FRANKLIN TEMPLETON | The Academy

Year-end planning checklist

It's important to assess personal finances before the end of the year to determine if action is needed. This may include reviewing portfolios, funding retirement accounts, and making gifts to family members or charities. Review this checklist to uncover opportunities to minimize taxes and identify other potential benefits.

Keep investments on track

- [ ] Adjust or rebalance portfolios to make sure asset allocation reflects current risk profile
- [ ] Be aware of mutual fund distribution dates before making purchases

Identify opportunities to minimize taxes

- [ ] Estimate your projected income for the year to determine your marginal tax bracket
- [ ] If a low tax bracket applies, consider accelerating income before the end of the year; if a high tax bracket applies, consider deferring income into next year if possible
- [ ] Be aware of important tax-related income thresholds (e.g, income limits applying to the 3.8% net investment income tax, higher Medicare premiums, and taxation of Social Security benefits)[1]
- [ ] Harvest tax losses to offset capital gains
- [ ] Donate appreciated stock or mutual funds to a charity to avoid capital gains
- [ ] Contribute to retirement accounts or health savings accounts (HSAs) to reduce taxable income
- [ ] Accelerate deductions into this tax year if planning to itemize deductions on your tax return (e.g, medical expenses)
- [ ] Consider an installment sale for large transactions to spread out capital gains over several tax years
- [ ] If expecting a net operating loss (NOL) from a business, consider a Roth IRA conversion

Focus on retirement planning priorities

- [ ] Maximize retirement savings including catch-up contributions if age 50 or older
- [ ] Remember to take required minimum distributions (RMDs) if age 73 or older[2]
- [ ] Monitor the percentage of funds withdrawn from retirement accounts to make sure savings will last over your anticipated life expectancy
- [ ] Evaluate retirement savings to determine if saving in traditional, pre-tax retirement accounts, or Roth accounts, makes more sense depending on current tax circumstances and projected taxes in the future
- [ ] If concerned about higher taxes in the future, consider a Roth IRA conversion
- [ ] Avoid penalties on early withdrawals from retirement accounts
- [ ] Plan for the 10-year rule applying to inherited retirement accounts[3]

Understand options for charitable giving

- [ ] Make charitable gifts before the end of the year to lower taxable income (if itemizing deductions)
- [ ] If over age 70½ donate to charities from your IRA using a qualified charitable distribution (QCD)[4]
- [ ] Use a donor-advised fund (DAF) to time a charitable tax deduction for this year, while having the flexibility to decide later which charities receive contributions
- [ ] Lump several years of charitable gifts into one year to itemize deductions on the tax return
- [ ] Retain necessary documentation on donations for tax filing purposes

Create a legacy for family members

- [ ] Utilize the annual gift tax exclusion before the end of the year ($18,000 per individual or $36,000 for married couples electing to split gifts)
- [ ] Make sure important documents (e.g, wills, trusts, powers of attorney, healthcare directives) are in place and up to date
- [ ] Review beneficiaries listed on retirement accounts, life insurance policies, and annuity contracts
- [ ] Consider strategies to transfer wealth utilizing the lifetime gift/estate tax exclusion (over $13 million per person for 2024)
- [ ] Make gifts into 529 college savings plans
- [ ] Gift appreciated or income-producing assets to family members in lower tax brackets
- [ ] Establish Roth IRAs for younger family members who have earnings from work

1. For 2024, the 3.8% surtax applies once modified adjusted gross income (MAGI) exceeds $200,000 for single taxpayers ($250,000 for married couples filing a joint tax return). Medicare Part B premiums increase for taxpayers once MAGI exceeds $103,000 ($206,000 for married couples filing a joint tax return), and is based on income from two years prior to filing for Medicare. Taxes on a portion of Social Security retirement benefits apply once MAGI exceeds $25,000 ($32,000 for married couples filing a joint tax return).
2. Retirement plan participants who are still working may avoid RMDs on plan balances if certain requirements are met.
3. Beginning in 2020 the SECURE Act requires most non-spouse beneficiaries (unless an exception applies) to withdraw all funds from inherited retirement accounts over a ten-year timeframe following the year of death of the owner.
4. IRA owner must be over the age of 70 ½ at the time of the IRA distribution to take advantage of this provision. The QCD must be sent directly to a qualified public charity, is limited to a maximum of $105,000 annually per individual, and can be applied towards satisfying the RMD.

Notes

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