2024 Year-End Planning Checklist

Year-end is an ideal time to review your personal finances, helping you reduce tax liability and make strategic adjustments for the upcoming year. The Tax Cuts and Jobs Act (TCJA) of 2017 is scheduled to sunset in 2026. With the incoming Trump administration, there's a possibility that certain TCJA provisions may be extended or even made permanent. Until there's more clarity on future tax policy, careful planning for 2025 is advised to leverage existing tax-saving strategies that align with your financial goals. Consulting with your financial, tax, and estate planning advisors can help you determine the best steps to maximize savings and prepare effectively.

Investment

- Recognize capital gains and losses in taxable accounts. Use loss carryovers from prior years to offset gains. Deduct up to $3,000 in losses against other taxable income. If you are married but filing separately, deduct $1,500.
- Record realized capital loss carryovers.
- Avoid the wash sale rule - wait 31 days before buying back the same holding that was sold for a loss.
- Check mutual fund distribution dates before making new acquisitions to avoid capital gains.
- Send capital gains and investment income information to your CPA for year-end projection.
- Reassess your risk tolerance and investment objectives and rebalance your investment portfolios accordingly.

Income Tax

- If you anticipate being in a higher income tax bracket in 2025, whether due to increased income or changes to tax legislation, you may want to:
    - Accelerate income and the sale of assets with capital gains to receive taxable income in the current tax year.
    - Defer deductions, such as make your January mortgage payment after January so you can deduct the interest on your 2024 tax return.
- If you anticipate being in a lower taxable income bracket in 2025 or later, consider:
    - Deferring or reducing your income and capital gains to 2025
    - Accelerating deductions, such as making your January mortgage payment in December so you can deduct the interest on your 2024 tax return.

    - Bunching your itemized medical expenses within the same year in order to meet the threshold percentage of your adjusted gross income so you can claim such deductions.
    - Using installment sale agreements to spread out any potential capital gains to be incurred in the future taxable years.
- Increase your W-2 federal withholding amount to prepare for a significant tax bill or avoid the underpayment tax penalty.
- If you are subject to the Alternative Minimum Tax (AMT), talk to your CPA before deferring income or accelerating deductions.
- Up to $250,000 per person (or $500,000 for married couples filing jointly) of the gain from the sale of your principal residence can be excluded from your federal income tax if certain requirements are met.
- Interest on up to $750,000 of the mortgage on your primary residence incurred after December 14, 2017 is allowed as an itemized deduction. For mortgages incurred earlier, interest will be deductible on up to $1,000,000 of debt even if you refinanced after December 14, 2017.

Retirement Planning

- Consider maximizing your company's retirement plan: up to $23,500 if you are under age 50, and with a $7,500 catch-up contribution if you are 50 or older.
- Consider maximizing your IRA/ Roth IRA contributions by April 15, 2025: up to $7,000 if you are under age 50, with a $1,000 catch-up contribution if you are 50 or older.
- If your retirement plan allows, consider using a mega backdoor Roth strategy so that you can contribute an additional $46,000 with a $7,500 catch-up contribution on an after-tax basis. As such, you can enjoy the tax-deferred growth and avoid required minimum distribution (RMD) on the after-tax contributions.
- Take a RMD if you are 73 or older.
- Consider setting up a Roth IRA for your minors who have earned income.
- Consider converting from an IRA to a Roth IRA if you are in a low marginal income tax bracket.
- If you have business losses that flowed through to your individual tax return in 2024, consider either a Roth conversion or harvesting capital gains to create income that is offset by the business loss.
- Determine when to begin taking Social Security benefits, which kick in between the ages of 62 and 70.
- Starting in 2026, if your salary is over $145,000, any catch-up contributions made in 401(k) and similar retirement plans must be designated as after-tax Roth contributions. If you are enjoying the pre-tax contributions, ensure you maximize your contributions until then.

Gifting and Estate Planning

- Consider making gifts of up to $18,000 per person, as allowed under federal annual gift tax exclusion.
- Make contributions to your 529 plan college savings accounts.
- If you are over 70½ or older and would like to make a donation to charities, you can donate up to $105,000 each year directly from your IRA to qualified charities to avoid income taxes.
- Consider donating appreciated securities held more than one year instead of cash to save capital gains taxes while deducting the full market value of the securities you donated from your income taxes. Annual income tax deduction limits for gifts to public charities are 30% of adjusted gross income for contributions of non-cash assets.
- Set up a donor-advised fund to donate to qualified charities. Consider consolidating several years of charitable contributions into one year via a gift to a donor-advised fund. This will make your contributions more tax-efficient.
- Keep all of your receipts of the charitable donations you made.
- Review and update your estate plan. Ensure that you have a will, revocable trust, health care directive, power of attorney, and guardians in place.
- Discuss major life events with your trusted advisors.
- Conduct family meetings to review and update your budget, balance sheet, and financial plan.
- Leverage the current $13.61 million ($27.22 million for married couples) federal estate, gift and generation-skipping transfer tax (GSTT) exemption before it sunsets in 2026, or is reduced by legislation, to transfer wealth and potentially mitigate some of the estate and/or gift tax burden. For married couples, consider using one spouse's full exemption instead of using a portion of each spouse's exemption, because if the exemption is reduced to the projected $6-7 million range, one spouse will still have their exemption.

Others

- Consider maximizing your Health Savings Account (HSA) contributions by April 15, 2025: up to $4,150 for individuals or $8,300 for families. If you are 55 or older, you can include a catch-up contribution of $1,000.
- Review your medical insurance plans to potentially make any changes during open enrollment.
- Obtain your free annual credit report at www.annualcreditreport.com.
- Review and update your beneficiary designations in your retirement plans and accounts and life insurance/annuity policies.

- Review and update your W-4 form especially after major life events such as getting married and having a baby to ensure accurate tax withholding information.