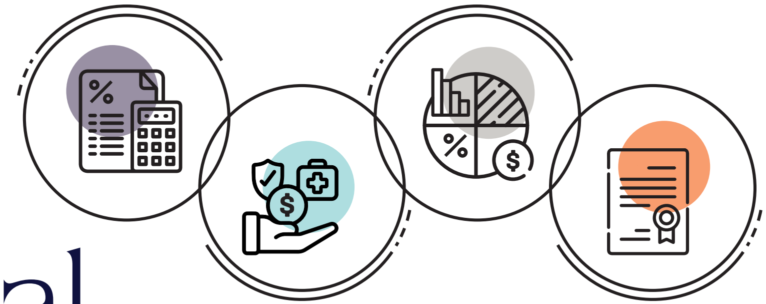

# Your Year-End Financial Planning Guide for 2024

The sooner you think about year-end planning and giving opportunities, the more time you'll have to make the most of any situation. Economic conditions and your personal circumstances make the final month of 2024 an important time to review your finances.

## Income Tax Strategies

Since income tax liability is calculated annually, strategically timing certain financial decisions can help you pay less while playing by the rules.

**Defer or accelerate income and capital gains.** Deferring income and capital gains until 2025 or accelerating them into 2024 could reduce your tax burden in both years. This strategy may include fully or partially converting an old 401(k) or a traditional IRA to a Roth IRA. You'll have to predict what might happen next year, and predictions don't always come true. This opportunity is worth a conversation with your Pitcairn team — especially if a major change or life event like retirement, a sabbatical, or moving to a new house is on the agenda.

**Schedule deductions.** Consider bundling medical, charitable, and other Schedule A deductions into one year to surpass the standard deduction and benefit from itemizing.

**Lock in capital losses.** At Pitcairn, we analyze client portfolios daily for opportunities to realize losses and reduce tax liability. You can deduct up to $3,000 in capital losses from your ordinary income this year and have the ability to carry over additional losses into future years. This would be in addition to any losses that have already been applied against realized gains.

### Strategic Timing Can Save on Taxes

| If you … | … and you think your income will be higher in … | |
|---|---|---|
| | **2024** | **2025** |
| **are self-employed or own a small business** | hold off on invoicing until January 1, 2025 | invoice your customers in mid-November 2024 to accumulate more receivables by December 31, 2024 |
| | accelerate business expenses through December 31, 2024 | postpone business expenses until at least January 1, 2025 |
| **need to adjust your investment portfolio** | sell depreciated investments with capital losses by December 31, 2024 | sell appreciated investments with capital gains by December 31, 2024 |
| **have a 401(k) with a former employer or a traditional IRA** | consider a full or partial Roth conversion in 2025 | consider a full or partial Roth conversion in 2024 |
| **want to itemize your deductions** | accelerate charitable contributions, property tax payments, medical expenses, and January mortgage payments through December 31, 2024 | postpone charitable contributions, property tax payments, nonessential medical expenses, and January mortgage payments until at least January 1, 2025 |

## Work Benefits

Whether you work for yourself or someone else, you may have benefits that you can use to the fullest extent with a few tweaks before year end.

**Maximize retirement contributions.** 401(k) and 403(b) plans allow employee contributions of up to $23,000 in 2024 — plus an additional $7,500 if you're 50 or older. Some 401(k) plans allow additional after-tax contributions as long as total employee and employer contributions don't exceed $69,000. If you're maxing out your contributions, a backdoor Roth or mega-backdoor Roth could help you save even more.

**Spend FSA dollars.** If you've contributed to a flexible spending account, make sure you're on track to incur enough qualified medical expenses by year end to use up every dollar you contributed (the maximum for 2024 is $3,200). If not, now is a good time to book an extra visit with your doctor or dentist. Many people also purchase extra prescription glasses, contact lenses, and over-the-counter medications with surplus FSA funds. If you anticipate higher medical expenses next year, you may be able to carry over up to $640 for 2025 if your employer allows it.

**Max out HSA contributions.** If you have a high-deductible health insurance plan, you may be eligible to contribute up to $4,150 individually or up to $8,300 as a couple or family to a health savings account. If you (and/or your spouse) are 55 or older, you may (each) be eligible to contribute an additional $1,000.

**Take RMDs/QCDs.** You'll incur steep penalties if you don't take required minimum distributions from your tax deferred retirement accounts — such as 401(k)s and traditional IRAs — by December 31, 2024. For taxable RMDs that you don't need for living expenses, you may wish to take a qualified charitable distribution of up to $105,000 instead. That money won't be included in your annual adjusted gross income and could be part of your overall philanthropic giving.

### WHEN TO TAKE REQUIRED MINIMUM DISTRIBUTIONS (RMDs)

Beginning in 2023, the SECURE 2.0 Act raised the age that you must begin taking required minimum distributions (RMDs) to age 73. If you turn 73 in 2024, you can either take your first RMD this year or defer to April 1, 2025. If turning 73 in a future year, you may defer your RMD until April 1 of the following year. This option creates a tax-planning opportunity.

## Gift, Estate, and Intergenerational Planning

Here are several gifting and estate-planning items to consider before December 31.

**Compound your gift.** A 529 plan can be pre-funded with up to five years' worth of annual exclusion gifts in a single year ($90,000), creating more time for compound growth.

**Take advantage of annual exclusion gifts.** If you haven't used up your annual exclusion gifts, now is the time. Individuals can give up to $18,000 per recipient, without a limit on the number of recipients, in 2024. These can be cash gifts, but in some cases, it could make sense to give investment assets that have high growth potential.

**Provide the gift of education.** Some families may find value in using their annual exclusion gifts to fund a 529 plan in the name of a child or grandchild who is likely to attend college. Parents and grandparents can use this strategy to remove assets from their taxable estates without using up any of their lifetime estate tax exclusion — while contributing to future education expenses in tax-advantaged accounts. In addition, tuition payments that are made directly to an educational institution are exempt from gift taxes and therefore do not count towards the annual exclusion amount.

**Help fund a charity.** Along with giving to family, you may want to give to your favorite charities. Whether you give cash, appreciated stock (especially low-basis stock), or other assets, you may be able to reduce your taxable income (or taxable estate) while making a profound difference in someone else's life.

**Update planning documents.** It's never a bad time to make sure your estate plan is up to date. Who are the beneficiaries on your payable-on-death accounts and your life insurance policies? Do your existing trustee appointments and bequests still fit your overall wealth plan and objectives? It may be time to remove an ex-spouse, add a child, or change a trustee.

## LIFETIME ESTATE TAX EXCLUSION SUNSET

The basic exclusion amount (the estate tax exemption) is at an all-time high in 2024: currently $13.61 million per person ($27.22 million for married couples). It will be adjusted to $13.99 million per person ($27.98 million for married couples) in 2025. Without action from Congress, in 2026 the exclusion will revert to 2017 levels plus inflation.

Even after inflation indexing the 2017 amount — $5 million per person — to its 2026 equivalent, the exclusion is scheduled to decrease by a significant amount. This reversion won't affect funds you've already removed from your taxable estate, but it will affect future gifts.

No one knows if Congress will allow the higher exclusion amount to sunset, make the change permanent, or do something else altogether. However, when Congress does make changes, they tend to occur last minute, and an effective gifting strategy requires long-term planning, not short-term reactions.

Consider working with your Pitcairn team over the next year to determine how to use as much of the historically high exclusion as possible through 2025 — perhaps by providing additional funding to an existing trust.

Even if you've currently used up your lifetime exclusion, inflation adjustments in 2024 and 2025 may allow you to shelter a bit more from federal estate taxes.

**Appoint personal representatives.** Everyone should consider appointing a healthcare proxy and financial power of attorney. You'll need witnessed or notarized documents to name reliable individuals to legally make health and financial decisions on your behalf in the event of incapacitation. The events that can render us incapacitated often arrive without warning, so it's best to appoint trusted representatives, whether you expect to need their help or not.

## Closing Thoughts

We hope this guide has piqued your interest in financial moves that could be worth making before year end. Reach out to your Pitcairn team for a personalized analysis and discussion. Then, let us handle the logistics while you enjoy a much-needed break.

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