

Financial Planning for the New Year

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It's never too early to get started on your New Year's resolutions! Here are several important planning considerations for financial success in 2021.

TAX CONSIDERATIONS

Taxes may be increasing and state and local tax (SALT) deductions may become more generous. With a Democrat President-elect and the outcome of the Georgia Senate races in January as yet unknown, the U.S. may potentially enter into a higher tax rate environment, including higher capital gains rates and the top Federal tax bracket increasing from 35% to 39.6%. The \$10,000 SALT deduction limit could also potentially be increased, as the current limit is felt particularly hard in high property tax states such as New York, New Jersey, and Connecticut.

What You Can Do

If you expect to be in a similar income situation next year as this year, it may make sense to accelerate income and defer deductions. This means that 2020 may be the year to recognize income in the form of Roth conversions, realizing some capital gains, or accelerating bonus payouts. Conversely, pushing deductions such as paying property tax bills or making large charitable contributions in early January 2021 instead of before year-end may provide a higher deductible amount if laws change and you expect to itemize deductions in 2021.

PLAN FOR THE FUTURE

Thinking of gifting to the next generation? This may be the time to do it. The Tax Cuts and Jobs Act of 2017 doubled the estate tax exemption amount to at \$11.58 million per individual in 2020 (twice this amount for married couples). This amount could be reduced in the future but it is unlikely gifts made in 2020 will be affected by new laws potentially enacted in 2021.

What You Can Do

Transfer gifts in-kind to individuals of your choosing. Note, your tax basis will transfer to the recipient but so will the future appreciation of the asset. This will help to reduce the size of your taxable estate while satisfying (a portion of) your asset transfer goals during your lifetime.

NEXT STEPS

If you would like to discuss how any of these strategies affect your personal financial situation, please reach out to us anytime.

All the best for a safe and joyous holiday season!

CONTACT US

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