

Golden Bullets

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THE END OF 2020 IS NEAR: THINGS TO CONSIDER NOW

We do our best to meet with clients regularly. While we enjoy their company, there is usually a professional agenda behind getting together. Often things have changed, either for the client or in the outside landscape, and it is time to make adjustments to the existing plan.

Now that we are near the end of 2020—thank goodness, from our perspective—we are planning to touch base to discuss year-end ideas. A few of these strategies are unique to year-end 2020 and have a short expiration date.

When we get together, here are some of the things we may discuss:

- **Low-bracket Roth conversion.** Some people, especially those who are retired, may have low taxable income but relatively high traditional IRA or qualified plan balances. Those folks are candidates to consider converting some of their pre-tax qualified money to produce tax-free Roth IRA income later.
- **Low-bracket capital gains harvesting.** The capital gains tax rate is determined by adding together all taxable income (including capital gains income). Low-income taxpayers are either in the 0 or 15 percent capital gains bracket. Some in that category may be able to sell appreciated stock without paying any out-of-pocket capital gains.
- **C corporation tax management.** Many of my business-owning clients have created pass-through entities—S corporations, proprietorships or partnership—through which they conduct profitable operations. Those entrepreneurs may be able to save current income taxes by adding a C corporation to their mix of companies.
- **Charitable gift planning.** Did you know that you can make a charitable cash gift of up to 100 percent of your income in 2020 and generate an itemized income tax deduction equal to your gift?

Also, if you are older than 70 ½, did you know you can send up to \$100,000 of your IRA money directly to charity without paying taxes on the money?

- **Lifetime gift tax exemption management.** The combined federal estate and gift tax exemption amount--\$11.58 million per person in 2020--has never been higher in recent memory (except for calendar year 2010). Many expect that the 2021 Congress will pass legislation reducing the exemption amount. If that turns out to be true, our high net worth clients—those who are projected to pay federal estate taxes at death—may be in a position to use the high exemption amount now, or risk losing it later.
- **COVID-related distributions.** The CARES Act, passed earlier this year, has created a special category of COVID-related distributions (CRDs). Taxpayers or their spouses who have had the disease or have had someone in their household affected economically by the disease may be eligible for a CRD. A CRD must be taken by the end of 2020. The amount of the qualifying distribution can be up to \$100,000 and the funds do not have to be used to pay COVID expenses. There are special tax incentives associated with COVID-related distributions that encourage those eligible to take a distribution.

Do one or more of these year-end strategies interest you? Would you like to get more information? We would be glad to answer your questions.

AS ALWAYS, PLEASE FEEL FREE TO CALL TO DISCUSS THESE OR OTHER FINANCIAL SECURITY ISSUES OF CONCERN.

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