

# **Embrace the Season...**

## **By Katherine Skillman Newton, CFP®, ChFC™**

We are in the season of tax planning and already have several client meetings on the calendar.

Remember that the most effective tax planning is done before the end of the tax year, not first quarter of the year you file your return!

Here are just some of the questions and topics we will be addressing in our tax planning client meetings:

### **1. How can we limit our exposure to the 3.8% Medicare surcharge tax?**

This tax applies to net investment income of singles with modified AGI over \$200,000 and couples over \$250,000. We have ideas about ways to limit exposure and will be discussing these with our clients.

### **2. How should we handle an inherited IRA?**

There is a deadline of September 30 of the year following the death of the IRA owner which involves charitable beneficiaries and which affects individual beneficiaries as well.

Regardless of whether there are charitable beneficiaries, there are special rules that apply to inherited IRAs which provide planning opportunities for our clients and which we will be discussing with them.

### **3. How can we use the 0% rate on long-term gains?**

If your taxable income bracket without long-term capital gains is 10 or 15%, profits from sales of assets (until the profits themselves may push you into a higher bracket) may be able to be taxed at the 0% rate.

Claiming more exemptions or making a deductible IRA contribution are examples of strategies that could possibly keep the income and tax bracket down to allow for this advantage.

### **4. How can we donate most effectively?**

Giving away appreciated assets as opposed to giving away cash is a super-charged way to make a donation. Don't waste a possible deduction by giving away assets which have declined in value.

Make sure that, with non-cash donations, you properly document values (remember that gifts over \$5000 must be appraised) and receive written acknowledgment from the organization stating that you are receiving nothing of value in return for the gift.

Tax planning and understanding constantly changing tax laws can be confusing, so it is important that you seek the assistance of a tax professional. We appreciate the opportunity to work with you and alongside your tax advisor during this planning season.

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**Katherine Newton, a 30-year veteran of the financial services industry and Certified Financial Planner™, crafts protectorates for her clients' wealth so they have confidence to pursue what's most important in their lives.**

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