POLARIS
WEALTH ADVISORY GROUP

The Polaris Perspective

For more information or to schedule an introductory consultation contact us at: info@polariswealth.com I (800) 268-9046 I www.polariswealth.com

Year End Tax Planning

I can't believe that we are in mid-November. The holidays are upon us. I feel like the year has just raced by in the blink of an eye. Even though we will all have a lot of obligations during the holidays, it is important that you do a little bit of year-end planning to help mitigate your taxes. Here are some helpful hints:

Maximize your retirement plan contributions:

- If you haven't made an IRA contribution you can contribute $5,500 (you can contribute an extra $1,000 catch up contribution if you are over 50). This can be placed into either a traditional IRA or a Roth IRA, depending on your income level. If you make more than $188,000 as a married couple or $127,000 for singles, you are prohibited from making a Roth contribution. If you are close to the Roth IRA limits, please contact us. There are reduced contribution amounts as you approach the limits ($178,000 for couples, $112,000 for singles).
- In addition, you can contribute $17,500 to your 401(k) plan (or equivalent) this year, with a $5,500 catch up contribution for those over 50 years old. Make sure you have contributed the maximum allowed by law.
- You can contribute up to 25% of your total salary up to a $51,000 limit in a SEP IRA or Profit Sharing Plan if you are self-employed or work for a firm with one of these types of plans.

Gifting money to your kids (or grandkids):

- If you are trying to minimize your future estate taxes, gifting is a great way of reducing this future liability. You can contribute $14,000 per parent, per child (or grandchild). If you are married, you can give each child $28,000 without any gifting taxes.

Consider prepaying deductible expenditures:

- If you itemize deductions on your tax return you should consider prepaying some deductions (January's mortgage payment, or February's property taxes) now to lower your current taxes. Please involve your accountant in this decision because prepaying your deductible expenditures this year could put you into a higher tax bracket next year. If you are subject to AMT (alternative minimum taxes) you may also lose some or all of your deductions, nullifying this strategy all together.

Giving to Charity - If you are philanthropic, consider these two strategies:

- Donate highly appreciated stock to a 501(c)(3) charity. By donating the stock, you are generally allowed to deduct the full market value of the security as of the date that it is contributed. You also avoid having to pay capital gains tax on the gain.
- If you have reached age70 ½, you can donate up to $100,000 of your required minimum distribution (RMD) directly to an IRS approved charity. This is called a qualified charitable distribution (QCD). While no deductions are allowed for making a QCD, you can avoid paying ordinary income on some or all of your required withdrawal.

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Offset Gains and Losses:

- After a strong year in the stock market, it might be hard to find losses in your portfolio. If you do have losses lingering in your portfolio, consider selling them and offsetting them with gains.

Take your Required Minimum Distribution:

- If you turned 70 ½ this year (or older), you are required to withdraw money from your IRAs. The IRS provides the formula in their publication 590. Many custodians will provide the calculation for you.
- If you own a beneficiary IRA, you must also take a contribution regardless of age. You must take your first distribution by December 31 of the year after inheriting the IRA and then every year thereafter.

Many of the above mentioned recommendations are complicated. Your advisor at Polaris Wealth is here to help you with any of your year-end planning needs. Please feel to call to discuss your questions or arrange a time for one of our planners to meet with you directly.

Happy Holidays!!!

Jeff