

Giving it up: Year-end financial strategies



Q: I want to get organized and share some of the profits from my investments this year, where should I start?

A: Today is Giving Tuesday and charities need extra help during the holidays.

Transfer appreciated investments directly to 501(c)3 charities if you have appreciated stocks or funds. The full amount of the contribution is deductible without capital gains tax. Contact the charities directly to do this.

When funds are transferred directly to a charity from an IRA, it's possible that less Social Security income will be taxed. Don't forget to take at least your required minimum distributions (RMDs) from your retirement accounts or the penalty is 50%. Review each retirement account independently.

Both proposed tax bills double the standard deduction reducing the number of taxpayers who will itemize. Consider irrevocably contributing to a donor-advised fund through Fidelity or Schwab. Donations don't have to be granted to specific public charities immediately and the full deduction is taken the year of the contribution.

If you want to share with less fortunate family members, consider transferring appreciated stock or funds directly to them if they are in a lower tax bracket. Cost basis follows the gift.

Currently gifting rules permit \$14,000 per year per person as gifts. There is no limit to the number of people you can gift to and the recipients don't have to report it. Amounts above the \$14,000 limit require that the donor file a gift tax return.

If this year is a low income year, consider converting an IRA to a Roth IRA. Roths are tax free forever (if you follow the rules) and don't require minimum distributions.

Long term capital gains may be zero if you're in the 10% or 15% marginal tax brackets. This provides an opportunity to take gains and diversify a concentrated stock position.

If any of your investments have lost value (like Snap, GE or Blue Apron) in your taxable account this year, sell the losers and deduct up to \$3,000 from ordinary income or use the losses as an offset for other gains.

Special rules permit a single \$70,000 lump sum contribution to a 529 College Savings Plan. Make the special election and avoid the federal gift tax.

Maximize retirement savings plan contributions before year end. The under 50 allowable contribution for 401(k) type plans is \$18,000 and the over 50 year olds can add another \$6,000 as a catch-up.

Check the beneficiary designations on all retirement accounts, annuities and life insurance. If you have old contracts or orphaned 401(k) accounts out there, be sure that you still like the person or charity that you named.

Dust off estate planning documents to check your decision makers if the unexpected happens.

Review liability coverage based on current net worth. Get that umbrella liability policy when at-risk assets are approaching a million dollars.

New Brevard County residents are required to apply for homestead exemption before March 1st and must have purchased and lived in the home prior to New Year's Day. Current homestead exemptions are renewed automatically, but title or status changes need to have new applications filed.

Flexible spending accounts are "use it or lose it" for certain health care costs. Check your eyes and clean your teeth, but don't forfeit your savings. Get started today and enjoy a more peaceful and prosperous holiday season!

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