Exencial Wealth Advisors

# How to Maximize Your Year-End Tax Savings

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With the end of the year rapidly approaching, now is a good time to think about how to maximize 2017 tax savings and position yourself for a great financial start to the New Year.

In the past few years, pending legislation in the month of December made it almost impossible to effectively implement year-end tax planning strategies with any certainty. Unfortunately, that is where we find ourselves again in 2017.

There will likely be tax reform in the near-term, as Republican leaders and President Donald Trump vowed to pass tax reform legislation before year end. Treasury Secretary Steven Mnuchin stated the White House is considering making tax law changes retroactive for the entire year of 2017. Amid that uncertainty, there are still a few ideas to consider before the calendar rolls over that should be relatively unaffected by any potential tax law changes.

If you are age 70 ½ or older you can make qualified charitable distributions from your IRA and exclude the distribution from gross income up to $100,000 per year. These distributions can be a useful strategy because they can satisfy a required minimum distribution (RMD) without adding to your adjusted gross income (AGI). The reduced AGI can also have a positive impact on several other components of your tax return, such as taxability of Social Security benefits, applicability of the Medicare surtax of 3.8 percent or phase out of itemized deductions.

Depending on what tax bracket you are in, it may be a good idea to convert some traditional IRA funds to Roth IRAs. These contributions can reduce future RMDs and create a potentially tax-free inheritance for your children. If your income is at a level where you can't contribute directly to a Roth IRA, you may be able to make non-deductible traditional IRA contributions and convert them to a Roth IRA.

When thinking about making charitable gifts at year end, consider using appreciated long-term securities. This is an especially attractive strategy given our current tax rates. Also, based on a couple of tax proposals suggested by the current administration, there may be reduced deductions available for charitable giving. That said, make sure your gifting doesn't trigger large charitable carryforwards as their utilization may be limited in the future.

Now is the time to review your brokerage statements to see if you have significant capital gains or received capital gains distributions. Harvesting some loss positions can offset this income and minimize your income tax. Be sure to follow the wash-sale rules if you wish to reinvest in positions you just liquidated. If you have significant tax capital loss carryforwards, you may consider selling some overweight assets that may generate gains in order to rebalance your portfolio without taking a tax hit.

Reviewing your portfolio at year end can help determine if you are on track to meet your goals, or if your portfolio needs rebalancing. This is the time to make sure you are contributing the maximum amount allowed to employer-sponsored retirement plans. Also, remember to consider contributions to an IRA for non-working spouses. If part of your overall plan is to pass wealth to future generations, consider gifting up to the maximum tax-free amount of $14,000 to a 529 savings plan for children or grandchildren.

The end of the year is also a good time to review your estate plans and wills to ensure they are working as intended, and beneficiaries and trustees are still correct.

Please contact your Exencial advisor about these or any other items you might want to discuss before year end.

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