The Dos & Don’ts of Year-End Tax Moves

Senior Estate Planner, Mike Repak, explains what should and shouldn’t be done in year-end tax moves.

### Do Postpone Taxes
- Make retirement plan contributions to 401(k) and IRA accounts. Income you would have been taxed on this year can be postponed until later (retirement).
- Take installment payments for the sale of property. By taking the payment in installments over multiple years, you postpone the current year tax burden of a lump-sum payment.
- Take advantage of any flexibility in the payment of compensation (e.g., bonuses) or other income events. Delaying income past year-end could give you interest-free use of the money that you will need to pay the related taxes until April 17, 2017.

### Do Take Your Required Distribution from IRA and Inherited IRA Accounts
- Distributions are required from IRA accounts once the owner reaches age 70 ½. The IRS will assess a whopping 50% penalty on the amount that should have been taken if you miss your required distribution.
- Same goes for inherited IRAs. The required distribution must be taken by year end to avoid a penalty.

### Do Understand if the Alternative Minimum Tax (AMT) Applies to You
- Talk to your CPA or tax consultant to determine if AMT applies to you. This tax depends not only on your income but also the amount and type of deductions you take in a given year.
- If you are subject to AMT, you might want to consider postponing deductions that will be disallowed because of AMT.

### Don’t Forget to Drain Flexible Spending Accounts
- Flexible Spending Accounts (FSA) are “Lose it or Use it” accounts. This means by year-end, the balances should be brought to $0, otherwise the money in the account is forfeited.
- But don’t be confused with Health Savings Accounts (HSA) which can be rolled over year-after-year.

### Don’t Forget to Complete Gifts by Year-End
- If you are making gifts to family or a contribution to charity, those transfers generally need to be completed at year-end to be included in your 2015 taxes.
- For stock, that means the transfer of the asset between accounts must be completed at year-end. Transferring stock can take several weeks, so give yourself plenty of time.
- If you’re giving a gift to family by check, the check should be cashed before year-end to be considered a gift for 2015.

### Do Introduce your CPA to Your Janney Financial Advisor
- One way to make sure that you are making all the right year-end tax moves is to introduce your Janney Financial Advisor to your tax advisor. Since your tax situation is unique to you, these two professionals can work with each other on tax loss harvesting, and tax efficient investing strategies that could help reduce your tax burden now and in the future.
- For more complex situations, we also offer tax planning as part of any financial or estate plan that we complete for Janney clients.

Our team of experts can help you identify which tax tactics for year-end planning you may want to consider, or some you will want to avoid. Contact your Janney Financial Advisor to start planning your tax strategy today!