December 2015

Maryland Construction Network®

Our Industry . . . Connected!®

Year-End Financial Planning Strategies

With the New Year approaching, it is time to take advantage of year-end opportunities to boost your after-tax returns and improve your financial position.

Harvest losses. No one likes losing investment value, however, losses can be a blessing in disguise. For example, capital losses can be used to offset capital gains. If capital losses exceed recognized gains, you can deduct up to $3,000 in ordinary income ($1,500 for married couples filing separately). Losses in excess of the gains can be carried over into future tax years. High income earners will benefit most because of the increased capital gain rates in the top bracket and the 3.8% surtax on net investment income. Be careful, wash sale rules prohibit recognizing losses on sales or securities that are repurchased within 30 days.

Make the most of tax-advantaged accounts. You may be able to get your asset allocation back on target without incurring taxes by rebalancing tax-deferred retirement accounts like IRAs or 401(k)s.

Take advantage of your employee retirement plan. Review how much you have contributed to your 401(k); at least to the point of any employer match opportunity. If you are under the age of 50, the salary deferral limit is $18,000; it is $24,000 if you are age 50 or older. If you are just starting out in your career, consider the Roth 401(k) option to let your investment experience a lifetime of tax free growth.

If you're self-employed. Consider adding a small business retirement account such as a SEP, SIMPLE-IRA, Individual 401(k) or other qualified retirement plan. Contributions are tax deductible and grow tax-deferred. Some plans may be opened by December 31st or the return due date. Certain plans allow you to make this year's contribution by the due date of your tax return; including extensions in come cases.

Social Security planning. Two Social Security filing strategies that you may have previously used for retirement planning are coming to an end soon. The strategies being eliminated – known as file-and-suspend and a restricted application for spousal benefits – have made it possible for both members of a couple to delay claiming benefits based on their own earnings records while one pockets a so-called spousal benefit based on the other's earning. There is a six-month window for those who are at full retirement age, as well as partial reprieve for some others, to take advantage of. This is extremely important if you and/or your spouse are at full retirement age and are currently planning for retirement.

These are just a few helpful year-end tax strategies. Remember, financial planning is a process that spans a lifetime. As always, I am here to help.

William Martin
Financial Advisor
The Prosperity Consulting Group, LLC
410-363-7211