

If you are not engaging in year-end tax planning, you could be leaving money on the table. Consider the following strategies to identify potential opportunities to lower this year's or next year's tax bill. Be sure to consult with your Stifel Financial Advisor and a qualified tax advisor before you decide to take any action.

### Tax Gain/Loss Harvesting

- **Review your taxable investment accounts to determine the amount of gain or loss for the year.** Remember to include capital gain distributions from mutual funds, which typically occur in the last few months of the year. If you plan to sell any mutual funds soon, consider selling them before the record date for capital gain distributions to possibly avoid the additional capital gains. Also, if you plan to buy any mutual funds, consider purchasing after the capital gain distributions occur.
- **If faced with a gain, review your prior year tax return for any capital loss carryforward or consider harvesting unrealized losses to reduce your tax bill.** After offsetting capital gains, an additional \$3,000 of capital losses per year may be used to offset other types of income. Also, remember the wash sale rule. When you sell to realize a loss, you must wait 30 days before repurchasing the same or a substantially identical security. If you do not, the loss will not be allowed until you sell the new security.



### Retirement Plan Considerations

- **Determine whether it is more beneficial to contribute to a Roth or a traditional retirement account.** This choice could apply to both an employer provided retirement plan and an IRA. A traditional account contribution may provide a current year tax deduction. However, if you are focused on long-term tax planning, a Roth account contribution may be more beneficial. Although there is no deduction for a Roth contribution, the distributions are tax-free when certain requirements are met.
- **If you determine that deferring some of your 2024 income will be most beneficial, maximize your retirement plan contributions to traditional accounts.** To do this, review your retirement plan contribution options. You may be able to receive a tax benefit for contributions to both your employer's retirement plan and an IRA for the same tax year.
- **Review your options for setting up a retirement plan for your business to provide additional tax deductions.** Many alternatives are available. The tax benefit may vary depending on the size of your business, number or type of employees, business structure, and your long-term goals for yourself and your business.
- **Consider contributing to an IRA for a family member.** You can contribute to an IRA for a nonworking spouse as long as your earnings exceed retirement plan contributions for both you and your nonworking spouse. This may provide additional retirement savings tax benefits for your household. You may also fund an IRA for your child if the child has earnings of his or her own. A contribution to a Roth IRA on behalf of your child can get his or her retirement savings started early and help the child become familiar with investing. Also, if the Roth IRA funds are needed before retirement for any reason, the contributions you made may be distributed to the Roth IRA owner without tax or penalty.
- **Consider implementing a Roth conversion.** This may be helpful if you expect to be in a high tax bracket in the future or if tax rates increase due to legislative changes. Moving retirement assets from a traditional IRA to a Roth IRA is a taxable event. However, it does offer a number of benefits, including:
  - *Tax-free growth.* Roth IRAs are funded with after-tax dollars. Generally, when distributions are taken from a Roth IRA, there is no tax due on the original contributions or any subsequent growth.
  - *No required minimum distributions (RMDs) during Roth IRA owner's lifetime.* Unlike traditional IRAs, Roth IRAs are not subject to RMDs. Special required distribution rules apply for Roth IRAs after the owner's death.
  - *Reduced traditional IRA RMDs.* Converting funds from a traditional IRA to a Roth IRA reduces the traditional IRA balance. This, in turn, reduces the amount of RMDs the traditional IRA owner will have to take in the future.
  - *Tax efficiency for beneficiaries.* Most beneficiaries of retirement plans must now distribute their inherited retirement assets within 10 years following the year of the original account owner's death. A Roth IRA conversion could greatly reduce the tax burden on your beneficiaries that would otherwise apply to a traditional IRA under this new 10-year rule.
- **Don't forget to take your RMD.** If you turned 73 this year, you have until April 1 of next year to take your first RMD. It could benefit you to wait until next year to take your first RMD (along with your second RMD), if you will be in a lower tax bracket next year. All other RMDs must be distributed annually by December 31. A penalty of up to 25% may apply to a missed RMD.

## Gifts to Individuals or Charities

- **Utilize annual exclusion gifts.** Under current tax law, every individual can gift up to \$18,000 to an unlimited number of recipients without any estate or gift tax consequences. Reducing the size of your estate by making annual gifts may be beneficial if you believe your estate will be subject to estate tax upon your death.
- **Use appreciated property in your gifting strategy.** Annual exclusion gifts may save your family income taxes when income-producing property is given and capital gains are later realized by family members who are in lower income tax brackets and are not subject to the kiddie tax.
- **Fund a 529 plan with gifts for education.** The earnings in a 529 plan grow tax-deferred, and the distributions are tax-free if used for qualified expenses. Also, some states allow a state income tax deduction for contributions. On the other hand, if you are taking distributions from a 529 plan this year, remember that you must be able to match those distributions with qualified education expenses that were incurred this year to receive tax-free treatment. If you take the 529 plan distribution this year but pay the expense next year, it will not be a tax-free distribution. **Planning tip:** Beginning in 2024, a limited amount of 529 assets may be moved to a Roth IRA in the name of the 529 plan beneficiary. Talk with your Stifel Financial Advisor for more details on this new law.
- **Review the tax benefits of gifting appreciated stock to charity instead of cash.** A gift of stock you have held for more than one year will provide a tax deduction in the amount of the fair market value of the donated stock. Additionally, taxation of the unrealized gain is avoided.
- **Consider using a Stifel Donor-Advised Fund (DAF) to meet your charitable giving goals.** A Stifel DAF:
  - Provides a charitable tax deduction in the year of the contribution;
  - Allows you to advise when the gifts are distributed to charities and which charities (subject to approval) will receive the gifts;
  - Accepts gifts of cash or appreciated stock;
  - May be used in a bunching strategy in which multiple years' worth of charitable donations are bunched together in one year so that total itemized deductions exceed the standard deduction, allowing you to realize a tax benefit for those gifts. Although the larger deduction is taken in one year, the gifts may still be disbursed to a variety of charities over several years. This strategy is also beneficial in providing a higher deduction in a year when you may have higher income due to a business or real estate sale, a Roth IRA conversion, or other income event.
- **Satisfy your charitable goals and your RMDs with a qualified charitable distribution (QCD).** A QCD is a direct transfer of funds from your IRA to a qualified charity. Generally, RMDs are considered taxable income; however, your RMD is excluded from taxable income to the extent the QCD strategy is employed. For example, if your RMD for the year is \$10,000, and you make a \$7,000 QCD, only \$3,000 of your RMD will be taxed. The maximum amount you may exclude from income is \$105,000 per year, per person, and you must be at least 70 ½ to use this strategy. The beneficiary of an inherited IRA may also use this strategy as long as the beneficiary is at least 70 ½.

## Tax-Advantaged Accounts for Health Care and Dependent Care

- **Review your employer-provided benefits to determine if you can set aside part of your paycheck in an account for health care or dependent care expenses.** If your employer offers a Flexible Spending Account and you choose to fund it, that part of your pay will be tax-free when used for qualified expenses such as medical expenses or child care. Make sure to review the funding limits, whether or not any unused funds may be carried over to the next year, and what expenses are considered to be qualified expenses.
- **Contribute to a health savings account (HSA) if you have an eligible high deductible health plan.** Contributions to an HSA are tax deductible. The contributions and earnings may be used tax-free for qualified medical expenses. The contribution limit for 2024 is \$8,300 for family coverage (\$4,150 for single coverage). An additional \$1,000 may be contributed if the HSA owner is age 55 or older. Funds in an HSA account may be used each year, but it is not required. Therefore, this type of account may be a useful tool for setting aside funds for medical expenses incurred during retirement.

## Withholding and Other Tax Payments

- **Before year-end, use the IRS Withholding Estimator at [irs.gov](https://www.irs.gov) to determine if you are meeting your tax payment requirements in order to avoid an unexpected tax bill or underpayment penalty when you file your tax return.** This tool will help you determine if you should increase or decrease your withholding for the remainder of the year or make a quarterly estimated tax payment. Remember to consult with your tax advisor regarding your state's tax payment requirements as well.
- **If you find you need to increase your tax payments for the year and have not yet taken your RMD, consider increasing the withholding amount on your RMD.** You may also choose to withhold tax on other types of retirement income, such as Social Security benefits or pensions.

These are just some of the year-end steps that can be taken to reduce your income tax burden. When considering your next move, remember that even permanent tax laws can change. Looking ahead, changes in the makeup of Congress or a new President could result in a change in tax policy in a relatively short period of time. Your tax strategy should consider the long-term impact of any decisions you make today. Please contact your Stifel Financial Advisor and your qualified tax advisor if you have additional questions about the strategies discussed above or would like a formal review of your tax situation.

*Stifel does not provide legal or tax advice. You should consult with your legal and tax advisors regarding your particular situation.*