

PRISM PLANNING & SOLUTIONS GROUP, LLC

Year-End Tax Planning Newsletter



UPCOMING EVENTS

All events hosted on Zoom unless indicated otherwise.

Feb. 1, 2024 – 1st Quarter Update

Mar. 7, 2024 – TBD

April 1, 2024 – TBD

Zoom information provided upon registration.

Please email Sharon@PPSgrp.com for more information.



FROM YOUR ADVISOR

December is filled with holidays and gatherings with family and friends, but it can also be a very emotionally challenging time of the year for many people. We see commercials that celebrate happy families coming together for stress-free meals and celebrations, yet that is not the reality for many families. Travel seems harder than it used to be, and everything costs more than it did a couple of years ago. We have moved from pandemic to endemic regarding COVID-19, but there is still plenty of flu and RSV around. For those of us in the northern hemisphere the days are shorter, and less daylight can affect us in unexpected ways. And finally, for many of us, the holidays are a reminder of who won't be at the table this year. Be kind to yourself and others as we move through this frenetic month. Don't expect your holiday gatherings to live up to images we see online and in movies. Allow yourself to miss those who won't be around the table, and then think about some of your favorite memories of them. Most of all, try to find one thing each day about which you feel gratitude. Large or small, just focusing for a few minutes on choosing to feel grateful can help offset more of the stress and sadness than you think it will.

YEAR-END TAX PLANNING

What are some of the tax-related issues you should be thinking about in December as we come to the end of the calendar year? I think this is easier to put in the form of a list so here goes:

- Required distributions from retirement accounts: Whether you're an IRA owner or beneficiary on an inherited IRA check with your tax advisor and Certified Financial Planner to see if you are required to make a distribution before the end of 2023. The rules for these have never been simple and over the last three years have seen many changes through two rounds of SECURE Act legislation.
- Roth conversions: Depending upon how much money you have in taxable income and whether or not you have money in pretax IRA's or 401K accounts, it may make sense to move some of that money into a Roth and plan on paying the taxes in 2023. Take a look at your marginal tax bracket; if you think it's going to be higher later talk to your tax advisor about whether or not you should consider a Roth conversion in 2023.

YEAR-END TAX PLANNING

- 529 contributions: if you have set up a 529 plan and your state offers an income tax deduction for contributions you probably have to complete those by December 31st.
- Adjusting your salary deferrals for deferred compensation plans: If you are eligible for deferred compensation plan from your employer for 2024 you have to set the deferral percentage before the end of 2023.
- Gifts under the annual gift exclusion: Gifts must be completed by the end of the year in order to use the annual gift tax exclusion so encourage your gift beneficiaries to deposit those checks!
- Harvesting of tax losses and tax gains: If your income threshold is below certain levels, you may be able to lock in some capital gains with no tax liability and establish a higher cost basis to reduce tax impact later. If you have losses in your taxable portfolio, it may be worth selling some and waiting to reestablish a position so you can use the tax loss for 2023. Consult your tax advisor for more details: Don't try this on your own.
- Estimated tax payments and salary withholdings. Use the free tool at the IRS website to see if you have had enough taxes withheld or paid to the IRS through estimates so that you'll avoid under payment penalties for 2023. There's still time to make adjustments in your withholdings or an estimated tax payment.

"ALL THINGS IRA" CORNER

There's a lot written in December about Roth conversions. I'm sure you all know that in order for a Roth IRA distribution to be qualified the Roth IRA must exist for at least 5 tax years. There's an additional rule that applies to Roth conversions. Each Roth conversion has its own five year clock that needs to be satisfied as well.

Roth conversions can be a great tool for paying less taxes overtime on retirement assets but make sure you know the rules.

Rules related to Roth 401K accounts or changing in 2024 as well, mostly towards the more simplified. Before the most recent round of SECURE Act legislation, Roth 401K's had required distributions, and in order to avoid them you had to roll your Roth 401K into a Roth IRA. Thankfully that's going away.

These rules are constantly changing, and Roth IRAs can be a great way to accumulate tax free money for your own future and to pass it on to your family, but the rules can be tricky. Work with a Certified Financial Planner® and a member of Ed Slott's Master Elite IRA Advisor Group to see how you can optimize current and future rules around Roth IRA's.

Julia Peloso-Barnes, CFP® is a member of Ed Slott's Master Elite IRA Advisor Group™. For more information on anything mentioned in the "All Things IRA" Corner please email Julia at julia@ppsgroup.com or schedule a call/zoom [here](#).

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KEY POINTS

- Check to see if a Roth conversion makes sense for you.
- Make sure all types of gifting and contributions (529, annual exclusion gifts) are completed before December 31.
- Make sure all Required Distributions and Required Death Distributions (Inherited/beneficiary IRAs) are completed before December 31.
- Check to make sure you've had enough income taxes withheld to avoid underpayment penalties.
- Consider tax-loss and/or tax-gain harvesting strategies if appropriate.

A CERTIFIED FINANCIAL PLANNER™ will help you review your financial situation in detail, including planning to maintain your financial independence as you age, and help you develop and implement a financial plan based on you and your needs. Click [HERE](#) for more resources related to Year-End Tax Planning.



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