NAME:

TAX PLANNING CHECKLIST 2019

Wealth Enhancement Group®

Year-End Tax Planning Opportunities

The end of the year is your last chance to employ some strategic tax planning. If your income is higher than normal this year, you can take steps to reduce your adjusted gross income (AGI) and therefore lower your overall tax burden. If your income is lower this year than you expect going forward, there are different opportunities which may be beneficial. Also, don't forget to be mindful of key Medicare related AGI breakpoints as a little planning now can help you avoid future premium increases. Here are some steps you can take no matter which category you fall into.

IF YOUR INCOME IS HIGHER THIS YEAR

- ☐ Accelerate tax deductions: Double up on charitable gifts, prepay state income or levied property taxes
- ☐ Maximize to tax advantaged accounts:
  - IRA contributions (Traditional, Roth, After-Tax)
  - Employer Plans (401k, 403b, HSA)
  - Self-Employed Retirement Plans (SEP IRA, SIMPLE IRA, Solo 401k)
- ☐ Review your withholdings: 21% of Americans are under withheld and may end up owing more than they expect and/or an underpayment penalty[1]
- ☐ Optimize charitable giving:
  - Stock Gifts: Donate appreciated securities in lieu of cash to your favorite causes
  - Donor Advised Fund: Front-load tax deductions while pre-funding future charitable gifts
  - Qualified Charitable Distributions: Transfer all or a portion of a Required Minimum Distributions (RMDs) to charity (limitations may apply)
- ☐ Tax-Loss Harvesting: Realize losses across taxable investment accounts to offset realized gains
- ☐ Minimize the 3.8% net investment income tax (applies when AGI is >$200,000 single, $250,000 married filing jointly)

IF YOUR INCOME IS LOWER THIS YEAR

- ☐ Defer tax deductions: Claim the standard deduction and defer itemized deductions until next year
- ☐ Rebalance your portfolio: Update the allocation of your investments, especially concentrated positions, at a potentially lower tax cost
- ☐ Tax-Gain Harvesting: Take advantage of 0% and 15% long-term capital gains tax rates
- ☐ Evaluate Roth Conversions: Fill up lower tax brackets while creating future tax-free retirement account distributions
- ☐ Maximize health care premium tax credits: Balance cash flow and AGI to receive valuable tax credits

ADDITIONAL TAX-PLANNING TRIGGERS:

Even if your income hasn't changed there are other events that have tax implications that merit careful tax planning. If any of these situations apply to you be sure to discuss them with your financial advisor and tax preparer.

☐ General

- Manage your RMDs: Ensure the correct amount from IRAs and employer plans is withdrawn to avoid a 50% penalty
- Employer stock in your 401k: Evaluate if and when the Net Unrealized Appreciation (NUA) strategy is beneficial
- Sale of a home, investment property or business: These transactions can raise complicated taxation issues

☐ Compensation

- Bonuses: Understand the tax impact and ability to defer to future years
- Employee stock purchase plan (ESPP): Maximize purchase of discounted shares while managing concentrate stock risk
- Exercising stock options: Create a multi-year strategy to balance cash flow and tax impacts when exercising Non-Qualified (NQSO) or Incentive (ISO) stock options
- Vesting Restricted Stock Units: Revisit target exposure to concentrated stock
- Deferred Compensation: Sequence salary and bonus deferral elections to optimize a tax-efficient source of income in retirement
- Maximize the new 20% deduction for pass-through business income: Investigate application of new law to active and passive business interests including rental properties

☐ Education

- American Opportunity Tax Credit: Manage income breakpoints to maintain eligibility
- 529 plans: Make gifts to obtain state specific credits and match distributions with the year of college expense

☐ Wealth Transfer

- Making or receiving gifts: Coordinate gifts of cash, stock, and property with the annual gift exclusion and evaluate consequences of larger gifts
- Life Insurance: Re-evaluate the role of paying premiums in light of tax reform
- Inheritance: Explore the unique consequences associated with inheriting retirement accounts, stocks, real estate, personal property, etc.

[1] https://www.gao.gov/assets/700/693582.pdf

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