

Investment Year-End Tax Planning



Your Green with
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As we end one year and begin another, there are things you need to think about doing to maximize your retirement assets, gain any available tax benefit, and/or avoid any tax penalty that may be linked to your investments. Here are some things you should consider:

IRA (Individual Retirement Account): Make sure you have maximized your IRA contributions to take advantage of the tax benefits they offer. Contributions for 2023 may be made through Tuesday, April 15, 2024, and contributions for 2024 may be made

as early as January 1, 2024. Note: Filing an extension on your tax return does not extend the deadline for making your IRA contributions.

The 2023 maximums are \$6,500 for IRA contributions for those under age 50 (\$7,500 for those 50 or older), and for 2024 rising to \$7,000 and \$8,000 respectively. Make sure your contribution amount takes into consideration any prior contributions you have made for the tax year 2023, so you do not exceed this maximum.

Previously, traditional IRA contributions were not permitted after RMD age. However, the SECURE Act repealed the age restriction, and now anyone with earned income can make Traditional IRA and Roth contributions at any age.

If you are eligible for an employer sponsored retirement plan, such as a 401(k), your income may determine how much you can deduct for your IRA contribution. For 2023, these income limitations begin at \$73,000 for singles/\$116,000 for married filing jointly, increasing to \$77,000/\$123,000 in 2024. An IRA calculator to help you determine if you qualify is available at under the Resources tab at RogerSGreen.com.

The rules can be complex, and they change, so it is wise to contact a financial or tax professional to discuss your specific situation. We rarely recommend traditional IRA contributions if they are not fully deductible, or cannot wisely be converted to a Roth IRA.

Roth IRAs: Although there are no immediate tax benefits, for those who are eligible, a Roth IRA might be the way to go because it provides tax-free withdrawal of contributions later. RMDs are not required, so you can leave amounts in your Roth IRA as long as you live. Your earned income does impact your eligibility to contribute to a Roth.

Spousal Roth/IRAs: Many are not aware of this provision allowing a non-working spouse to contribute to a Roth IRA, based on the income of the working spouse. If you meet the eligibility requirements, you can open a Roth IRA in your name and have your working spouse contribute to it from income/assets. The Roth IRA allows you to make withdrawals during retirement that are not subject to income taxes (if you are over age 59 ½ and after a five-year holding period), increasing the portion of your money you may have to live on in retirement. There are more restrictive guidelines for making the same type of Spousal contribution into a traditional IRA account, where contributions would reduce your taxable income for the tax year; and withdrawals would then be taxable as income in retirement.

Irrevocable Roth conversions: IRS guidelines allow for the irrevocable conversion of existing assets from a traditional IRA to a Roth IRA regardless of your Adjusted Gross Income. A Roth conversion can lower your future tax bill; if you anticipate higher future tax rates. Keep in mind, however, that converting normally results in a taxable

event. The decision to convert can be complex, and you must consider many factors such as assumed future tax brackets, other assets available for retirement, and whether you have the assets to pay for the conversion income taxes. The decision to convert assets to a Roth is irrevocable and cannot be undone.

Roth re-characterization no longer available: If you convert an IRA to a Roth IRA, and later change your mind, you can no longer undo or “re-characterize” that Roth conversion. The ability to do so ended in 2018.

401(k)/403(b) and most 457 Plan contributions: The maximum contribution is \$23,000 in 2024, up from \$22,500 in 2023. For those age 50 or older, an additional \$7,500 catch-up contribution is permitted for 2024, unchanged from 2023. Maximize your contributions, as this is how many people get started on investing for their future.

If your company matches employee contributions into your 401(k), make sure you are contributing at minimum an amount that earns you the full employer match. Failure to do so equates to refusing free money from your employer. Your 401(k) contributions, unlike IRA contributions, must be made by December 31st each year. There is a provision limiting the matching money paid by employers into the 401k for those earning higher incomes. For 2023 that income limit rose to \$330,000, and it is going up to \$345,000 for 2024.

SEP IRAs & Solo 401ks: For the self-employed, the amount they can save in a SEP IRA/Solo 401(k) was \$66,000 in 2023 and is increasing to \$68,000 for 2024. There are income restrictions to these plans as well.

Required Minimum Distributions (RMDs): Beginning in 2023, the SECURE 2.0 Act raised the age that you must begin taking RMDs to age 73. When you reach the age of 73 you must take a Required Minimum Distribution (RMD) from impacted retirement accounts (traditional IRAs and 401k type plans) each calendar year. If you reached age 72 in 2023, the required beginning date for your first RMD is April 1, 2025. **Failure to take an RMD results in a 25% IRS excise penalty (reduced from 50% by the SECURE 2.0 Act in 2023) on the amount of the distribution.**

Annual Gift Tax Exclusion: The tax code allows you to gift cash or property, up to \$17,000 in 2023 and up to \$18,000 in 2024, without a gift tax return or a gift tax. This exclusion can be used to help you bless others without a tax penalty. I've seen the joy my clients have received from helping a family member pay for a special trip, buy their first home, do home renovations, fund an adult child's Spousal Roth IRA, or just helping them meet their living expenses during a difficult time. Gifting limits do not pertain to gifts to your spouse, which are unlimited.

Gifting for Education and Medical Expenses: Unlimited gifts in the form of tuition and other qualified educational and medical expenses are permitted; *if you pay the care provider or learning institution directly.*

Because of the eligibility requirements and variables impacting many of these decisions, the input of a financial advisor and a tax professional is recommended. **To inquire about your individual situation, or about setting up an individual IRA or a 401k for your small business, please contact us at 770.931.1414 or visit our website at RogerSGreen.com for information about how to schedule a no-cost consultation.**

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