Hi Friends,

Happy holidays to you and yours. Before we wrap up 2023, I'm sharing my **Year-End Financial & Tax Planning Strategies List to help you asses if you're <u>taking advantage of all the opportunities of today to build and protect your wealth into the future</u>**. This is a longer 4-6 minute read, but it represents some of the most relevantly important areas we're helping our clients navigate into year-end that play vital roles in their overall financial wellness. Regardless of busy holiday schedules or where you, your family, your career, or your business is in life, **your financial well-being always deserves a moment for Wealthful Wisdom –** let's get to it!

And as always, if you have any questions or would like to discuss how these strategies may best fit into your financial plan, please don't hesitate to reach out. I'm always happy to help you or others you've shared this newsletter with.

Tax-Loss Harvesting

For those with assets in taxable investment accounts, evaluate whether you could benefit from **tax-loss harvesting – selling investments with losses to offset capital gains**. No one wants to lose money on investment, but the ups and downs of the financial markets can provide a tax-efficient opportunity to potentially reduce your tax bill and better position your portfolio to reach your goals. While we're all pleased markets have improved from a challenging 2022, this strategy is often relevant in softening capital gains taxes in the stronger performing years too. And if your capital losses do exceed your capital gains, your excess losses up to $3,000 (single or married filing jointly) can be used to offset ordinary income. Any additional losses can be carried forward to future years.

Remember, everyone's situation is unique and there are subtleties to consider when aiming to decrease your tax bill when utilizing this strategy. I recommend familiarizing yourself with more details here, like understanding the importance of avoiding a wash sale (an activity that disallows the loss deduction when selling and buying the same security within 30 days before or after the sale date) and working with your advisor to determine the optimal path forward for you. **To bolster your long-term investment returns**, it may also be an opportune time to optimize your portfolio with more year-round tax efficient investment strategies like **direct indexing** and **SMAs** I've highlighted in prior Wealthful Wisdom newsletters.

While we're on the subject of tax efficient investment strategies, here's two more things to know:

- **Income seeking investors** in higher tax brackets have the opportunity to tap into **tax-exempt municipal bond income with some of the highest tax-equivalent yields we've seen in well over a decade** – a silver lining to the Fed's tightening cycle efforts to get inflation back down. With inflation remaining on a downward path and the economic slowdown of their efforts becoming more evident, the Fed will eventually make moves to reduce interest rates. **Things can change quickly, so the ability to lock in yields at these attractive levels for years to come is an extraordinary opportunity for fixed income investors.**

- **If you own mutual funds in a taxable account**, you may find yourself with a capital gains tax bill despite not having sold a single share this year. Even in an underperforming, negative return year for the mutual fund, you may receive a capital gains tax bill. Unfortunately, this is a drawback to mutual funds that pending on your unique situation (especially those in higher tax brackets and/or higher income taxed states) can work against your investment goals. **This can be mitigated through strategic tax-aware investment planning, factoring in specific types of investments more suitable for taxable vs tax-advantaged account types to help you strengthen your portfolio's alignment to your goals.**

Maximize Your Tax-Advantaged Retirement & Health Savings Account Contributions

The more you contribute to your [traditional 401(k), 403(b), traditional IRA, and HSA,] the less you'll have to pay on your income taxes this year. Plus, investments in these accounts continue to grow tax-deferred, letting the power of compounding work all that much more in favor for you and your goals.

- **For your 401(k) or 403(b), you have until December 31st to contribute**
  - Contribution limits for 401(k) and other retirement plans for 2023 are $22,500 or $30,000 if you're ≥50
  - **If you work for yourself**, consider contributing to a solo 401(k) retirement plan, SEP IRA or SIMPLE plan

- **Once you maximize employer retirement plans, consider contributing to an IRA**
  - 2023 IRA contributions need to happen before April 15th of next year (2024) still a $6,500/year limit, or $7,500 if you're ≥50
  - For high income earners that exceed IRA contribution tax deductibility, a Roth IRA contribution or backdoor Roth IRA strategy (see page 8 of Worthwhile attached/here) may be more appropriate.

- **Manage and take advantage of your Health Care Savings Plan – HSAs & FSAs**
  - If your workplace offers a **health savings account** (HSA) and/or **flexible savings account** (FSA), you can set aside pre-tax money to pay for qualified medical expenses, reducing your taxable income.
  - **HSA** contribution maximums in 2023 are $3,850 for self-only and $7,750 for families, with an additional $1,000 catch-up contribution allowed for individuals age 55 or older (2022: $3,650 and $7,300). HSAs have additional benefits like the ability to accumulate the funds on a tax-deferred basis to use in future years on qualified medical expenses including long-term care policy premiums.
  - For **FSAs**, you must contribute and use the funds in the same calendar year. If you funded an FSA this year, be sure to use up your balance and understand if your plan offers a grace period or limited carryover.

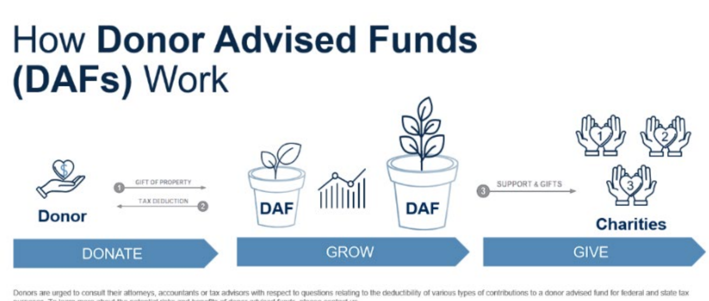
Charitable Giving → Grow Your Giving Power & Reduce Your Tax Burden

This time of year you may be thinking of giving to your favorite charities and institutions - perhaps your alma mater, church, or local children's hospital. There are several charitable giving strategies that can help you grow your giving power and financially benefit you too, especially if you've had a higher earning income year and/or significant liquidity event. Here's a few of the most popular and easiest-to-implement or read an expanded list here:

- **Are you subject to RMDs?** Turn your IRA RMD into a charitable contribution without being taxed on the withdrawal. IRA holders who are 70 1/2 or older can transfer up to $100,000 each year directly from one or more IRAs to qualified charities without being taxed on the withdrawal - classed as a tax-free **QCD** (Qualified Charitable Distribution). **If you're in your RMD years and already planning on donating to a charity, this is an easy to implement, low-hanging fruit move!**

- **Donate highly appreciated stock directly to a charity**, receiving an immediate tax deduction for the current value of the stock and avoiding capital gains on the appreciated portion of their value. Learn more benefits here.

- **Fund a DAF (Donor Advised Fund)**. This creates a de facto family foundation with no legal expenses or administrative and tax reporting requirements. **You can deduct your contribution immediately, which can then be invested for tax-free growth, and when you're ready, you can recommend distributions to any of your favorite U.S.-based qualified public charities**. With the ability to open a Raymond James Charitable DAF account with an initial contribution minimum of only $10,000, it makes this giving strategy highly accessible.



Utilize Annual Exclusion Gifting → A Simple Way to Transfer Wealth

Are you planning on giving cash, property or other assets to family or friends? Keeping it below the annual gift tax exemption can help you save time and money. Individuals can gift up to $17,000 (in 2023) to reach an unlimited number of recipients during a calendar year, and for married couples, the limit is $17,000 each, for a total of $34,000 (this is called gift splitting). While I could share another 20 pages on this topic too, today I'm simply going to **highlight the surprising gift of 529 plans** beyond the giving the gift of education – supporting education is a common priority to most families I help, especially those who are grandparents.

Simple to setup, 529 plans offer several benefits, including tax-advantaged growth, flexibility, and high contribution limits, which also make it an effective intergenerational wealth transfer strategy. A **529 empowers you to gift up to five years' worth of annual gift tax exclusions in a single year** without incurring gift taxes, so you could gift up to $85,000 per year per beneficiary or $170,000 per year per beneficiary if you're married. For high-net-worth families, this could be a particularly strategic estate planning tool to consider passing wealth to future generations efficiently – read more on page 12 of Worthwhile attached/here. As the highly favorable estate and gift tax exemptions from the Tax Cuts and Jobs Act provisions to the tax code are scheduled to sunset December 31, 2025, this strategy is that much more compelling to take action on now, given the uncertainties on Capitol Hill.

Year-End Tax Tips for Businesses

For business owners/leaders, these tax mitigation strategies may be relevant in helping you improve your business's bottom line this year or into the future.

Block Time on Your Calendar

Lastly, block time on your calendar now for a day in January **to; (1) reflect and celebrate your 2023 successes, and (2) go through your bigger picture financial matters. I'll be sharing more on that early in the new year.**

On a personal note, we had a wonderful time visiting family in Washington, D.C. recently, fishing with friends Thanksgiving morning, watching Dalton perform in his school holiday concert, and visiting Addison's 3rd grade class for the Great American Teach In to share financial literacy foundations for kids. I'm glad I finally made the time after years of her asking me – we all had a lot of fun, but the professional drone flyer definitely had the most exciting activity!

Happy holidays,

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