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End-of-the-Year Money Moves

Here are some things you might consider before saying goodbye to 2019.

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What has changed for you in 2019? Did you start a new job or leave a job behind? Did you retire? Did you start a family? If notable changes occurred in your personal or professional life, then you will want to review your finances before this year ends and 2020 begins.

Even if your 2019 has been relatively uneventful, the end of the year is still a good time to get cracking and see where you can manage your tax bill and/or build a little more wealth.

Keep in mind this article is for informational purposes only and is not a replacement for real-life advice. Please consult your tax, legal and accounting professionals before modifying your tax strategy.

Do you practice tax-loss harvesting? That is the art of taking capital losses (selling securities worth less than what you first paid for them) to offset your short-term capital gains. You might want to consider this move, which may lower your taxable income. It should be made with the guidance of a financial professional you trust.[1]

In fact, you could even take it a step further. Consider that up to $3,000 of capital losses in excess of capital gains can be deducted from ordinary income, and any remaining capital losses above that can be carried forward to offset capital gains in upcoming years. When you live in a high-tax state, this is one way to defer tax.[1]

Do you want to itemize deductions? You may just want to take the standard deduction for 2019, which has ballooned to $12,200 for single filers and $24,400 for joint filers because of the Tax Cuts & Jobs Act. If you do think it might be better for you to itemize, now would be a good time to get the receipts and assorted paperwork together. While many miscellaneous deductions have disappeared, some key deductions are still around: the state and local tax (SALT) deduction, now capped at $10,000; the mortgage interest deduction; the deduction for charitable contributions, which now has a higher limit of 60% of adjusted gross income; and the medical expense deduction.[2,3]

Could you ramp up 401(k) or 403(b) contributions? Contribution to these retirement plans may lower your yearly gross income. If you lower your gross income enough, you might be able to qualify for other tax credits or breaks available to those under certain income limits. Note that contributions to Roth 401(k)s and Roth 403(b)s are made with after-tax rather than pre-tax dollars, so contributions to those accounts are not deductible and will not lower your taxable income for the year.[4,5]

Are you thinking of gifting? How about donating to a qualified charity or non-profit organization before 2019 ends? Your gift may qualify as a tax deduction. You must itemize deductions using Schedule A to claim a deduction for a charitable gift.[4,5]

While we're on the topic of estate strategy, why not take a moment to review your beneficiary designations? If you haven't reviewed them for a decade or more (which is all too common), double-check to see that these assets will go where you want them to go, should you pass away. Lastly, look at your will to see that it remains valid and up-to-date.

Can you take advantage of the American Opportunity Tax Credit? The AOTC allows individuals whose modified adjusted gross income is $80,000 or less (and joint filers with MAGI of $160,000 or less) a chance to claim a credit of up to $2,500 for qualified college expenses. Phase-outs kick in above those MAGI levels.[6]

See that you have withheld the right amount. If you discover that you have withheld too little on your W-4 form so far, you may need to adjust your withholding before the year ends.

What can you do before ringing in the New Year? Talk with a financial or tax professional now rather than in February or March. Little year-end moves might help you improve your short-term and long-term financial situation.

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