LIVING LEGACY
FINANCIAL & INSURANCE SERVICES

Live for Today and Plan for Tomorrow

NEXT YEAR'S TAX BRACKETS

The Internal Revenue Service has (finally!) released the tax brackets for 2024, which are annually indexed for inflation. The top bracket is always the strangest; you would think that the filing joint returns threshold would be double the single filer threshold, as it is for the other brackets, but… Single taxpayers with adjusted gross income of $609,350 will be in the 37% bracket next year, while joint filers making $731,200 or more will fall into that top bracket.

The 35% bracket will start at $243,725 for single filers next year; $487,450 joint; the 32% bracket will kick in at $191,950 (single) or $383,900 (joint); people will enter the 24% bracket starting at $100,525 (single) or $201,050 (joint); and the 22% bracket threshold will be crossed after $47,150 (single) or $94,300 (joint). The 12% bracket will start at $11,600 or $23,200, and anything below that falls into the 10% tax bracket.

The standard deduction will also go up fairly substantially, to $14,600 for single filers; $29,200 for join filers, with an additional $1,550 or $1,950 for married or unmarried seniors, respectively. People will pay no capital gains taxes on gains realized if their adjusted gross income is below $47,025 (single) or $94,050 (joint); above that, they would pay taxes on their capital gains at a 15% rate until they reach the 20% threshold at $518,900 (single) or $583,750 (joint.)

Sources:

https://taxfoundation.org/data/all/federal/2024-tax-brackets/?

5280 Carroll Canyon Road,
Suite 103, San Diego, CA 92121
p. 619.684.6239

LIVING LEGACY
FINANCIAL & INSURANCE SERVICES

Live for Today and Plan for Tomorrow

REAL END-OF-YEAR PLANNING

If you're even a casual social media browser, you've probably seen pitches talking about 'year-end tax planning,' or 'things to do before the end of the year for your finances.' But what are the truly important things that most of us should consider?

A partial list would start with thinking about whether to realize capital losses in the taxable part of your investments, as a way to offset income and any taxable distributions from mutual funds or bonds. Every portfolio includes some losses; even if the markets are up for the year, there are always some positions that are below where they were at the start of the year. These can be sold now, and the losses can be applied to those other taxable events—up to $3,000 of ordinary income (including stock dividends and bond interest), and pretty much any amount of capital gains from the sale of a home or business.

The 'harvested' losses can also be applied to the taxable income generated by a Roth conversion—that is, moving money from an IRA to a Roth IRA, where you pay taxes on the amount that is transferred. This ensures that the money you withdraw in retirement, from the Roth, will be tax-free. If there's a significant loss in your taxable portfolio, this might be the ideal time to make a relatively inexpensive (taxwise) Roth conversion.

Salaried workers should check to make sure they are maximizing their 401(k) contributions for the year—$22,500 is the maximum for 2022; $66,000 for combined employee and employer contributions. Making contributions to IRAs is not quite as urgent; you have until April 15 to make your 2023 IRA contributions.

People who are charitably inclined can look at donating before the end of the year and taking a tax deduction. Of course, the donation would have to push the tax benefit above the (relatively high) standard deduction threshold (currently $13,850 for single taxpayers; $27,700 for joint filers), which is why many consultants recommend 'bunching' multiple years of donations into a single year, putting the money into a donor-advised fund that can make donations to charities in future years.

And in the reverse of tax-loss harvesting, it can make tax sense to donate investment positions, from taxable accounts, that have high gains above what the investments were purchased for—situations where selling would trigger high capital gains tax obligations to Uncle Sam. When those high-gain positions are donated instead, the tax deduction is calculated on the current value of the investment, and the capital gains obligation goes away when the donation is completed.

Finally, if your advisor or accountant tells you that you've underpaid estimated taxes for the current year, and you're still taking distributions from your IRA, you can have the under-paid estimated tax amount withheld from the last couple of distributions. For some reason, even if the estimated payments are late, if this makes up the difference, the IRS will consider the payments to be made on time.

Most of the things that social media tells you to do at year-end should probably be done throughout the year. These are actual things to consider with real deadlines.

Sources:

https://www.ellevest.com/magazine/personal-finance/how-to-make-a-year-end-planning-checklist

https://www.kiplinger.com/retirement/retirement-plans/required-minimum-distributions-rmds/603438/rmd-solution-for-estimated-taxes

MEET OUR TEAM

www.LivingLegacyLLC.com | 619.684.6239

5280 Carroll Canyon Road,
Suite 103, San Diego, CA 92121
p. 619.684.6239