Year–end Checklist

Now is an ideal time to consider year-end strategies that may benefit you, and plan for the year ahead. Please discuss any ideas and questions with your financial advisor.

INVESTMENT AND INCOME TAX STRATEGIES

Offset Capital Gains

- ◯ Harvest your losses by selling taxable investments, keeping in mind short-term losses are most effective at offsetting capital gains. Note: wait at least 31 days before buying back a holding sold for a loss to avoid the IRS wash sale rule.
- ◯ Evaluate if you should delay purchasing mutual fund shares until 2021 to avoid capital gains on brand new investments.

Defer or Reduce Income

- ◯ Defer your year-end bonus, the sale of capital gain property and receipt of distributions until 2021 to postpone taxable income to the following year.
- ◯ In December, make your January mortgage payment (i.e., the payment due no later than January 15) so you can deduct the interest on your 2020 tax return.
- ◯ Increase your W-2 federal withholding amount in preparation for a significant tax bill or to avoid the under-withholding tax penalty.
- ◯ Bunch your itemized medical expenses in the same year in order to meet the threshold percentage of your adjusted gross income to claim such deductions.
- ◯ If you have concerns that you may be subject to the Alternative Minimum Tax (AMT), speak with your CPA or other tax advisor before deferring income or accelerating deductions, as your AMT status could limit your ability to benefit from these actions.

RETIREMENT PLANNING — SEIZE OPPORTUNITIES AND AVOID MISSTEPS

- ◯ Avoid mandatory tax withholding by making a direct rollover distribution to an eligible retirement plan, including an IRA.
- ◯ Maximize your IRA contributions. You may be able to deduct annual contributions of up to $6,000 to your traditional IRA and $6,000 to your spouse's IRA.
- ◯ If you are 50 or older, take advantage of catching up on IRA contributions and certain qualified retirement plans. You may be able to contribute and deduct an additional $1,000.
- ◯ Consider increasing your 401(k) and retirement account contributions.
- ◯ Avoid taking IRA distributions prior to age 59½, or a 10% early withdrawal penalty may apply.
- ◯ Consider converting from a traditional IRA to a Roth IRA if in a low income tax bracket; partial conversions are permissible.
- ◯ Explore taking employer stock from tax deferred accounts to take advantage of capital gains tax rules.
- ◯ Determine the optimal time to begin taking Social Security benefits, which you can apply for between ages 62 and 70.
- ◯ Take your Required Minimum Distribution (RMD) if necessary. This has been at age 70½ but due to changes made by the the 2019 SECURE Act, if your 70th birthday is July 1, 2019 or later, you do not have to take withdrawals until you reach age 72.
- ◯ Consider implementing a Roth 401(k) plan.

GIFTING STRATEGIES

Give to Loved Ones

- ◯ Gift up to $15,000 per individual annually in federal tax-free gifts.
- ◯ Make sure that your estate plan is up to date, and that you have a will, revocable trust, healthcare directive and power of attorney in place.

Give to Those in Need

- ◯ Give an outright charitable gift of cash for an immediate income tax deduction.
- ◯ Contribute to charities using appreciated stock in place of cash to reduce capital gains in your portfolio while generating an income tax deduction.
- ◯ If you are required to take an RMD and would like to make a donation to charity from your IRA, you can donate up to $100,000 each year directly to qualified charities using a Qualified Charitable Distribution. You avoid taxes through a direct transfer of funds from your IRA custodian to qualified charities. It is a particularly effective way to direct your required minimum distribution.

ITEMIZE PERSONAL RESIDENCE AND MORTGAGE INTEREST*

- ◯ Up to $250,000 ($500,000 for married couples filing jointly) of the gain from the sale of your principal residence can be excluded from federal income tax, if certain requirements are met.
- ◯ Interest on up to $750,000 of mortgage indebtedness incurred after December 14, 2017, is allowed as an itemized deduction if used to purchase or improve a home.
- ◯ For mortgages incurred December 14, 2017, or earlier, interest will be deductible on up to $1,000,000 of debt (the old cap), even if refinanced after December 14, 2017.

*Interest on mortgage or home equity debt not used to purchase or improve a personal residence is no longer allowable as an itemized deduction.

SET YOURSELF UP FOR SUCCESS IN THE UPCOMING YEAR

Wrap up 2020

- ◯ Send capital gains and investment income information to your accountant for a more accurate year-end projection.
- ◯ Check your Health Savings Account contributions for 2020. If you qualify, you can contribute up to $3,550 (individually) or $7,100 (family), and an additional $1,000 catch-up if you are age 55 or older. Confirm you've spent the entire balance in your Flexible Spending Accounts for the year.
- ◯ Revisit contribution amounts to your 529 plan college savings accounts.
- ◯ Review your Medicare Part D plan to potentially make a change during open enrollment, which begins in October.

Planning for 2021

- ◯ Discuss major life events with your advisor to ensure you have clarity in your current situation and direction for tomorrow. This includes family, job or employment changes, and significant elective expenses (real estate purchases, college tuition payments, etc.).
- ◯ Ensure your account preferences and risk tolerance and investment objectives are up to date with your advisor.
- ◯ Double check your beneficiary designations and update as necessary.

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