**PATRICK H. YANKE, CFP®** | Financial Planning

# End of 2023 Financial Planning IDEAS


As we approach year-end, we think of the holidays and time with family. It's also worth spending time with one's financial planning team. There are timely actions to consider before 2023 becomes a memory.

## Retirement Plan Contributions

Consider fully funding employer-sponsored retirement plans. For example, participants in a 401K may defer up to $22,500 (with up to $7,500 in additional deferral for those age 50 or older). That's a lot of retirement savings while reducing current year taxable income.

## Harvest Portfolio Losses

Despite the strength of the unmanaged indices this year, most of the gains in equities were in three sectors and a dozen companies. That means many portfolios may hold some securities at a loss. Selling losing securities can harvest those capital losses to offset capital gains. To realize these losses, sold securities must remain sold for at least 30 days. In other words, if one wants to own the security for the long-term and simply wants to harvest the loss, they may not repurchase it until at least 30 days after the sale.

## Gifting

Those planning to give financial gifts to family should keep in mind the annual gift tax exclusion limit of $17,000 per recipient in 2023 ($34,000 per recipient for couples). Gifts must be made before the end of the year.

## 529 Contributions

Those who want to increase their gifting impact this year could use a 529 plan that allows for front-loading five years of gift-tax exclusion per recipient. This maximizes the gifting this year, but gifters will have to wait five years to be able to gift to the same recipient again. As a bonus, this strategy helps provide for the education of young family members.

## 529 Withdrawals—Scholarship?

Those who already have 529 plans for their children may have an avenue to use the funds for something other than education—a non-qualified withdrawal. Plan owners may take penalty-free withdrawals equal to scholarship funds received this year for any purpose. Income taxes are still due on the gains in withdrawn funds.

Note that most states offer their own 529 programs and there may be advantages and benefits exclusively for their residents. Tax implications may vary significantly from state to state. Investors should carefully consider the investment objectives, risks, and expenses associated with 529 plans before investing. Carefully read issuer's official statements before investing.

## RMDs

Required Minimum Distributions (RMDs) are a hot topic due to the SECURE Acts. Most of us had planned to start RMDs at age 70 ½. That was increased to 72 by the first SECURE Act. SECURE Act 2.0 raised the starting age to 73 this year and will raise the age again over the next 10 years until it becomes age 75 in 2033. A financial planner can ensure the proper amounts are removed from retirement accounts this year.

## Charitable Contributions

Those giving to charities should make their contributions prior to year-end to count toward this year. The increased standard deduction means that many of us may not see a tax benefit for our charitable contributions—we just don't have enough to itemize. Those who are of an age to take RMDs from retirement accounts should consider using Qualified Charitable Distributions. Since these charitable contributions go straight from the retirement account to the charity, they are not counted as income to the account owner and there is no need to itemize to receive the tax benefit.

## Update the Estate Plan

Periodically updating estate planning documents keeps them relevant. Were there any significant family events this year; births, deaths, marriages, or separations—and were they accounted for in the plans? Another reason for frequent reviews is to give evidence to the court (when the documents are needed) that they reflect the most recent intentions.

## Prepare for Tax Season

The time to prepare for tax season isn't in the first quarter of the new year, it's in the final quarter of the current year. Any securities that must be sold or gifted, any retirement withdrawals that must be taken, and any income that may be deferred must be planned by the end of the year.

A financial planner with appropriate tax and legal professionals can help end the year on a positive note.


Patrick Yanke is a Raleigh-based financial advisor. Opinions expressed here are mine and not necessarily those of Raymond James. The information is not a complete summary or statement of all data necessary for making an investment decision and does not constitute a recommendation. Investors should consult a tax advisor about any state tax consequences of an investment in a 529 plan. Please consult with appropriate professionals for tax and legal issues. www.yankefinancial.com.