

Year End Tax Strategies

By Julie Lobaza

As we approach the year-end, now is a prime opportunity to review your financial situation and implement strategies to minimize your tax liability. By planning and taking advantage of tax-saving opportunities, you can optimize your finances and keep more of your hard-earned money. Here are some practical tips to consider before next year.

One of the easiest ways to save on taxes is by contributing to retirement accounts. For 2024, the contribution limits for 401(k) plans are \$23,000 for those under 50 and \$30,500 for those aged 50 or older. Contributions to a traditional IRA may also be deductible, depending on your income level and whether you or your spouse are covered by a retirement plan at work. These contributions reduce your taxable income while helping you secure your financial future.

If you have a high-deductible health plan (HDHP), contributing to a health savings account (HSA) can yield significant tax benefits. For 2024, individuals can contribute up to \$4,150, and families can contribute up to \$8,300, with an additional \$1,000 catch-up contribution for those aged 55 and older. HSA contributions are tax-deductible, grow tax-free, and can be withdrawn tax-free for qualified medical expenses.

If you hold investments in taxable accounts, consider selling underperforming assets to offset capital gains from other investments. This strategy, known as tax-loss harvesting, can reduce your taxable income. If your losses exceed your gains, you can deduct up to \$3,000 of those losses against ordinary income, with the excess carried over to future years.

Donations to qualified charities are deductible if you itemize your deductions. You can give cash, donate appreciated assets such as stocks, or set up a donor-advised fund for more structured giving. Remember to retain proper documentation for contributions. For those who do not itemize, you may still qualify for a limited charitable deduction based on current IRS guidelines.

Should you anticipate being in the same or a lower tax bracket next year, deferring income to 2025 could lower your current-year tax bill. This might include delaying end-of-year bonuses or postponing sales that would generate taxable income. Conversely, you could accelerate expenses like business purchases or deductible costs into 2024 to maximize current-year deductions.

Contributing to a 529 college savings plan is another consideration. Contributions are not federally tax-deductible, but earnings grow tax-free, and withdrawals for qualified education expenses remain untaxed. If you contribute to a MESP (Michigan Education Savings Plan) individual taxpayers may deduct up to \$5,000 in MESP contributions each year from their Michigan adjusted gross income, and taxpayers filing jointly may deduct up to \$10,000.

For those aged 73 or older in 2024, be sure you take your required minimum distributions (RMDs) from retirement accounts to avoid a steep penalty. If you do not need the income, consider donating your RMD directly to a qualified charity through a Qualified Charitable Distribution (QCD), which can satisfy the RMD requirement and exclude the distribution from taxable income.

Tax laws change frequently, and a professional can help identify deductions and credits specific to your situation. They can also assist in year-end planning to ensure compliance while minimizing your tax liability. Implementing these strategies before the end of the year can significantly impact your financial outcome. Take action now to finish the year strong and set yourself up for a more secure financial future.



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