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KUMMER FINANCIAL STRATEGIES, INC.

Helping You Create Financial Independence

YEAR END TAX PLANNING REDUCES TAXES

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Finance by Patricia Kummer CFP®

There are only a few days left to impact your tax planning for 2017 before the new tax laws take effect next year.

With the new GOP Tax Plan now signed into law, there are many concerns about the changes and how they will affect you. The differences in what you will be able to deduct or itemize have changed substantially. Therefore, this could make 2017 your most flexible tax year with little time to take advantage of a few year-end strategies. Meet with your tax advisor as early as possible to prepare for these changes.

Consider funding an IRA account. Most employees who have a 401k plan have forgotten they might also be eligible for an IRA as well. If you are Married Filing Jointly and only one spouse has a 401k plan, the other spouse may be eligible for a $5,500 deduction or $6,500 if over the age of 50. Check the IRS limits for Adjusted Gross Incomes that range from $186,000 to $196,000. Those with two qualified employer plans with incomes under $99,000 can both write off the full contribution. This may be enough to reduce other factors, such as eligibility for the education tax credits, another item not expected to be available after tax reform takes place.

Self-employed individuals may be eligible for a SEP (Simplified Employee Pension). These limits can be substantially higher than an IRA based on business or consulting income. Most plans allow for deductible contributions similar to 401k limits - which for 2017 are $18,000 with an over age 50 catch up provision of another $6,000. For higher income earners, you may also be eligible for a profit sharing contribution up to 25 percent of your business profit up to $59,000, depending on your business structure. Contribution limits increase in 2018 by $500 on 401k and similar plans.

It is crucial to get with your tax or financial advisor immediately to see what plans and limits you are eligible for.

Consider maximizing your Health Savings Accounts for the year if they have not already been funded. You may be eligible if you had a high deductible health insurance plan starting no later than December 1st. An individual can contribute a tax-deductible amount of $3,400 with a $1,000 catch up provision for anyone over age 55 by December 31. Households with one spouse on family coverage can contribute $6,750 plus the catch up for over age 55.

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The penalty for not having health insurance this year is $695 per person or two-a-half percent of adjusted gross income. You can apply during open enrollment this month to avoid this penalty in 2018 as well.

You can fund college savings plans that are eligible for the state income tax deduction for children or grandchildren through www.collegeinvest.org. This will save you the 4.63% Colorado income tax on your contribution.

If you pay quarterly estimated tax payments, consider paying your fourth quarter state taxes before year end. Then you will be able to deduct it on your Schedule A next April. This is a benefit that is slated to be eliminated next year.

To help reduce unwanted taxable investment income, meet with your financial advisor for tax loss harvesting and to structure your investments to be tax-efficient. Next year, there may be a restricted calculation on figuring your investment losses. This is important to review as the goal is to keep more of your hard-earned dollars working for you. Plan to take advantage of every deduction you are eligible for and make estimated tax payments on time. Then you won't have to pay any more than necessary.

Patricia Kummer has been an independent Certified Financial Planner for 31 years and is President of Kummer Financial Strategies, Inc., a Registered Investment Advisor in Highlands Ranch. Kummer Financial Strategies, Inc. is a 7 year 5280 Top Advisor. Please visit www.kummerfinancial.com for more information. Any material discussed is meant for informational purposes only and not a substitute for individual advice.

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