

It's Time to Check the Boxes for Year-End Tax Planning

As year-end approaches, there's still time to ensure you're on track to pursue your important financial goals now and in the new year. But you'll need to act soon since most of the strategies discussed here have a deadline of December 31, 2024. Begin by reviewing the checklist below then work closely with your tax and financial professionals to get answers to any questions you may have or to implement the strategies that are right for you.

- **Maximize your retirement account contributions** –If you participate in an employer sponsored retirement plan like a 401(k) or 403(b), you can contribute up to \$23,000 to your plan in 2024. And if you're age 50 or older, you can make an additional \$7,500 catch-up contribution, for a total maximum contribution of \$30,500. If you can't contribute the maximum amount, try to contribute up to your employers' match level (if they offer one) so you're not leaving "free" money on the table. While employer retirement plan contributions for 2024 have to be made by December 31, 2024, eligible taxpayers have until April 15, 2025 to make 2024 individual retirement account (IRA) contributions. The maximum you can contribute to an IRA for tax-year 2024 is \$7,000 plus an extra \$1000 catch-up contribution, if you are 50 or older, for a total of \$8,000.
- **Check your flexible spending arrangement (FSA) balance(s)** – There is still time to take a look at your household's flexible spending account balance(s). Throughout the year, taxpayers can use FSA funds to pay for qualified medical expenses not covered by their health plan. These can include co-pays, deductibles, and a wide variety of medical products and services. While the "use it or lose it rule" generally applies to flex accounts, for FSAs that permit the carryover of unused amounts, the maximum 2024 carryover amount to 2025 is \$640. Not all plans allow for carryover amounts, so check your employer's plan for details on eligible expenses and claim procedures.¹
- **Maximize HSA contributions** – A health savings account (HSA) is a tax-advantaged medical savings account available to taxpayers enrolled in a high-deductible health plan (HDHP). HSA funds may only be used to pay for qualified medical expenses. The 2024 annual contribution limit for individuals is \$4,150 and \$8,300 for those covered under qualifying family medical plans. Funds in an HSA grow tax-free and unlike an FSA, the balance can grow from year to year.²

Keep in mind, pretax contributions to employer retirement plans and IRAs, as well as contributions to FSA and HSA accounts are "above the line" deductions, meaning you can claim a tax deduction for them even if you take the standard deduction and do not itemize on your tax return.

In addition, if you don't have an FSA or an HSA, you still may be able to deduct qualified medical expenses that exceed 7.5% of your adjusted gross income (AGI) if you itemize on



FINANCIAL WATCH

your return. Consider accelerating planned healthcare expenses into this year if you're close to meeting the threshold.

- **Don't forget about annual gifts** – Under federal gift tax exclusion rules, individuals can contribute up to \$18,000 (\$36,000 for a married couple) to as many individuals as they like in 2024, without incurring wealth transfer taxes or using their lifetime exemption amounts.³
- **Fund 529 education savings plans** – Gifts made to beneficiaries in a 529 education savings plan can be even more valuable since IRS rules allow you to “bunch” up to five years of gifts. So for 2024, an individual could gift up to \$90,000 per beneficiary, and a married couple could gift up to \$180,000 per beneficiary. While there's no limit on the number of 529 account beneficiaries you can make gifts to annually, if you choose to accelerate five years of gifts to a 529 account in 2024, you will not be able to contribute additional money to that same account until 2029.
- **Make charitable contributions** – In 2024, taxpayers can deduct up to 60% of their AGI for qualified charitable donations made in cash, and up to 40% for donations of appreciated stock or property.⁴ However, you must itemize on your 2024 tax return to be eligible to deduct charitable donations. If you don't have enough combined deductions to itemize on your 2024 return, talk to your tax and financial professionals about strategies that enable taxpayers to “bunch” or accelerate planned charitable contributions into the current tax year so they can itemize and take the deduction now.
- **Consider tax-loss harvesting** – Taxes should never be the sole motivation to sell an asset. However, if you're considering changes to your portfolio to bring it back into alignment with your risk tolerance, consult with your tax and financial professionals to determine if offsetting capital gains with capital losses can help lower your tax bill and better position your portfolio going forward. When doing so, you want to avoid violating wash sale rules. A wash sale occurs when you sell a security at a loss and repurchase the same security—or a substantially identical one—within 30 days.
- **Take required minimum distributions (RMDs)** – If you're age 72 or over (73 if you reach age 72 after Dec. 31, 2022) you're required to take distributions from your traditional IRA or other qualified retirement accounts by year-end. (If you reach age 73 in 2024, you have until April 1, 2025 to take your first RMD.) The penalty for not taking a required minimum distribution (RMD) or taking less than the required amount is 25% of the amount not taken on time. The penalty is reduced to 10% if the missed RMD is made up within two years.⁵ A qualified charitable distribution (QCD) from an IRA can also be used to satisfy all or part of your RMD. Strict rules apply, so speak with your tax and financial professional before initiating a QCD.

Consider meeting with your tax and financial professionals to ensure you have a strategy in place to manage your tax exposure now and in the coming year. Contact the office to schedule a time to meet.



FINANCIAL WATCH

¹"IRS provides tax inflation adjustments for tax year 2024." IRS.gov, 9 NOV 2023, <https://www.irs.gov/newsroom/irs-provides-tax-inflation-adjustments-for-tax-year-2024>.

²Ibid.

³Ibid.

⁴"Charitable contribution deductions." IRS.gov, 20 AUG 2024, <https://www.irs.gov/charities-non-profits/charitable-organizations/charitable-contribution-deductions>.

⁵"Retirement topics - Required Minimum Distributions (RMDs)." IRS.gov, 20 AUG 2024, <https://www.irs.gov/retirement-plans/plan-participant-employee/retirement-topics-required-minimum-distributions-rmds>.

This information was written by KRW Creative Concepts, a non-affiliate of the broker-dealer.

Cetera Financial Group" refers to the network of independent retail firms encompassing, among others, Cetera Advisors LLC, Cetera Advisor Networks LLC, Cetera Investment Services LLC (marketed as Cetera Financial Institutions or Cetera Investors), and Cetera Financial Specialists LLC. All firms are members FINRA/SIPC. Located at: 655 W. Broadway, 11th Floor, San Diego, CA 92101.

Individuals affiliated with Cetera firms are either Registered Representatives who offer only brokerage services and receive transaction-based compensation (commissions), Investment Adviser Representatives who offer only investment advisory services and receive fees based on assets, or both Registered Representatives and Investment Adviser Representatives, who can offer both types of services.

This communication is designed to provide accurate and authoritative information on the subjects covered. It is not, however, intended to provide specific legal, tax, or other professional advice. For specific professional assistance, the services of an appropriate professional should be sought.

Some IRAs have contribution limitations and tax consequences for early withdrawals. For complete details, consult your tax advisor or attorney. For a comprehensive review of your personal situation, always consult with a tax or legal advisor. Neither Cetera Firms nor any of its representatives may give legal or tax advice.

Investors should consider the investment objectives, risks, charges and expenses associated with municipal fund securities before investing. This information is found in the issuer's official statement and should be read carefully before investing.

Investors should also consider whether the investor's or beneficiary's home state offers any state tax or other benefits available only from that state's 529 Plan. Any state-based benefit should be one of many appropriately weighted factors in making an investment decision. The investor should consult their financial or tax advisor before investment in any state's 529 Plan.