WEALTH MANAGEMENT INSIGHTS

Year-End Tax Planning Checklist

Schwab Center for Financial Research

Hayden Adams, CPA, CFP®
Director

Alex Haun, CFA®, CAIA
Senior Research Analyst

Key Takeaways

- Now is an ideal time to consider year-end tax planning strategies to potentially reduce your taxes and help you achieve your long-term financial goals.
- Review the checklist below and consider which strategies apply to your personal situation.
- Then, consider working with a financial and/or tax professional to ensure the strategies suit your overall financial plan. (**Note**: Not all strategies below will apply to your personal situation.)

General Tax Planning Strategies	
☐	**Consider adjusting your income tax withholding to avoid penalties.** If you think you might have underestimated tax payments or your income tax withholding, use the last few months of the year to increase your withholding. You might also consider withholding more income tax from a year-end bonus. • **Learn More:** Understanding Your Tax Withholding
☐	**Take your required minimum distribution (RMD),** if you are RMD age or if you have certain inherited IRAs. If you don't take a RMD, you could be subject to a 25% penalty on the portion not taken. • **Learn More:** Required Minimum Distributions: What to Know • **Learn More:** 2024 RMD Reference Guide
Tax-Efficient Saving Strategies	
☐	**Determine which tax-advantaged retirement accounts are best for you.** Numerous retirement accounts are available, including a 401(k), Roth 401(k), traditional IRA, Roth IRA, SEP, and SIMPLE plan. The first decision to make is whether a Roth or a traditional tax-deferred retirement account is better for you. A general rule of thumb is, if you're in a lower tax bracket, consider maxing out Roth accounts; if you're in a higher tax bracket, consider maxing out tax-deferred accounts. Or, for tax diversification, consider splitting contributions between both. • **Learn More:** Saving for Retirement: IRAs, 401(k)s, and More • **Learn More:** Roth vs Traditional IRA Calculator

☐	**Maximize contributions to tax-advantaged retirement accounts.** Each tax-advantaged account type has unique rules for contributions and income limits. In general, try to use the account type that allows you to make the largest possible contributions and, if your financial situation allows it, consider maxing out your contributions. • **Learn More:** 2024 Tax Reference Guide • **Learn More (IRS):** Retirement Topics – Limits on Contributions and Benefits
☐	**Consider "catch-up" contributions to a retirement account**. If you're 50 or older, you can boost your retirement savings even further by saving another $7,500 to your 401(k) or another $1,000 to your IRA in 2024. • **Learn More:** What to Know About Catch-Up Contributions
☐	**Max out health savings account (HSA) contributions, if available to you.** HSAs offer a triple tax advantage: no federal taxes on your contributions, no federal taxes on investment earnings, and no taxes on withdrawals — if the money is used for qualified medical expenses. After age 65, withdrawals can be used for any expense but may be subject to income tax. • **Learn More:** Potential Long-Term Benefits of Investing Your HSA
☐	**Consider converting a tax-deferred account to a Roth.** A Roth conversion will increase your current-year taxes. However, once in the Roth account, assets can grow tax-free, and qualified withdrawals will also be tax-free. Aim to pay taxes due on the conversion from money held outside your IRA account to maximize the conversion and potential future growth. • **Learn More:** Systematic Annual Roth Conversions
☐	**Consider funding a 529 education saving account**. A 529 plan works similar to a Roth account; contributions are made with after-tax dollars, but growth and withdrawals are tax free, so long as the withdrawals are used to pay for qualified education expenses. • **Learn More:** Saving for College: 529 College Savings Plans
Tax-Efficient Investing Strategies	
☐	**Tax-loss harvesting could help you lower your tax bill.** Even in the best of times, not every investment will be a winner. Fortunately, having a losing investment in your taxable brokerage account does have a silver lining; you may be able to use your loss to lower your capital gains tax liability and potentially offset up to $3,000 of your ordinary income. • **Learn More:** Tax-Loss Harvesting

☐	**Consider tax-gain harvesting to lock in a lower tax rate on the gains in your taxable account.** By strategically selling some of your winners, you could actually help reduce future taxes and create a more balanced portfolio — a strategy known as tax-gain harvesting. • **Learn More:** Save on Taxes with Tax-Gain Harvesting
☐	**Rebalance your portfolio in a tax-efficient manner.** By combining tax-loss harvesting and tax-gain harvesting, you can potentially rebalance your portfolio with minimal or no tax impact. • **Learn More:** Strategies to Reduce Tax Drag with Thoughtful Holding Period Management
☐	**Be aware of the wash sales rules.** A wash sale occurs when you sell a security at a loss and then purchase that same security or "substantially identical" securities within 30 days (before or after the sale date). If you end up being affected by the wash sale rule, your loss will be disallowed and added to the cost basis of the securities you repurchased. Remember, wash sales apply across all trades in taxable accounts and IRAs for the individual or couple, if married filing jointly. • **Learn More:** Watch Out for Wash Sales
Charitable Giving Tax Strategies	
☐	**Don't wait until the last minute to make your donations.** Donations need to be made by Dec. 31, but charitable organizations can be overwhelmed at year-end, so make your gift sooner rather than later to ensure they are included as deductions for this year. • **Learn More:** Charitable Donations: The Basics of Giving
☐	**Consider bunching your donations into a single year.** Some people may find that the total of their itemized deductions will be slightly below the level of the standard deduction. It could be beneficial for them to bunch or combine two years of charitable donations into one year; that way you itemize deductions this year and take the standard deduction next year. Donor-advised funds are one way to bunch contributions efficiently. • **Learn More:** Maximizing Tax Benefits by Concentrating or "Bunching" Charitable Contributions

☐	**Consider donating highly appreciated long-term assets.** By giving appreciated assets held for longer than one year and a day to a public charity, you can potentially take a deduction for the full fair market value of that asset and not have to take that gain into your taxable income. • **Learn More:** 3 Strategies for Highly Appreciated Stocks
☐	**A qualified charitable distribution (QCD) could reduce your taxes and help a charity.** If you're over age 70½, you can donate up to $105,000 in 2024 (indexed for inflation each year) directly from your IRA to a qualified charity, and it could potentially reduce or wipe out your required minimum distribution for the year. • **Learn More:** Save on Taxes with Qualified Charitable Distributions
Gift and Estate Tax Strategies	
☐	**If you have the means, consider making gifts of up to $18,000 to your loved ones.** Each year you can use the gift tax exclusion to give $18,000 to any number of people, tax free. These gifts don't eat into your overall gift and estate exemption of $13.61 million (for 2024), and you would be surprised how much wealth you can transfer tax-free using this strategy over several years. A financial plan that includes a gifting goal can help determine if a gifting strategy is feasible while accounting for other goals, including other spending in retirement. • **Learn More:** The Estate Tax and Lifetime Giving
☐	**Review your estate planning documents.** If your financial or personal situation has changed, now is a good time to make sure your estate documents, like wills or trusts, are up to date. Consider a consultation with an estate planning specialist for an estate update. • **Learn More:** Estate Planning Checklist
☐	**Review your retirement account beneficiary designations.** If you don't have beneficiaries listed for your retirement accounts, or if anything has changed in your personal situation and you want those assets to go to someone else, consider updating your beneficiaries. If your beneficiaries are not accurate, your assets could go to the wrong person, even if your will says otherwise. • **Learn More:** Are Your Beneficiaries Up to Date?
☐	**If you have the means, consider locking in the gift and estate tax exemption.** For those who have enough wealth, it could be a good idea to lock in the current ($13.61 million for an individual, or $27.22 million for a married couple, in 2024) federal gift and estate exemption (also the generation skipping transfer tax applies here) before Congress changes the rules or it sunsets in 2026. • **Learn More:** Preparing for the TCJA Sunset in 2026

Hayden Adams, CPA, CFP®

As Director of Tax and Wealth Management for the Schwab Center for Financial Research, Hayden provides analysis and insights on topics including income tax planning, tax-smart investing, asset allocation, and retirement withdrawal strategies for a range of Schwab clients and advisors.

Alex Haun, CFA®, CAIA

As Senior Research Analyst – Tax and Wealth Management for the Schwab Center for Financial Research, Alex provides quantitative research focused on tax-efficient investing for Schwab clients and advisors.

Important disclosures

The information and content provided herein is general in nature and is for informational purposes only. It is not intended, and should not be construed, as a specific recommendation, individualized tax, legal, or investment advice. Tax laws are subject to change, either prospectively or retroactively. Where specific advice is necessary or appropriate, individuals should contact their own professional tax and investment advisors or other professionals (CPA, Financial Planner, Investment Manager) to help answer questions about specific situations or needs prior to taking any action based upon this information.

Investing involves risk, including loss of principal.

All expressions of opinion are subject to change without notice in reaction to shifting market, economic or political conditions. Data contained herein from third party providers is obtained from what are considered reliable sources. However, its accuracy, completeness or reliability cannot be guaranteed.

A donor's ability to claim itemized deductions is subject to a variety of limitations depending on the donor's specific tax situation. Consult a tax advisor for more information.

Roth IRA conversions require a 5-year holding period before earnings can be withdrawn tax free and subsequent conversions will require their own 5-year holding period. In addition, earnings distributions prior to age 59 1/2 are subject to an early withdrawal penalty.

Investors should consider, before investing, whether the investor's or designated beneficiary's home state offers any state tax or other state benefits such as financial aid, scholarship funds, and protection from creditors that are only available in such state's qualified tuition program.

Diversification and asset allocation strategies do not ensure a profit and cannot protect against losses in a declining market.

Rebalancing does not protect against losses or guarantee that an investor's goal will be met. Rebalancing may cause investors to incur transaction costs and, when a non-retirement account is rebalanced, taxable events may be created that may affect your tax liability.

Examples provided are for illustrative purposes only and not intended to be reflective of results you can expect to achieve.

Notes: (A) tax-loss harvesting isn't useful in retirement accounts such as a 401(k) or IRA, because the losses generated in a tax-deferred account cannot be deducted. (B) There are restrictions on using specific types of losses to offset certain gains: A long-term loss would first be applied to a long-term gain; a short-term loss would be applied to a short-term gain. If there are excess losses in one category, these can then be applied to gains of either type. (C) When conducting these types of transactions, you should also be aware of the wash-sale rule, which states that if you sell a security at a loss and buy the same or a "substantially identical" security within 30 days before or after the sale, the loss is typically disallowed for current income tax purposes.

This material is approved for retail investor use only when viewed in its entirety. It must not be forwarded or made available in part.

The Schwab Center for Financial Research (SCFR) is a division of Charles Schwab & Co., Inc.

The Charles Schwab Corporation (Schwab), provides a full range of securities brokerage, banking, money management and financial advisory services through its operating subsidiaries. Its broker-dealer subsidiary, Charles Schwab & Co., Inc. (member SIPC), offers investment services and products. Its banking subsidiary, Charles Schwab Bank (member FDIC and an equal housing lender) provides deposit and lending services and products.

SCFR 0924-MY83

Investment and Insurance Products: Not a Deposit • Not FDIC Insured • Not Insured by any Federal Government Agency • No Bank Guarantee • May Lose Value

charles SCHWAB

Own your tomorrow.