FLORIDA TODAY **TUESDAY, OCTOBER 21, 2014**

Tax Planning Tips for End of 2014

Q: The end of the year is rapidly approaching, what smart tax-planning things can I do now?

A: Pull out last year's tax return and mock it up for this year. Estimate the current year's wages. Were maximum allowable contributions made to retirement plans? It's $17,500 for 401ks and the over-50 crowd can add another $5,500 to catch up. Do the math – contributions save ordinary income tax.

Self-employed have opportunities with SEP and Solo 401k plans. Explore them to see if you can afford to postpone income for retirement.

Do you qualify for a deductible IRA? This depends on your filing status, earned income and access to a company plan. You can make contributions up to the due date of your tax return (no extensions).

Consider a Roth conversion by reviewing your current tax rate and estimating your future tax rate. A Roth conversion for 2014 must be completed during the calendar year.

Look at your most recent investment statements. Dividends may be 'qualified' and taxed at a lower tax rate or 'ordinary' and taxed as regular income. Use your 2013 numbers unless you made a major shift in your investments. If you earned interest be sure to include it.

If you sold investments this year, then you realized either capital gains or losses. You can deduct $3,000 a year in losses from ordinary income after netting capital gains and losses. Long term capital gains are taxed at a lower tax rate. It's the short term gains that are taxed as ordinary income.

Double check your required minimum distributions (RMD) from your Beneficial IRAs, employer sponsored retirement plans and any IRA's. These distributions are taxed as ordinary income. Don't overlook this responsibility; the penalty is 50% of the required withdrawals not taken.

When charity begins at home and gifting is an option, consider gifting appreciated securities. Often the offspring is in a lower tax bracket and will pay less tax.

The qualified charitable deduction (QCD) for RMD's hasn't been renewed for 2014 – yet. Many of us expect this will happen in late November. If possible, postpone your RMD if donating to a charity is your goal. Don't miss the 12/31 deadline.

If your itemized deductions don't exceed the standard deduction, then use the standard deduction this year and consider bunching itemized deductions every other year. For example, you could pay two years of real estate taxes in one year.

Check your withholding and estimated tax payments to assure the amount is sufficient to avoid a penalty for under payment. If you have withheld too much and you have credit card debt, please don't give the government an interest-free loan while you pay a credit card company 10% per year.

A major goal of financial planning is tax-bracket management. If you can defer income, get a retirement plan or IRA deduction, or maximize deductible expenses, you may be able to stay in a lower marginal tax bracket. For example, the biggest jump goes from the 15% rate to the 25% rate. Save 10% tax on your last dollars earned by smart planning now. Talk to your tax professional while you can still make a difference. Next year is too late.

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