

# CRITICAL TRANSITIONS WEALTH ADVISORS

## Lower Your Taxes this Year!

Although the year is quickly coming to an end, you still have time to reduce your tax burden. Here are several ideas that you may be able to use to save you money!

1. **Leverage pre-tax savings:** Check into the opportunities you have available to set aside income on a pre tax basis. This may include; putting funds in your Health Savings Account (HSA), contributing to your employer's retirement program, checking out all employee benefits and reimbursements, etc.
2. **Accelerate Deductions and Defer Income:** Take some time to think about reducing your taxable income in this year or the next. It may make more sense to move more income into the current year and defer expenses if the tax rate is going to be higher next year. Some ways to reduce your taxable income include; delaying receipt of a bonus check, making a charitable contribution, making an extra house payment, etc.
3. **Minimize tax-exempt and tax-deferred investments:** If you are in a higher tax bracket, you will notice more tax savings from tax-exempt and tax-deferred contributions to 401(K)s, IRAs, 529 College Savings Plans, etc.
4. **Harvest your gains and losses:** Any donation of appreciated stock can enable you to avoid paying tax on the capital gains of that donation. Additionally, you can offset ordinary income with investment losses up to \$3,000.
5. **Avoid Penalties:** Begin getting your tax records in order sooner than later to avoid costly penalties from the IRS! It is never too early to start planning.
6. **Make full use of your marginal tax:** Keep in mind that the US tax rates vary by dollar amount, so you should take advantage of a lower rate until you step into the next level. This is crucial to remember if you are taking money out of a retirement account.



## RMDs Waived for 2020... It's a great time for a Roth Conversion!

As you are probably aware, the CARES Act waives all required minimum distributions (RMD) from retirement accounts in 2020. For retirees that do not need the income, you may want to consider a Roth conversion with the funds you are not taking. There are no income restrictions for Roth conversions, so this may be an intriguing option for high income earners, especially for those that believe their taxes will be higher in 2026. When funds are taken out of a Roth IRA, they are not taxed, unlike withdrawals from a traditional IRA. The only catch is you will be taxed on the conversion. Let's talk to see if this would be an appropriate strategy for you!



### Qualified Charitable Distributions

A Qualified Charitable Distribution is a distribution of taxable assets from a Traditional or Beneficiary Roth IRA paid to a qualified charity that is tax-free for the IRA owner. Individuals age 70 1/2 or over could exclude up to \$100,000 from gross income for donations paid directly to a qualified charity from their IRA.

- The donation satisfies any IRA required minimum distributions for the year
- The amount excluded from gross income isn't deductible
- Donations from an inherited IRA are eligible if the beneficiary is at least age 70 1/2
- Donations from an active SEP or SIMPLE IRA are not eligible
- Married individuals filing a joint return may exclude up to \$100,000 donated from each spouse's own IRA (\$200,000 total)

Please let me know if you would like to discuss further. I am here to help!

## Making a Charitable Choice

The greatest benefit of charitable giving is the knowledge that you've helped make a difference in the lives of others. At the same time, charitable giving can also provide tax breaks, however be aware aware of the rules and keep track of what you've donated.

First, identify the charity you wish to support. With a little research, you'll soon find that there are many charitable organizations to choose from, supporting such causes as environmental protection, curing illness, or bettering the lives of children. What touches your heart the most? Next do some research. If you want to claim a tax deduction for your gift, you'll need to make sure that you're dealing with a registered charity to satisfy IRS rules. You can begin by contacting your local charity registration office (typically a division of your state attorney general's office) or your local Better Business Bureau (BBB). The BBB Wise Giving Alliance also provides independent evaluations of popular charities. These reports are available online at [www.give.org](http://www.give.org).

Rules for Giving - You're free to give as much to charity as you like. However, you'll need to follow IRS rules and keep records of your gifts to claim tax deductions. Monetary contributions are the easiest to report. Always pay via a check payable directly to the charity, not to the person soliciting the contribution or to a donation collection agency. Ask for a receipt, and save it along with your canceled check and your bank account statements.

A deduction is no longer allowed for monetary gifts unless accompanied by a bank record or a written receipt from the charity indicating the amount of the contribution, date of the donation, and name of the charity. If your contribution exceeds \$250 in value, either in cash, certain property, or out-of-pocket expenses that are attributable to volunteer work, you will also need to obtain a written description of your gift. This description must contain an acknowledgement from the charity of your contribution, a description of non-cash items donated, a statement of whether the charity provided goods or services in exchange for the donation, and - if goods or services were provided - a good-faith estimate of their value.

Charitable donations are an excellent way to reduce your taxes and make a difference in the lives of others. Remember, though, that charitable giving may be a year-round concern, not something you only think about during the holidays or at tax time.

## Surviving the Holiday Season... Debt Free

We are in full swing of the traditional giving season! There is one important item to add to your to do list: Create a holiday budget. During this time of shopping and wrapping, take control of your wallet through financial preparation. Remember, you can potentially avoid the credit card crunch and the dangerous pitfall of borrowing against your company's retirement savings plan or IRAs. Here are a few ways you might establish a holiday wish list and spending budget:

- Start by determining the total amount of money that you want to budget for gifts. Carefully evaluate how much money your budget will allow for holiday spending. Be honest and be realistic. The idea is not to spend more than you plan for during the holiday season.
- Next, make a list of people that you will be buying gifts for this year.
- Write down ideas for each person on the gift buying list. Set an amount that you will spend for each person on the list, then estimate the cost of each gift idea. Create an alternative gift idea for each person if your first idea is too expensive.
- After making the purchase, write down the exact cost of the gift, totaling your expenditures. Be sure to include the price of gift wrap and cards.
- Prioritize your holiday wish list and consider your plans in light of your budget. You may have to choose between gift-giving, entertaining, or travel. Families can decide together how much to spend for the holidays, including gifts, decorations, and food.
- Take a radical step to hide your credit cards. For example, put your credit cards in the freezer.
- Don't forget inexpensive gifts, such as themed baskets. An Italian gift basket can include a colander, spiral pasta, gourmet spaghetti sauce, a pasta spoon, and garlic bulbs.



May you make a commitment to sharing holiday presents with family and friends, attending your place of worship, and giving to your favorite charity, without worrying about credit card bills or repayment of bank of 401k loans.

## Merry Christmas!

On behalf of Critical Transitions Wealth Advisors, we want to wish you and your family happy holidays! I wish you and your loved ones health and happiness at this special time of year, and I thank you for your friendship and trust all year round.

*"It's not about how much we give, but how much love we put into giving."*

## Holiday Hours

- December 24th & 25th, Office closed for Christmas
- January 1st, Closed for New Year's Day



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