## **TAX TIPS…2020 is on the road out and**

## **2021 is approaching** See the source image

## **At the end of each year, Westside Investment Management (WIM), provides “Tax Tips” for our clients. This includes helpful suggestions to explore with your tax advisor and/or legal counsel, to assist finishing out the year along with ideas to assist our clients in the upcoming year. Not all the items in our “Tax Tips,” apply to all our clients; however, we would be honored if you choose to share this publication with others.**

## **2020 has been a very challenging year in so many ways, and many are ready to move into 2021. If one word could be used to describe year 2020, many have said it would be** “**unprecedented.” We hope that the following can assist you into beginning a much needed “positive” outlook into the New Year.**

**Coronavirus Aid, Relief, and Economic Security (CARES) Act:**

Congress’ [coronavirus](https://taxfoundation.org/coronavirus-tax-tracker-covid19/) relief package, the Coronavirus Aid, Relief, and Economic Security[(CARES) Act](https://taxfoundation.org/cares-act-senate-coronavirus-bill-economic-relief-plan/), is the largest economic relief bill in U.S. history and will allocate $2.2 trillion in support to individuals and [businesses](https://taxfoundation.org/sba-paycheck-protection-program-cares-act/) affected by the pandemic and economic downturn. Some highlights from the ACT:

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## **Individuals Borrowing From Retirement Plans**

The plan, including recent guidance from the IRS, allows individuals to take special disbursements and loans from tax-advantaged retirement funds of up to $100,000 without facing a tax penalty. It waives the required minimum distribution (RMD) rules for 401(k) plans and individual retirement accounts (IRAs) and the 10% penalty (but not tax free) on early withdrawals up to $100,000 from 401(k)s. Account holders would be able to repay the distributions over the next three years and claim a refund for the taxes you’ve paid.

**Tax Cuts Job Act (TCJA)**:

Although most TCJA provisions went into effect several years ago, the 2017 law is still having significant impact on planning for income and deductions, but the CARES Act has enhanced a few deductions:

* **State and Local Tax Deduction**

Under the TCJA, through 2025, your entire itemized deduction for state and local taxes, including property tax and the greater of income or sales tax, is limited to $10k ($k if you’re married filing separately). Deducting sales tax instead of income tax may be beneficial if you reside in a state with no, or low, income tax you purchased a major item, such as a car or boat. You will need receipts or other substantiating documentation to support your deduction.

* **Home Related Breaks**
	+ Mortgage Interest Deduction

You generally can claim an itemized deduction for interest on mortgage debt incurred to purchase, build or improve your man residence and a second residence. Points paid related to your main residence, also may be deductible. Through 2025, the TCJA reducing the mortgage debt limited from $1 million to $750k for debt incurred after Dec. 15, 2017 ($500k and $375k, respectively, for separate files, with some limited exceptions.

* + Home Equity Debt Interest Deduction

Through 2025, the TCJA effectively limits the home equity interest deduction to debt that would qualify for the home mortgage interest deduction. (Under pre-TCJA law, interest was deductible on up to $100k of home equity debt used for any purpose, such as to pay off credit card debt or to buy a car).

* + Expenses Related To Working At Home

If you’re an employee and work from home, under the TCJA, expenses related to working at home aren’t deductible through 2025, even if your employer has required you to work from

home during the pandemic. Why? For employees, this is a misc. itemized deduction subject to the 2% of AGI floor, and the TCJA suspended such deductions. (If you’re self-employed, you may still be able to deduct expenses related to working at home)

* + **Rental Income Exclusion**

If you rent out all or a portion of your principal residence or second home for less than 15 days, you don’t have to report the income. But expenses directly associated with the rental, such as advertising and cleaning, won’t be deductible.

* + **Home Sale Gain Exclusion**

When you sell your principal residence, you can exclude up to $250k of gain ($500k for married couples filing jointly) if you meet certain tests. But: Gain that’s allocable to a period of “nonqualified” use generally isn’t excludable.

* + **Loss Deduction**

If you sell your home at a loss and part of your home is rented out or used exclusively for your business, the loss attributable to that portion may be deductible.

* + **Moving Expense Deduction**

Under the TCJA, through 2025, work related moving expenses are deductible only by active-duty members of the Armed Forces (and their spouses and dependents) who move because of a military order that calls for a permanent change of station. (If you’re eligible, you don’t have to itemize to claim this deduction)

* **Tax-Advantaged Saving For Health Care**
	+ If medical expenses not paid via tax-advantaged accounts or reimbursable by insurance exceed a certain % of your AGI, you can claim an itemized deduction for the amount exceeding that “floor” The TCJA had reduced the floor from 10% to 7.5% for 2017 and 2018, and late last year this floor was extended to 2019 and 2020.
	+ Eligible expenses may include health insurance premiums, long-term care insurance premiums, medical and dental services and prescription drugs. Mileage driven for healthcare purposes also can be deducted at 17 cents per mile in 2020.
	+ You may be able to save taxes without having to worry about the medical expense deduction floor by contributing to one of these accounts:
		- **HSA:** If you are covered by a qualified high deductible health plan, you can contribute pretax income to an employer sponsored HAS, or make deductible contributions to an HAS you set up yourself, up to $3550 for self and $7100 for family coverage (plus $1k if your age 55 or older) for 2020.
		- **FSA:** You can redirect pretax income to an employer sponsored Flexible Spending Account up to an employer determined limit, not to exceed $2750 in 2020. The plan pays or reimburses you for qualified medical expenses. What you don’t use by the plan year’s end, you generally lose, through your plan might allow you to rollover up to $550 to 2021. Some may give you the option of a 2 ½ month grace period to incur expenses to use up the previous year’s contribution.
* **Child, Dependent and Adoption Credits**
	+ Each child under age 17 at the end of 2020, you may be able to claim a $2k credit. The credit still phases out for higher-oncome taxpayers, but the income ranges are much higher than before the TCJA.
	+ For each qualifying dependent other than a qualifying child (such as a dependent child age 17 or older or a dependent elderly parent), a $500 family credit is now available, but subject to the income based phase out.
	+ If you adopt in 2020, you may qualify for the adoption credit, or for an employer adoption assistance program income exclusion. Both are $14,300 for 2020, but the credit is also subject to an income based phase out.
	+ If you qualify for an Economic Impact Payment for a child under the CARES Act but didn’t receive it, you can claim a credit for it on your 2020 income tax return.
* **Dependent Care Breaks:**
	+ “Kiddie Tax:” The “kiddie tax” generally applies to unearned income beyond $2,200 for (2020) of children under age 19 and of full time students under age 24 (unless the students provide more than half of their own support from earned income). The TCJA has made the kiddie tax harsher, taxing income subject to the tax according to the tax brackets used for trusts and estates. Before 2018, such income was generally taxed at the parents’ tax rate. In many cases, the TCJA would have caused children’s unearned income to be taxed at higher rates than their parents’ income, because higher rates kick in at much lower income levels for trusts and estates. Tax legislation signed into law at the end of 2019 returned the kiddie tax to pre-TCJA law, retroactive to 2018. If your family paid the kiddie tax for 2018 under the TCJA rules, you might be eligible for a refund for a portion of that tax.
* **Achieving a Better Life Experience ABLE Accounts**
	+ Achieving a Better Life Experience accounts offer a tax advantaged way to fund qualified disability expenses for a beneficiary who became blind or disabled before age 26. For federal purposes, tax treatment is similar to that of Sec. 529 college savings plan
		- Under the TCJA, through 2025, 529 plan funds can be rolled over to an ABLE account without penalty if the ABLE account is owned by the beneficiary of the 529 plan or a member of the beneficiary’s family. Such rolled over amounts count toward the ABLE account annual rollover and contribution limit ($15k for 2020)
* **Capital Gains Tax and Timing**
	+ Capital gains tax and timing. Although time, not timing, is generally the key to long-term investment success, timing can have a dramatic impact on the tax consequences of investment activities. Your marginal long-term capital gains rate can be as much as 20 percentage points lower than your ordinary-income tax rate, even with the reductions to most ordinary-income rates under the TCJA. Generally, the long-term gains rate applies to investments held for more than 12 months and remains at 15% for middle-bracket taxpayers. A 20% rate still applies to higher-income taxpayers. Because of TCJA-related changes to the brackets, through 2025, the 20% rate kicks in before the top ordinary-income rate does. (See Chart 3 below.) Higher rates also still apply to certain types of assets, (See Chart 3.) but taxpayers in the bottom two brackets generally continue to enjoy a 0% long-term capital gains rate. Holding on to an investment until you’ve owned it more than one year may help substantially cut tax on any gain. Although time, not timing, is generally the key to long-term investment success, timing can have a dramatic impact on the tax consequences of investment activities. Your marginal long-term capital gains rate can be as much as 20 percentage points lower than your ordinary-income tax rate. 
* **3.8% NIIT**

Taxpayers with modified adjusted gross income (MAGI) over $200,000 ($250,000 if married filing jointly and $125,000 if married filing separately) may owe the net investment income tax, in addition to other taxes already discussed here. The NIIT equals 3.8% of the lesser of your net investment income or the amount by which you’re MAGI exceeds the applicable threshold. Net investment income can include capital gains, dividends, interest, passive business income, rental income and other investment-related income (but not business or self-rental income from an active trade or business).

* **Business Structure**
	+ Income taxation and owner liability are the main factors that differentiate one business structure from another. Many businesses choose entities that combine pass-through taxation with limited liability, namely limited liability companies (LLCs) and S corporations. The TCJA significantly changed the tax consequences of business structure.



The now-flat corporate rate (21%) is significantly lower than the top individual rate (37%), providing significant tax benefits to C corporations and helping to mitigate the impact of double taxation for their owners. But, the TCJA also introduced a powerful deduction for owners of pass-through entities. (See below.)

For tax or other reasons, a structure change may be beneficial in certain situations. But there also may be unwelcome tax consequences that effectively prevent such a change.

* **Section 199A Deduction For Pass-Through Businesses**
	+ Through 2025, the TCJA provides the Sec. 199A deduction for sole proprietorships and owners of pass-through entities. The deduction generally equals 20% of qualified business income (QBI), subject to limits that can begin to apply if 2020 taxable income exceeds the applicable threshold — $163,300 or, if married filing jointly, $326,600. The limits fully apply for the 2020 taxable year when taxable income exceeds $213,300 and $426,600, respectively. The total QBI deduction cannot exceed 20% of the amount by which taxable income exceeds net capital gain for the year
	+ **Projecting Income**
		- Projecting your business’s income for this year and next can allow you to time income and deductions to your advantage. It’s generally — but not always — better to defer tax, so consider:
			* **Deferring income to next year**.
				+ If your business uses the cash method of accounting, you can defer billing for products or services at year end. If you use the accrual method, you can delay shipping products or delivering services.
			* **Accelerating deductible expenses into the current year**.
				+ If you’re a cash-basis taxpayer, you may pay business expenses by Dec. 31, so you can deduct them this year rather than next. Both cash- and accrual-basis taxpayers can charge expenses on a credit card and deduct them in the year charged, regardless of when the credit card bill is paid.
		- **Additionally**, the TCJA expanded the use of the cash method of accounting for taxpayers with average gross receipts of $25 million or less. Use of the cash method may be more favorable over the accrual method. Contact your tax advisor for more details. Note: Don’t let tax considerations get in the way of sound business decisions. For example, the negative impact of these strategies on your cash flow or customers may not be worth the potential tax benefit.
	+ **Depreciation**
		- For assets with a useful life of more than one year, you generally must depreciate the cost over a period of years. In most cases, the modified accelerated cost recovery system (MACRS) will be preferable to other methods because you’ll get larger deductions in the early years of an asset’s life.
		- If you make more than 40% of the year’s asset purchases in the last quarter, you could be subject to the typically less favorable mid-quarter convention. Careful planning can help you maximize depreciation deductions in the year of purchase.
		- Bonus depreciation. This additional first-year depreciation is available for qualified assets, which include new tangible property with a recovery period of 20 years or less (such as office furniture and equipment), off-the-shelf computer software, and water utility property.
		- Under the TCJA, through Dec. 31, 2026, the definition has been expanded to include used property and qualified film, television and live theatrical productions. For qualified assets placed in service through Dec. 31, 2022, bonus depreciation is 100%. For 2023 through 2026, bonus depreciation is scheduled to be gradually reduced. For certain property with longer production periods, these reductions are delayed by one year.
		- In addition, qualified improvement property is now eligible for bonus depreciation. (See “What’s new!” above.)
	+ **Vehicle-Related Depreciation**
		- Purchases of new or used vehicles may be eligible for Sec. 179 expensing, and buying a large truck or SUV can maximize the deduction. The normal Sec. 179 expensing limit (see the previous section) generally applies to vehicles with a gross vehicle weight rating of more than 14,000 pounds. A $25,900 limit applies to vehicles (typically SUVs) rated at more than 6,000 pounds, but no more than 14,000 pounds.
		- Even if you prefer to buy a smaller vehicle, you can still potentially enjoy a valuable first-year deduction. Vehicles rated at 6,000 pounds or less are subject to the passenger vehicle limits; contact your tax advisor for details.
	+ **Employee Benefits**
		- ****Offering a variety of benefits not only can help you attract and retain the best employees, but also may save tax because you generally can deduct your contributions:
			* **Qualified deferred compensation plans**. These include pension, profit sharing, SEP and 401(k) plans, as well as SIMPLEs. You take a tax deduction for your contributions to employees’ accounts. Certain small employers may also be eligible for a tax credit when setting up a retirement plan. The SECURE Act increased the potential credit from $500 (annually for three years) to as high as $5,000 (annually for three years) in certain situations and also added a potential $500 credit for eligible employers that use automatic enrollment provisions in their 401(k) plans or SIMPLE IRAs.
	+ **Retirement**
		- While retirement planning was only minimally affected by the TCJA, other tax law changes going into effect this year plus the impact of the COVID-19 crisis mean you should revisit it in your tax planning. Tax-advantaged retirement plans can help you build and preserve your nest egg — but only if you stay steadfast to the extent possible.
			* **401(k)s and other employer plans**
				+ Contributing to a traditional employer sponsored defined contribution plan is usually a good first step:

Contributions are typically pretax, reducing your taxable income.

Plan assets can grow tax-deferred — meaning you pay no income tax until you take distributions.

Your employer may match some or all of your contributions.

Chart to the left shows the 2020 employee contribution limits. Because of tax deferred compounding, increasing your contributions sooner rather than later can have a significant impact on the size of your nest egg at retirement. Employees age 50 or older can also make “catch-up” contributions. If your employer offers a match, at minimum contribute the amount necessary to get the maximum match so you don’t miss out on that “free” money

**After-Tax 401(k) Contributions**

* + - * + Some employers may allow you to make after-tax 401(k) contributions. These are not tax deductible like your regular 401(k) contributions, but you can make after-tax deferrals beyond the annual 401(k) contribution limit; plus, the earnings from these extra contributions grow tax-free. The strategy also opens the door for rollover opportunities that will provide you with even more tax breaks. However, making after-tax 401(k) contributions may not be the best decision for everyone. We can help you, along with your tax advisor.

## **How Do After-Tax 401(k) Contributions Work?**

* + - * + After-tax [401(k)](https://smartasset.com/retirement/401k-calculator) contributions do not earn you a tax deduction. These contributions are taken from your paycheck after it has been taxed. However, investment earnings on these contributions grow tax-free.
				+ Unfortunately, not many employers allow you to make after-tax 401(k) contributions. But if yours does, you have some perks to look forward to.

## **Benefits of After-Tax 401(k) Contributions**

* + - * + For starters, you get to breach the annual 401(k) contribution limits by making after-tax deferrals. In 2020, employees can make up to $19,500, so those ages 50 and older will have a limit of $26,000.
				+ Keep in mind, however, that these limits apply to pre-tax employee contributions. The 2020 total contribution limit from all sources rises to $57,000 or if over age 50, $63,500. The IRS made this rule because some companies provide contribution matches toward their employees’ 401(k) plans. Some also allow workers to make after-tax contributions.
				+ After-tax 401(k) contributions really come in handy after you breach your employee deferral limit for the year. Consider the following scenario.

First, you breach your pre-tax 401(k) contributions to get the biggest tax deduction you can get.

Next, you aim to reach the $57,000 limit with your after-tax contributions, or $63,500 if over age 50. While you won’t get a tax deduction for these particular contributions, the earnings on these will still grow tax-free as long as your money is in the account.

* + - * + Your WIM Advisor can assist you in building a 401(k) portfolio to assist in these returns.
				+ Furthermore, after-tax contributions can be key components to another retirement planning strategy.

**Roth**

* + A potential downside of tax-deferred saving is that you’ll have to pay taxes when you make withdrawals at retirement. Roth plans, however, allow tax-free distributions; the tradeoff is that your contributions don’t reduce your current-year taxable income:
		- **Roth IRAs**. An income-based phase-out may reduce or eliminate your ability to contribute. But estate planning advantages are an added benefit: Unlike other retirement plans, Roth IRAs don’t require you to take distributions during your lifetime, so you can let the entire balance grow tax-free for the benefit of your heirs. Roth conversions. If you have a traditional IRA, a partial or full conversion to a Roth IRA can allow you to turn tax-deferred future growth into tax-free growth and take advantage of a Roth IRA’s estate planning benefits. The converted amount is taxable in the year of the conversion. Discuss with your tax advisor whether a conversion makes sense for you.
		- **“Back door” Roth IRAs**. If your income is too high to make Roth IRA contributions and you don’t have a traditional IRA, consider setting up a traditional account and making a nondeductible contribution to it. You can then immediately convert the contributed amount to a Roth account with minimal tax impact.
		- **Roth 401(k), Roth 403(b), and Roth 457 plans**. Employers may offer one of these in addition to the traditional, tax-deferred version. No income-based phase-out applies, so even high-income taxpayers can contribute.
* **Estate Planning**

Estate planning is about much more than reducing taxes; it’s about ensuring your loved ones are provided for after you’re gone and that your assets are passed on according to your wishes. And because the TCJA has put estate, gift and generation-skipping transfer (GST) tax exemptions at record-high levels, far fewer taxpayers are worrying about these taxes. But the high exemptions currently are available only through 2025. And it’s possible the limits could be reduced sooner; therefore, whether or not you’d be subject to estate taxes under the current exemptions, it’s a good idea to consider whether there are steps you can take now to save taxes later.

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* Estate tax
	+ While the TCJA keeps the estate tax rate at 40%, it has doubled the exemption base amount from $5 million to $10 million. The inflation-adjusted amount for 2020 is $11.58 million. (See Chart 6.) Without further legislation, the estate tax exemption will return to an inflation-adjusted $5 million in 2026. So taxpayers with estates in the roughly $6 million to $11 million range (twice that for married couples), whose estates would escape estate taxes if they were to die while the doubled exemption is in effect, still need to keep potential post-2025 estate tax liability in mind in their estate planning.
	+ Gift tax
		- * + The gift tax continues to follow the estate tax, so the gift tax exemption also has increased under the TCJA. (See Chart 6.) Any gift tax exemption used during your lifetime reduces the estate tax exemption available at death. Using up some of your exemption during your lifetime can be tax-smart if you can gift an asset today that is likely to have a higher value at your death. (See Case Study 2.) You also can exclude certain gifts of up to $15,000 per recipient in 2020 ($30,000 per recipient if your spouse elects to split the gift with you or you’re giving joint or community property) without depleting any of your gift and estate tax exemption. Warning: Each year you need to use your annual exclusion by Dec. 31. The exclusion doesn’t carry over from year to year. For example, if you don’t make an annual exclusion gift to your granddaughter this year, you can’t add $15,000 to your 2021 exclusion to make a $30,000 tax-free gift to her next year.
				+ **GST Tax:** The generation-skipping transfer (GST) tax generally applies to transfers (both during your lifetime and at death) made to people more than one generation below you, such as your grandchildren. This is in addition to any gift or estate tax due. The GST tax continues to follow the estate tax, so the GST tax exemption also has increased under the TCJA. (See Chart 6.) The GST tax exemption can be a valuable tax-saving tool for taxpayers with large estates whose children also have — or may eventually have — large estates. With proper planning, they can use the exemption to make transfers to grandchildren and avoid any tax at their children’s generation.
				+ **State Taxes**: Even before the TCJA, many states imposed estate tax at a lower threshold than the federal government did. Now the differences in some states are even more dramatic. To avoid unexpected tax liability or other unintended consequences, it’s critical to consider state law. Consult a tax advisor familiar with the law of your particular state.
				+ **Exemption Portability:** If one spouse dies and part (or all) of his or her estate tax exemption is unused at his or her death, the estate can elect to permit the surviving spouse to use the deceased spouse’s remaining estate tax exemption. This exemption “portability” provides flexibility at the time of the first spouse’s death, but it has some limits. Portability is available only from the most recently deceased spouse, doesn’t apply to the GST tax exemption and isn’t recognized by many states. And portability doesn’t protect future growth on assets from estate tax like applying the exemption to a credit shelter (or bypass) trust does. Such a trust offers other benefits as well, such as creditor protection, remarriage protection, GST tax planning and possible state estate tax benefits.
				+ **Tax-smart giving**

Giving away assets now will help reduce the size of your taxable estate. Here are some strategies for tax-smart giving:

Choose gifts wisely. Consider both estate and income tax consequences and the economic aspects of any gifts you’d like to make: To minimize estate tax, gift property with the greatest future appreciation potential. To minimize your beneficiary’s income tax, gift property that hasn’t appreciated significantly while you’ve owned it. To minimize your own income tax, don’t gift property that’s declined in value. Instead, consider selling the property so you can take the tax loss and then gifting the sale proceeds.

Plan gifts to grandkids carefully. Annual exclusion gifts directly to a grandchild (rather than to a single trust for multiple grandchildren) are generally exempt from the GST tax, so they also help you preserve your GST tax exemption for other transfers. For gifts to a grandchild that don’t qualify for the annual exclusion, you generally must apply both your GST tax exemption and your gift tax exemption.

Pay medical expenses and tuition. You may pay these expenses without the payment being treated as a taxable gift to the student or patient, as long as the payment is made directly to the provider.

Make gifts to charity. Donations to qualified charities aren’t subject to gift tax. They may also be eligible for an income tax deduction, but this deduction may benefit fewer taxpayers than in the past.

Consider “taxable” gifts. Making some gifts beyond annual exclusion gifts and using some or all of your lifetime exemption can make sense if you have a large estate. These “taxable” gifts can protect transfers from gift and estate tax, even if the exemption drops in the future. They also remove the future appreciation from your estate. You do, however, need to keep in mind your beneficiaries’ income tax. Gifted assets don’t receive the “step-up” in basis that bequeathed assets do. This means that, if beneficiaries sell assets gifted to them, their taxable capital gains will be determined based on your basis in the assets; therefore, their capital gains tax could be higher than if they inherited the same assets.

**Trusts**

Trusts can provide a way to transfer assets and potentially enjoy some tax savings while preserving some control over what happens to the transferred assets. For those with large estates, funding them now, while the gift tax exemption is high, may be particularly tax-smart. Here are some types of trusts to consider:

A qualified personal residence trust (QPRT). It allows you to give your home to your children today — removing it from your taxable estate at a reduced gift tax cost (provided you survive the trust’s term) — while you retain the right to live in it for a certain period.

A grantor-retained annuity trust (GRAT). It works on the same principle as a QPRT, but allows you to transfer other assets; you receive payments back from the trust for a certain period.

A GST — or “dynasty” — trust. It can help you leverage both your gift and GST tax exemptions. And it can be an excellent way to potentially lock in the currently high exemptions while removing future appreciation from your estate.

 **Westside Investment Management** is here to assist you. We are aware that COVID has placed stress on many of our clients, their families, businesses, friends, etc. Completion of your usual year end planning could be different than past years, in some areas, due to possible timing constraints. Listed below are a few, (not all), previously discussed planning tips as well as some additional, outline for November and December:

 **November:**

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* Plan to complete individual gifts and charitable contributions. These must be received and cashed by 12/31/2020, in order for them to be considered for tax year 2020. (Example: if you are transferring assets for a gift or charity, they have to be in their possession by the end of this year; same as checks being cashed, they should clear your account, and/or, where they are written from, cashed before 12/31.

Consult:

* + Social Security Administration, ssa.gov, to determine Social Security benefits and how to apply (for those planning or considering retirement in the near future. The earlier the better since COVID has slowed down the process.
	+ Consult ssa.gov to determine how and when to apply for Medicare (for those approaching 65 or planning to retire in 2020)
* Confirm your current FSA balance (if using) and verify your plan’s rules for rollovers of unused funds. If the rollover option is not available to you, or if your balance exceeds the permissible amount, plan to spend the balance on qualified health care expenses before the end of the year. The earlier the better since health care appt, procedures, etc. are being affected by COVID.
* If your selling assets for tax-loss harvesting purposes but want to maintain exposure, make sure your position is in place by 11/30. Work with your Advisor and tax professional.
* Review your retirement account beneficiary designations to verify they are in alignment with your estate plan. This should be done once a year.
* Review your health insurance coverage. You may want to look at your plan provider to see if another company offers cost savings if you have an individual plan, are a business providing to your employees or review your coverage within your employers “enrollment period” to the different options available.
* Review your employer voluntary term life insurance policy to consider whether getting a private policy would cost less; these would be for the policies that are not paid by your employer, and you are paying extra for coverage. The general rule of thumb is that an annual renewable term policy will cost more in a few years’ time; therefore, if you need coverage beyond that, speak with your Advisor, to get quotes. While you will not want to cancel your life insurance before having another policy in force, consider getting a jump on it if your company is in the “enrollment period,” in addition to underwriting takes time to complete.

 **December:**

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* Use tax-loss harvesting sales to offset capital gains in your portfolio.
* Concert eligible retirement accounts to a Roth IRA, if beneficial.
* Complete a 529 plan contribution (if applicable in your portfolio)
* Sell shares acquired through the 2020 exercise of incentive stock options in disqualifying disposition to limit AMT exposure (if applicable)

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**The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual. This information is not intended to be a substitute for specific individualized tax or legal advice. Prior to investing in a 529 Plan, investors should consider whether the investor's or designated beneficiary's home state offers any state tax or other state benefits such as financial aid, scholarship funds, and protection from creditors that are only available for investments in such state's qualified tuition program. Withdrawals used for qualified expenses are federally tax free. Tax treatment at the state level may vary. Please consult with your tax advisor before investing. Non-qualified withdrawals may result in federal income tax and a 10% federal tax penalty on earnings. We suggest that you discuss your specific situation with a qualified tax or legal advisor.**

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