

10 Tax Items to Check Off Your List by Year-End

As the year winds down, it's a good time to meet with your wealth advisor about what you can do to reduce the 2023 income taxes you'll owe and maximize annual gifts. Here are 10 steps to take before Dec. 31 to make sure you're in good shape for this tax year.

1. Max Out 2023 Retirement Plan Contributions

- Maximum 401(k) or 403(b) contribution: \$22,500
- "Catch-up" contributions for those age 50 or older: \$7,500, for a total of \$30,000
- Employer matching 401(k) contributions don't count toward the limits, and combined employee and employer contributions can't exceed \$66,000 (\$73,500 with catch-up contributions).¹

2. Max Out 2023 Health Savings Account (HSA) Contributions

- You must be enrolled in an HSA-eligible health plan to have an HSA.
- Maximum contribution: \$3,850 for individuals, \$7,750 for families²
- Catch-up contributions for those age 55 or older: \$1,000
- Earnings in the account are not taxed.
- Contributions are tax deductible, and withdrawals for qualified medical expenses aren't taxed.

3. Bunch Charitable Donations

- If you're close to the standard deduction of \$13,850 for individuals and \$27,700 for those married and filing jointly,³ consider "bunching" charitable contributions.
- A bunching strategy allows you to make larger contributions less often. Example: Say you're married, and you and your spouse typically donate \$10,000 each year to a charity. If you forgo making contributions for two years and in the third year bunch three years' worth of donations in a lump-

sum contribution of \$30,000, you'll exceed your standard deduction limit and potentially benefit from an additional deduction that year.

4. Set Up a Donor-Advised Fund (DAF)

- You receive a tax deduction for a charitable donation if you itemize your taxes.
- Donations to your DAF grow tax free.
- Assets you can contribute to a DAF include cash, stock, mutual fund shares and real estate.
- You can decide which eligible charities will be the beneficiary of the funds and when.
- You can use a DAF to bunch charitable contributions.

5. Make Qualified Charitable Distributions (QCDs)

- If you're age 70½ or older, you can make tax-free transfers of up to \$100,000 in 2023 from your IRA to a single or multiple qualified charities.⁴
- Distributions count toward your required minimum distribution (RMD), and the amount is excluded from your taxable income.
- QCDs cannot be donated to a donor-advised fund or private foundation.

6. Harvest Investment Tax Losses

- If your capital losses in your portfolio are greater than your capital gains, you could deduct up to \$3,000 of the excess against other income.
- Note that if you sell a security at a loss and then repurchase a "substantially identical" security within a 30-day time frame, your loss will be disallowed under the wash sale rules.

7. Defer or Accelerate Income

- High earners who expect their income to decrease after this year should consider the possible option to defer compensation or bonuses until next year, so you don't take a big tax hit this year.
- Conversely, consider accelerating income (within your control) into the current tax year if you expect your income to increase significantly next year.

8. Make Sure Your Tax Withholding Is Enough

- If it looks like you may have a tax bill at the end of the year because your tax withholding wasn't sufficient, increase it while you still have time.
- If you have an inherited IRA for which you had to take an RMD, increasing your paycheck withholding can offset some of that income. You could also instruct the administrator to withhold taxes on the RMD from the IRA.

9. If Applicable, Take RMDs from your IRAs by Dec. 31

- If you fail to take your full RMD by year-end, you'll pay a 25% penalty on the shortfall amount.
- If you do miss an RMD in error, you can pay the shortfall within two years, and the penalty may be reduced to 10%.

10. Maximize Annual Gifting

- Annual gift tax exclusion amount: \$17,000 for individuals, \$34,000 for married couples
- Gifts exceeding those amounts count toward the federal lifetime gift tax exemption: \$12.92 million for individuals, \$25.84 million for married couples.⁵
- Gifts to 529 plans are also subject to the \$17,000 per person annual gift limitation, but there is an exception that allows you to superfund a 529 plan with \$85,000 (in 2023) and elect to spread that gift over five years on a gift tax return.



Meet With Your Wealth Advisor

Our in-house tax professionals can work with your advisor before year-end to help you minimize your tax burden. We also encourage you to work on year-round strategies to help ensure you have the most tax-efficient wealth plan possible.

For more information visit: marinerwealthadvisors.com

¹"Retirement Topics: 401(k) and Profit-Sharing Plan Contribution Limits"

²"Health Savings Accounts"

³"IRS Provides Tax Inflation Adjustments for Tax Year 2023"

⁴"Qualified Charitable Distributions Are Great Options for Making Tax-Free Gifts to Charity"

⁵"What's New-Estate and Gift Tax"

Because the administration of an HSA is a taxpayer's responsibility, you are strongly encouraged to consult your tax advisor before opening an HSA. You are also encouraged to review information from the Internal Revenue Service (IRS) for taxpayers, found on the IRS website at IRS.gov.

Investors should consider the investment objectives, risks, charges, and expenses associated with 529 plans before investing. More information about specific 529 plans is available in each issuer's official statement, which should be read carefully before investing.

The availability of tax or other benefits may be conditioned on meeting certain requirements, such as residency, purpose for or timing of distributions, or other factors as applicable.

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