Insights for Investors

By: Maurice Stouse
Financial Advisor and Branch Manager

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It's Year End – Moves to Consider Taking Now

2024 is quickly winding down and investors, savers and consumers will inevitably see time demands grow from now and through the holidays. When it comes to year end moves for your finances, what might you want to review, plan for, or act on now?

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Maurice Stouse **Amy Parrish**
Financial Advisors
The First Wealth Management
A Division of The First Bank
Two thousand Ninety-Eight Palms Blvd.
Destin, FL 32541
850.654.8122

<u>We will start with retirees</u>: Make sure you have your Required Minimum Distributions taken care of for the tax year. The most recent version of the Secure Act has extended the age for many retirees to begin taking their distributions but nonetheless it is considered a good idea to ensure you are at last reviewing the rules and taking any action needed. Required minimum distributions, simply put, take your current age and divide it by a factor and that determines the percentage and dollar amount you must take. Also, for those who have inherited IRAs, the Secure Act instituted new rules that in some cases set the maximum amount of time (10 years) beneficiaries have to empty out the inherited IRA.

Medicare's open enrollment period is also active so those on Medicare now or anticipating going on Medicare should review their coverages and determine if any changes are needed. Raymond James offers a no obligation no cost service to assist those in need of that aspect of their planning.

<u>Funding of retirement accounts</u>: The 2024 maximum for an IRA is $7,000 ($8,000 if you are over 50 years old). You have until the tax filing deadline in April of 2025 to make a contribution for the current tax year.

401k contributions. It is a good idea to have a look at how much of the maximum you are doing in currently enrolled in a 401k through your employer. The maximum employee contributions for 2024 is $23,000 ($30,500 if over 50 years old). Those contributions lower your taxable income as well (unless you are using a Roth 401k). If you can afford the contribution that could make an impact on your overall retirement plan.

Self-employed individuals and smaller businesses should review the various plans available for not only funding your retirement but the tax savings that may be involved as well. There are several to choose from

1) SEP IRAs – where you can put away and deduct up to 25% of earnings
2) SIMPLE IRAs/401ks – up to $16,000 for individuals (additional $3,500 of over 50)
3) Owner only 401k plans – total of $69,000 (plus $7,000 if over 50) of the two components
    a. $23,000 as employee (add $7,500 if over 50)
    b. Up to 25% employer or profit sharing contributions
4) Defined Benefit plans. These plans might allow for over $300,000 in deductible contributions.

Working with a financial or tax advisor might help you decide if one of these would be beneficial for you to consider.

<u>Tax Loss Harvesting</u>. Many investors also look at their portfolios and decide whether to sell any assets currently at a loss and using that loss to apply against current and or future gains. The idea is to lower the taxes owed if any on gains made on an investment. Tax loss harvesting can apply most assets including real estate.

<u>Estate planning</u>: Is your estate plan up to date? Most people wonder how would they know? A quick review of the five key components might well be worth your time:

1) Power of attorney

2) Medical Directive and Living Will

3) a Will

4) review of beneficiaries and how all assets are titled

5) a trust – even if you have one in place, many professionals consider it wise to ensure it is up to date with your wishes and any applicable estate or tax law.

<u>Gifting to family members</u>. The current limit to avoid the gift tax implication is 18k per person per year. As an example, a married couple could each gift 18k (totaling 36k) to their children, grandchildren or other family members or individuals. It gets that amount out of your estate during your lifetime.

<u>Charitable giving.</u> The current standard deduction has done away with the deductibility of charitable contributions unless they exceed the 14.6k threshold for individuals or the 29.2k thresholds for couples filing jointly. Nonetheless, many individuals take this time to review their giving, plan their giving for next year or learn about vehicles, the donor advised funds in particular (which offer flexibility in giving).

<u>Roth conversions</u>. It might be worthwhile to look at what impact converting part or all your IRA to a Roth (taxed now vs later) would have on your long-term retirement and estate plan.

<u>Your Social Security benefits</u>. Many people find it a good part of their yearend planning to go to SSA.gov and do a review of their benefits. Full Retirement Age (FRA) for those born in 1960 and later is 67 vs those born prior to then, age 65 (if born in the 1950s the FRA moves closer to 67 until 1960).

Lastly, we don't want to close out the year without a word or two on investing. Thoughts for investors to consider: Buy and hold strategy with changes on as needed basis or rotation strategy. Buy and hold would be more of a 'micro' approach. Asset allocation and security selection are part of a long-term diversification strategy upon review of your risk tolerance, time frame and investment objective. The rotation strategy would be more of a macro approach. While still considering time frame, risk tolerance and investment objective, this approach would direct investment selection based up on how the economy is currently doing and where inflation is now and or is headed.

Maurice Stouse is a Financial Advisor and the branch manager of The First Wealth Management/ Raymond James. Main office located at The First Bank, 2000 98 Palms Blvd, Destin, FL 32451. Phone 850.654.8124. Raymond James advisors do not offer -tax advice. Please see your tax professionals. Email: Maurice.stouse@raymondjames.com.

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The First Wealth Management/ Raymond James. Main office located at The First Bank, 2000 98 Palms Blvd, Destin, FL 32451. Phone 850.654.8124. Raymond James advisors do not offer -tax advice. Please see your tax professionals. Email: Maurice.stouse@raymondjames.com.