

Don't let calendar run out on steps to save on taxes



A few small steps may save big on taxes this year.

Review your charitable donations. Are you where you want to be? For cash contributions, save the acknowledgment letters from the charities. For non-cash contributions, consider this to be an opportunity to declutter. We have 1,600 charities in Brevard County, please donate and help those who are less fortunate.

Take your required minimum distribution (RMD) from your retirement account. The penalty for not taking it is 50% of the RMD amount. Transfer funds directly to a charity and the amount of your Social Security that is taxed may not be affected. We're still waiting on Washington to extend the qualified charitable distributions rule that allows you to send your RMD to a charity directly and avoid including the withdrawal on your tax return. And if it's not extended, you may be able to deduct the donations on your schedule A.

Can't decide which charities to contribute to right now? Consider a donor-advised fund or the Community Foundation of Brevard where you can transfer money and take a full deduction this year.

Are you planning to do a Roth conversion? This has to be done before New Year's Eve. Try to pay the tax withholding from your after-tax funds. And don't incur an underpayment of tax penalty.

Did you already do a Roth conversion this year? Has the investment that you converted lost value? If so, consider a "Recharacterization" of that Roth conversion. This will reverse the transaction and put the investment back into your IRA.

If you have losses in your taxable account, swap around your funds or stocks and you can deduct \$3,000 of ordinary income and offset other gains.

Don't waste the 10% and 15% marginal tax brackets, long term capital gains are zero at these marginal rates. If you are holding a concentrated stock position, this is your opportunity to diversify that position without paying tax.

What about gifts to family members? The gift rules allow you to gift \$14,000 to any person each year. There is no limit to the number of people you can gift to and they don't have to report it. Amounts above that will require you to file a gift tax return. If you're giving gifts in the form of 529 College Savings Plan contributions, you can contribute up to five years' of gifts all at once and avoid the gift tax return.

Have you seen the Florida Prepaid College Plan lately? The price is

less making it much more attractive. You have until the end of February to sign up and April to make a payment.

Review your paystub. You can defer \$18,000 to your 401(k). And if you're 50 or older, add another \$6,000 for catch-up. Consider adjusting your withholding. After all, you're probably going to save about \$0.25 in federal income tax for every dollar that you defer to that 401(k). And don't overlook the free money that your employer matches. Try to save a minimum of 15% of your gross salary. More is better!

When you claim social security or do a Roth conversion these actions will increase your 2015 income for Medicare costs and affect your health insurance subsidies.

Your flex spending account has a "use it or lose it" tag. Eye exams and dental cleanings usually qualify for flex spending. Remember to fund your Health Savings Account (HSA) if you have a high deductible health insurance plan.

Don't procrastinate, get these done by year end and use the tax savings for your retirement.

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