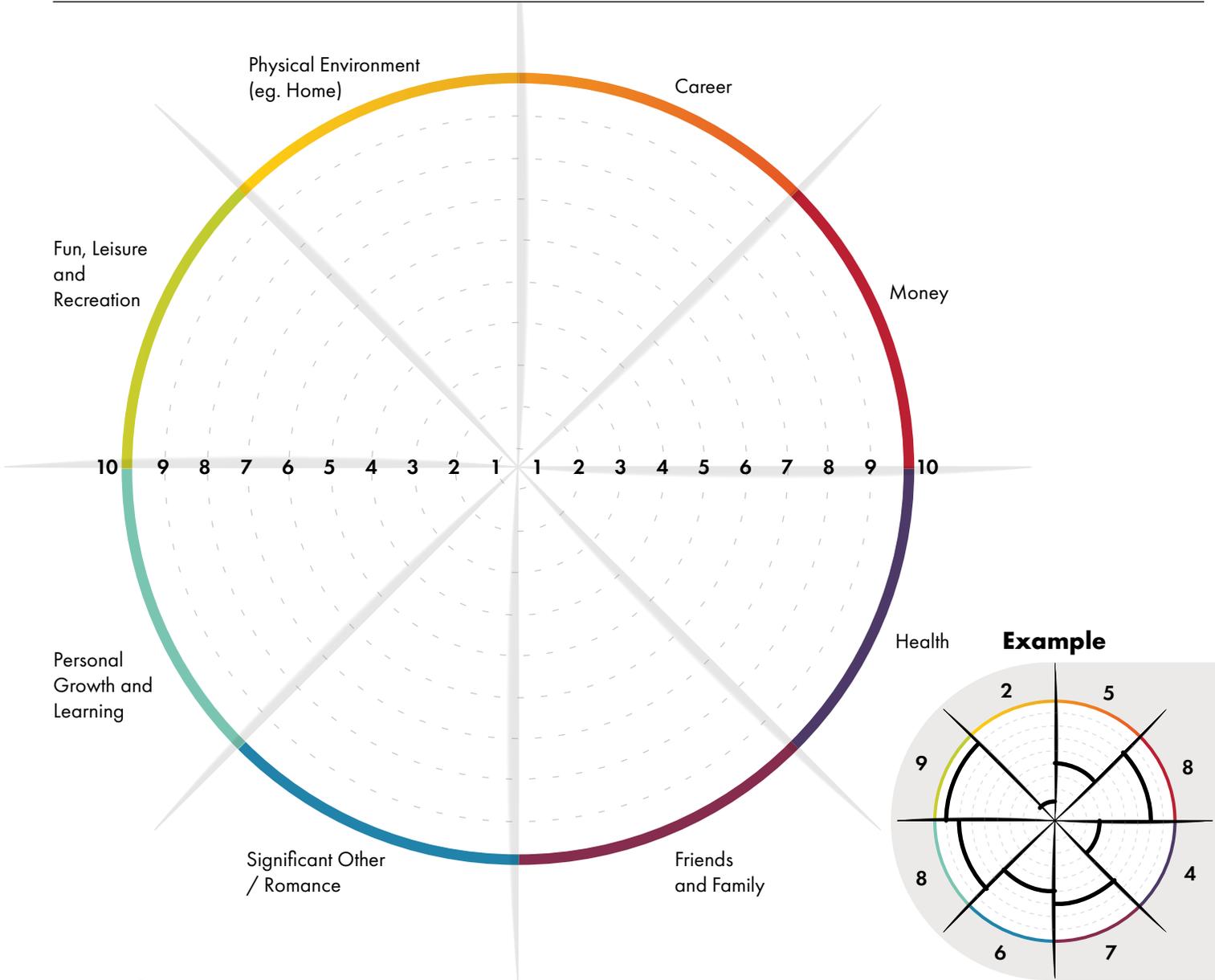
- Rick Manske, CFP®, BFA™

“

I recommend looking at thriving through the perspective of excellence, recognizing that the journey to maintaining a thriving life is ongoing and will ebb and flow.

”

Wheel of Life Exercise



Instructions:

The 8 sections in the Wheel of life represent balance.

- Please change, split or rename any category so that it's meaningful and represents a balanced life for you.
- Next, taking the center of the wheel as 0 and the outer edge as 10, rank your **level of satisfaction** with each area out of 10 by drawing a straight or curved line to create a new outer edge (see example).
- The new perimeter of the circle represents **your** 'Wheel of Life'. Is it a bumpy ride?

This exercise will help clarify priorities for goal setting, allowing you to plan a life that is closer to your definition of balance. Balance is personal and unique to each individual – what may be balance for some may be stressful or boring for others. Balance must be assessed over time. So, a regular check on how balanced you are can highlight useful patterns and help you learn even more about yourself.

Another option is to ask someone who knows you well to complete the scores for you. It can be helpful sometimes to see an outside perception of your life 'balance.' Note: This must be someone you trust AND whose opinion you value.

Your Financial Year-End To-Do List

Betsy Cunagin, CFP®, CRPC® | Partner



It's the end of the year, and your to-do list is a mile long. The last thing on your mind is your finances. Still, they deserve a good look before the close of the year. While we cannot help you with the cooking, cleaning and gift buying, we can help with your financial year-end to-do list.

Charitable giving

Year-end is a popular time for charitable giving. The type of gift (appreciated stock or cash from a brokerage account, contributions of appreciated stock to a donor-advised fund, a cash gift from an IRA, etc.) should be carefully considered in the context of your overall tax situation. Tax law changes from the end of 2017 add to the importance of a well-thought-out annual charitable giving plan. For example, the standard deduction for married-filing-jointly (MFJ) is \$25,900 in 2022 compared to \$12,700 in 2017. For a single taxpayer, the standard deduction rose to \$12,950 in 2022 versus \$6,350 in 2017, so if available Schedule A deductions do not exceed the higher standard amount, charitable gifts are effectively not tax deductible.

- **Qualified charitable distributions (QCD):** If you're over 70.5, charitable gifts made directly from an IRA reduce taxable IRA distributions dollar for dollar. A charitable gift from an IRA is called a QCD. These types of gifts were made a permanent part of the tax code in early 2016. Another benefit of the QCD is the possibility of reducing Medicare Part B and D premiums, which are determined by modified adjusted gross income (MAGI). Calculate MAGI by adding adjusted gross income (AGI) and tax-exempt interest. This year, there are five tiers of MAGI that determine Medicare Parts B and D premiums. A QCD reduces MAGI, so charitable gifts made through an IRA could lower income enough to drop into a lower MAGI tier, thereby reducing Medicare B and D premiums.
- **Donor-advised funds (DAF):** Grouping several years of charitable giving into one year (often called front-loading) allows gifts to be itemized along with other available Schedule A deductions. Appreciated stock that is over-weighted in a taxable portfolio can be reduced by gifting shares to a DAF. Using appreciated stock for charitable giving is tax efficient since you avoid capital gains tax on the appreciation. In subsequent years after the DAF is funded, gifts are made from the

DAF rather than from a brokerage account. Structuring a charitable giving plan to incorporate a DAF allows you to time contributions to achieve the greatest tax benefit while maintaining the same level of annual gifting.

Retirement plan contributions

Don't forget your retirement plan! You have options, depending on the type of plan you have.

- **401(k)/403(b)/defined contribution plans:** If the contribution amount was lowered at any point during the year, revisit to ensure contributions are sufficient to receive the maximum company match. The limit this year for employee contributions is \$20,500. If you're over age 50, a step-up of an additional \$6,500 is available. We advise clients to maximize contributions to a retirement plan to the extent cash flow allows. These contributions are typically pretax, serving to lower taxable income during working years. Contributions also compound more quickly than a similarly invested taxable portfolio.
- **IRA contributions:** The IRA contribution limit is \$6,000. If you're 50 or older this year, a catch-up contribution of an additional \$1,000 is available for a total limit of \$7,000. While the annual contribution limit is the same for all IRAs, the tax treatment isn't. Speak to your advisor before making an IRA contribution to ensure the most tax-efficient approach, which can change from year to year. For example, if your AGI is larger than \$204,000 (married filing jointly) or \$129,000 (single), then a direct contribution to a Roth IRA may be reduced or prohibited. If you've contributed to a Roth in the past, revisit any changes this year that may push your income over the threshold for a direct contribution.

Capital gains/loss harvesting

Parsec strives to manage portfolios in a tax-efficient manner. Portfolio managers harvest losses to offset capital gains realized throughout the year. If you have outside assets that have realized gains this year, reach out to your advisor to discuss possible additional year-end loss harvesting.

Health savings account (HSA)

Contributions to an HSA are pretax if made through payroll deductions. If contributions are made with after-tax dollars, an adjustment-to-income deduction is taken, which serves to lower adjusted gross income. In addition, withdrawals are not taxed if used for qualifying medical expenses. And don't forget — HSA account balances roll over from year to year, unlike their flexible spending account (FSA) counterpart. Given the tax-preferred treatment of HSAs, we recommend maximizing annual contributions if an HSA is available with your medical plan. For 2022, contributions can be made up to \$3,650 for individual coverage and \$7,300 for family coverage. For those over 55, an additional \$1,000 can be added as a catch-up to these limits.

Annual exclusion gifts

Gifts up to \$16,000 can be made to an unlimited number of individuals this year. These annual gifts do not count toward the applicable lifetime gift-tax exclusion amount, which is why they're often called annual exclusion gifts. Gifts made each year can reduce a taxable estate over time. All future growth on these gifts is outside of the taxable estate.

529 contributions

Consider additional savings to your children's 529 plans at year-end. Parent-owned 529 plans can also receive contributions from grandparents.

Overwhelmed? We're happy to help with your financial year-end to-do list. Give your advisor a call. Let us make sure you tackle any items on the list that apply to your unique situation.



A CPA's Year-End Wish List

Justin White, CPA | Tax Manager



Normally, we do not make tax preparation requests like the following until we are in the throes of tax season, but let's take a proactive look at steps you can take now via our year-end tax to-do list.

1. Keep your advisor and CPA updated.

Without a workable and effective financial plan, you and your family can be placed at a higher risk of financial instability and uncertainty. Tax planning is only one component of your overall financial plan — but an essential one. If you have experienced any life changes or decided that your goals have changed, we want to know! Let's work together to create a new financial plan and tax strategy.

2. Maintain complete philanthropic records.

Are you on track to contribute in a fashion that suits your charitable objectives for 2022? Make sure to maintain a file containing the charitable acknowledgments you receive for your charitable gifts of \$250 or more. The IRS can and does disallow charitable contributions of \$250 or more that are not substantiated with a written acknowledgment from the recipient charity. Gifts of less than \$250 must be substantiated with bank records or a receipt or letter from the charity. Other rules apply to noncash gifts.

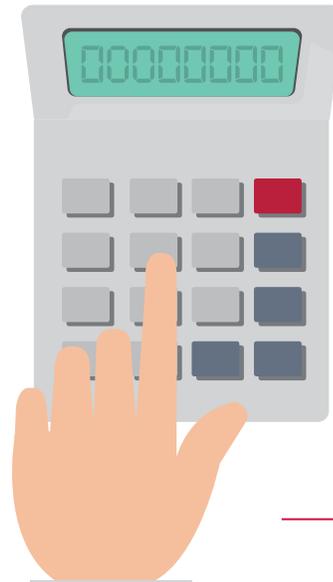
3. Enact and adhere to timely reminders.

Manage the timing of state and local tax payments, considering the \$10,000 limitation on deducting state and local taxes for U.S. income taxes. Ask your advisor to arrange for a tax plan to give you an idea of the adequacy of your income tax withholding or estimated tax payments made or that you plan to make before year-end. A tax projection in the closing months of the calendar year can be a great springboard for other discussions with your financial advisor.

4. Start your spring-cleaning now!

The IRS, state tax authorities and taxpayers are limited to years open under the statute of limitations for purposes of audits and assessing additional tax or amending for refunds. The statute of limitations is three years in most cases but can be five, seven or even 10 in some limited situations. We recommend clients keep tax returns indefinitely and the documentation to substantiate the income and expenses claimed on returns for seven years post-filing date.

I hope this year-end tax to-do list wasn't too painful. If done now, these four housekeeping items can make this upcoming tax preparation season as painless as possible. Happy holidays!



Make sure to maintain a file containing the charitable acknowledgments you receive for your charitable gifts of \$250 or more.



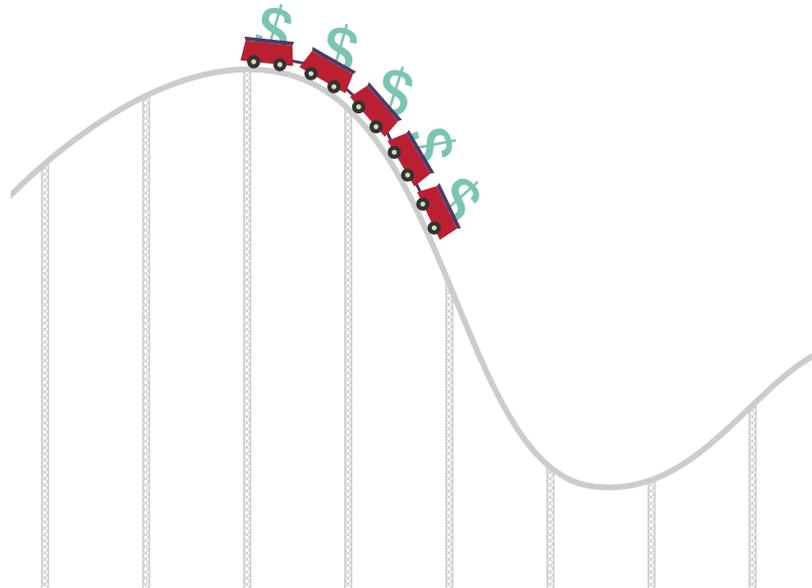
Tax Considerations for New Business Owners

Brad Burlingham, CPA | Director of Tax Services



Have you ever considered running your own business? Turning a dream into reality is truly one way to thrive. It can be very appealing to think about creating your own work environment and following your interests on your terms.

As an example, let's consider the case of a retiree, Mr. Tilt A. Whirl, who desires to mix business with pleasure by putting his experience to work as an amusement park consultant. It has been his lifelong dream to get paid for riding roller coasters. His first steps to making this happen should include asking himself several important questions.



Are there legal liability considerations?

Since accidents while pursuing fun are not unheard of, Mr. Whirl would want to consider running his business as either a limited liability company (LLC) or corporation to protect his personal assets from claims against his business. If he takes the path of forming a corporation, he will likely desire to file small-business corporation election documents with the IRS. S-corporations more easily avoid double taxation of business profits than other corporations.



Do I need a partner or co-owner?

Mr. Whirl may decide he wants a co-owner to provide cash, share liabilities, give creative input or assist in running the business. Getting this help would require an LLC operating agreement or corporate documents laying out the owners' respective responsibilities. It would also mean filing either a partnership tax return (Form 1065) or S-corporation return (Form 1120-S). If Mr. Whirl runs his business alone as a single-member LLC, he can forgo the cost of an additional tax return and report the income and expenses on his personal tax return, as a sole proprietor, on Schedule C.



Will the business require debt?

If Mr. Whirl conducts business with a briefcase and a laptop, he may not need any financing. But if he incurs debt to buy property or provide capital, this can affect both the deductibility of his business expenses and the tax treatment of money he withdraws from the company. If he expects either business debt or years of loss before recognizing income, filing as a partnership rather than an S-corporation can provide beneficial tax treatment due to the complicated IRS basis rules.



Could My Profit Be Subject to Two Kinds of Tax?

Business profits may be subject to not only income tax, but also self-employment tax. Self-employment taxes are Medicare and Social Security taxes imposed at a rate of 15.3%. Partnership and sole proprietorship profits are subject to this additional tax; however, S-corporation taxes are not. (Rental operations also avoid self-employment taxes.)

On the other hand, S-corporation owners are required by the IRS to pay salaries to their owners, which means filing quarterly payroll returns, making payroll deposits and filing Forms W-2. In the end, the cost and hassle of payroll reporting may outweigh the benefit of avoiding self-employment tax. Typically, incorporating for this reason alone only makes sense when larger profits are expected. If the business is going to require employees, Mr. Whirl will need to undertake payroll reporting anyway.



Am I in it for profit?

Whatever the legal form of his business, Mr. Whirl would need to be prepared to show the IRS that he is engaging in his business for profit, or he would risk losing all business deductions. Without an arguable profit motive, the IRS can decide a business is actually no more than a hobby. Thus, Mr. Whirl should be careful to keep a separate set of books, formulate a business plan that shows how he expects to show a profit at some point, and avoid commingling business assets and funds with personal ones.

You may have a dream business in mind, be it running a bookstore, becoming a travel guide, opening a winery, starting a goat farm or any other pursuit. The Parsec Tax Services team can assist you in taking advantage of tax opportunities and avoiding tax pitfalls along the way.



Announcing 2022 Parsec Prize Winners!

Congratulations!

At Parsec, one of the ways we thrive outside of helping our clients is by giving back to the communities in which we serve. We largely do this through our Parsec Prize, through which we have given **\$1.9 million** in unrestricted grants to **101 nonprofit organizations across North Carolina since 2005.**

This year we focused the majority (\$185,000) of our 2022 Parsec Prize grants on children and early childhood development. Many Parsec employees are parents, so we are honored to help children across North Carolina thrive. We invite you to learn more about this year's heroic and inspiring organizations.





\$30K

Congratulations to Asheville-based nonprofit Mountain Child Advocacy Center for receiving this year's largest Parsec Prize at \$30,000!

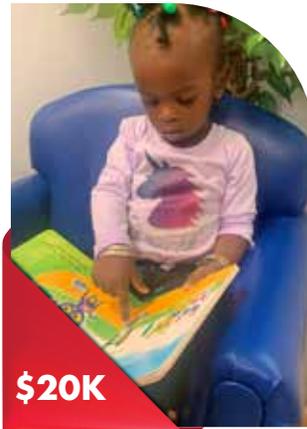
Executive Director Geoff Sidoli wrote, "We intend to use the generous donation from Parsec to support our mission to prevent harm, protect children and heal families through best practice programs and community collaboration. Specifically, this gift will be used to support our new child-friendly clinical space in downtown Asheville, convenient to public transportation and other community services. Free advocacy and therapy services are available for children in this new clinical space. Parsec's contribution to our mission exemplifies how we are transforming the lives of our most vulnerable children and changing the trajectory of their future and that of our community. Thank you to the team of incredible individuals at Parsec who chose to invest in our mission and bring hope, help, and healing to our children."



\$25K

Congratulations to Hendersonville-based nonprofit Children & Family Resource Center for receiving a \$25,000 Parsec Prize!

Executive Director Jamie Wiener wrote, "Investing in high-quality early childhood education is an effective strategy for reducing long-term social costs, improving economic prospects for parents, and providing enduring benefits for children well into adulthood. With these funds from Parsec, we can support the more than 2,000 children served through our screening, home visiting, parenting, or childcare resource and referral programs, the more than 200 childcare providers and directors who receive training on a variety of topics and over 350 parents or caregivers who receive parent education through one of our programs."



\$20K

Congratulations to Charlotte-based nonprofit The Learning Collaborative for receiving a \$20,000 Parsec Prize!

Executive Director Lizzie Carson wrote, "For 35 years The Learning Collaborative has prepared underserved preschool children and families for success in school. The Parsec Prize will directly impact 72 children by providing education materials that will provide enrichment and discovery through hands-on learning."



\$20K

Congratulations to nonprofit Blue Ridge Partnership for Children for receiving a \$20,000 Parsec Prize!

Executive Director Jennifer Simpson wrote, "We are incredibly honored to receive financial support from Parsec! As the Smart Start agency serving Avery, Mitchell and Yancey counties, this gift leans into our mission to enhance the lives of young children and support their families to ensure a strong foundation for learning. We know that young children learn through everyday play and exploration in a safe and stimulating environment. We appreciate Parsec for making these learning opportunities available to children in our communities through parent education and outreach events like BlockFest, Play & Learn, and Child Fest!"



Parsec's contribution to our mission exemplifies how we are transforming the lives of our most vulnerable children and changing the trajectory of their future and that of our community.





\$15K

Congratulations to Winston-Salem-based nonprofits Smart Start of Forsyth County, Family Services and Child Care Resource Center for splitting a \$15,000 Parsec Prize!

Smart Start CEO Dr. Louis Finney Jr. wrote, "In the past year, we were able to serve over 700 slots for our North Carolina Pre-K Program, assist over 300 families and children in our Child Care Scholarships Program, and deliver literacy material to over 12,600 families in the Forsyth County Community. With the generous contribution from Parsec Financial, we were able to address the immediate need for childcare supplies and assistance in some of our childcare sites."

Family Services CEO Traci Ross wrote, "We are honored to receive the Parsec Prize. We believe that what happens by age 5 lasts a lifetime. That's why we offer the highest quality child development programs to 499 Head Start and 120 Early Head Start families each year. The Parsec Prize allows us to continue to provide exceptional programming to ensure that all children are ready for kindergarten."

Child Care Resource Center Executive Director Katura Jackson wrote, "As a non-profit organization, finding funding to support our overhead and administrative expenses is always a challenge. CCRC used the funding to support these expenses to ultimately help support the services that we provide for children, families and childcare providers in our community."



\$15K

Congratulations to Asheville-based nonprofit Verner Center for Early Learning for receiving a \$15,000 Parsec Prize!

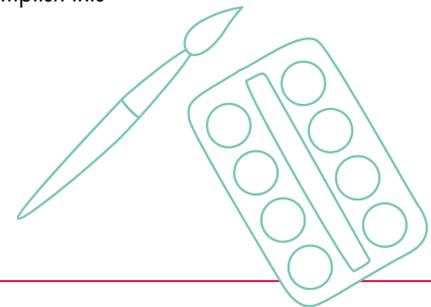
President and CEO Marcia Whitney wrote, "We are very grateful to be a Parsec Prize recipient this year! We are honored by Parsec's confidence in us and investment in the children, families, and so many early education organizations across our region and state. We are pleased to share this honor with so many sister organizations as we, collectively, accomplish this critical work."



\$15K

Congratulations to Southern Pines-based nonprofit Sandhills Children's Center for receiving a \$15,000 Parsec Prize!

CEO Dr. Kim Bullard wrote, "We are grateful to receive grant funding from Parsec Financial to help fulfill our mission of providing early therapeutic intervention services of the highest quality to children with special developmental needs for ages birth to 5 years in the Sandhills."



We are honored to receive the Parsec Prize. We believe that what happens by age 5 lasts a lifetime. That's why we offer the highest quality child development programs to **499** Head Start and **120** Early Head Start families each year. The Parsec Prize allows us to continue to provide exceptional programming to ensure that all children are ready for kindergarten.





\$15K

Congratulations to Polk County Community Foundation for receiving a \$15,000 Parsec Prize to launch a fund to support early childhood development initiatives across Polk County.

President and CEO Sara Bell wrote, "We are excited to distribute grants into our community from the Parsec Financial Charitable Fund. Since 1975, the Foundation has had the great privilege of working to increase the quality of life for all members of our community through honoring our donors' charitable wishes. We can't wait to see the impact these grants will have on our community's youngest generation. Grant applications may be submitted for consideration in our first quarter grantmaking cycle. Information and applications are available at polkccf.org."



\$10K

Congratulations to Asheville-based YWCA for receiving a \$10,000 Parsec Prize!

CEO Diana Sierra wrote, "We are thrilled and honored to have been awarded a Parsec Prize. The YWCA has been offering different forms of childcare to parents in Asheville since the 1940s, and a huge part of our work centers around nurturing children of all backgrounds, races, and ethnicities. The lack of affordable and accessible childcare is one of the largest barriers that women and families face in our community. Without childcare, many mothers are unable to work, apply for jobs, or attend school, and this lack of care often disproportionately impacts women and families of color. We are so excited to use these funds to provide a healthy, nurturing environment for the children in our community, where they can learn, grow, and thrive while their parents work to provide for them and advance their family's economic goals!"



\$10K

Congratulations to Charlotte-based nonprofit Child Care Resources Inc. for receiving a \$10,000 Parsec Prize!

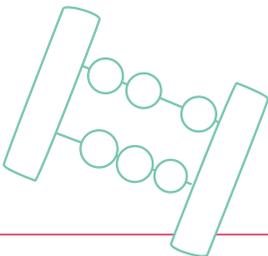
President and CEO Janet Singerman wrote, "We are very appreciative of Parsec Financial's recognition and generous support of CCRI's work to sustain and advance early care and learning in childcare. As the lead organization and primary training and coaching resource for childcare, Parsec's generous contribution will be used to help our organization continue to respond to pandemic recovery-related needs and services."



\$10K

Congratulations to Charlotte-based nonprofit Smart Start of Mecklenburg County for receiving a \$10,000 Parsec Prize!

CEO Jake House wrote, "We could not be more thankful to Parsec Financial for their generous gift. This funding will help Smart Start of Mecklenburg County improve the early childhood system and address the growing needs of young children and families in Mecklenburg County."



Give a Gift That Lasts: A Solid Financial Plan

Scott Kittrell, CFP®, CDFIA® | Senior Financial Advisor



As we approach the holiday season, I am reminded of Christmas gatherings and the exchange of gifts between family and friends. While we all enjoy receiving gifts, it is the joy I get from giving that is most fulfilling. It's especially so when the gift is something that has a lasting impact for the recipient.

It might sound strange, but that's how I've come to view financial planning. When done effectively, it can have a positive impact on a family today, as well as transform the lives of generations to come. What a legacy!



In this season of giving, let me offer a few gift ideas to consider sharing with loved ones who might benefit from a financial firm like Parsec.

Tell your loved ones to imagine the impact of:

- Following a plan that thoughtfully addresses major areas of risk in your financial life and helps you thrive through life transitions.
- Providing your child or grandchild with a debt-free college education.
- Properly managing risks so your family can achieve its life and education goals even if faced with unexpected loss or adversity.
- Having a trusted resource in place to advise and manage your family's investments should there be incapacity issues, deteriorating health or death.
- Establishing a thoughtful estate plan and, together with your financial advisor, holding a family meeting to communicate your intentions and expectations so future generations are committed to a shared vision and legacy.
- Introducing financial planning to your adult children and grandchildren so they can get a head start on building their financial literacy and preparing for a bright financial future.

From the examples above, you can see that the greatest benefit of financial planning is the peace of mind that comes with knowing you have a plan that positions you and your family to successfully navigate the uncertainties of life. I can't imagine a more impactful gift.

As we approach the holiday season, think of loved ones who might benefit from financial planning with Parsec. Encouraging them to speak with us may be a gift that changes the trajectory of their family's life.

Forbes Ranks Parsec Financial as a Top RIA Firm*

Forbes

Parsec Financial is pleased to be recognized in a list of the top 100 registered investment advisory (RIA) firms, according to Forbes. Parsec was ranked 77th and is the first and only firm in North Carolina to be recognized.

Read more: parsecfinancial.com/news/forbes-ranks-parsec-financial-as-a-top-ria-firm

* Methodology: "The Forbes ranking of America's Top RIA Firms, developed by SHOOK Research, is based on an algorithm of qualitative criteria, mostly gained through telephone, virtual and in-person due diligence interviews, and quantitative data. The algorithm weighs factors like revenue trends, assets under management, compliance records, industry experience and those that encompass best practices and approach to working with clients. Portfolio performance is not a criterion due to varying client objectives and lack of audited data. Neither Forbes nor SHOOK receive a fee in exchange for rankings."

Upcoming Closings

Monday, December 26 – Christmas Day observed

Monday, January 2 – New Year's Day observed

Monday, January 16 – Martin Luther King Jr. Day

Congratulations to ...



Betsy Cunagin who was promoted to partner. Betsy has been with Parsec since 2016 and we are extremely appreciative of her dedication to our firm and clients!



Scott Kitrell who was promoted to senior financial advisor.



Neal Nolan who was promoted to partner. Neal has been with Parsec since 2006 and oversees our business retirement services division. We greatly appreciate his expertise and loyalty to Parsec!



Lauren Morgan who was promoted to senior client service specialist.



Travis Boyer who was promoted to partner. Travis has been with Parsec since 2012 and we are extremely proud of how he has carried Founder Bart Boyer's legacy onward to the next generation!



Bradley Burk who received his Certified Financial Planner™ (CFP®) designation.

Parsec Financial

WEALTH MANAGEMENT

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From left: Michael Bruder, Chad Foster, Neal Nolan, Charles Thompson, Travis Boyer