7 TAX PLANNING IDEAS FOR 2023

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Congratulations! You've made it through April 18 and paid (and hopefully also filed) your 2022 taxes. With 2022 in the rearview mirror for many, it's time to reflect on how well you planned. Was the 2022 tax year more painful or complex than it needed to be? What can you do to be more proactive for 2023?

1. Keep Track of Losses

Market volatility is back in a big way. For many, 2022 represented a lackluster year for investments. Did you sell for a loss that you were not able to fully deduct? Make sure that you keep track of that loss – it may be useful in the future. Don't have losses to carry forward? Review your investments in 2023 to see if you can dump any losers to offset potential gains– this is called tax loss harvesting.

2. Save for Retirement

Saving for retirement can have a number of tax benefits – tax-deferred growth, and advantages either upfront or at distribution. Because of inflation, employees can save more in employer-sponsored retirement accounts (401ks, 403bs, etc.) in 2023. Moreover, income brackets for households to be able to save in IRAs and Roth IRAs have been expanded. Roth conversions are another consideration, especially attractive for younger investors and those who may be in higher tax brackets in the future.

3. Save for College

If you're a parent or grandparent (or a very generous relative!), saving for a child's college tuition can provide some attractive tax advantages. 529 plans offer a way to invest for college. Growth on those investments is tax-deferred and eventually withdrawn tax-free if used for qualifying educational expenses. In some states, you receive state income tax benefits – check with a financial advisor for the details relevant to your state.

4. Consider Charity

You can receive numerous tax benefits when donating to charity. Donating appreciated stock, establishing a donor advised fund, and qualified charitable distributions for those 70 or older are some examples of relatively easy ways to help charity – and your tax bill.

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5. Plan for Medicare Pt B Taxes

Will you be 63+ in 2023? It's time to start thinking about Medicare surcharges. When determining how much you will pay for Medicare Part B premiums, your taxable income from two years prior is evaluated to determine your surcharge (or lack thereof). In doing what you can to minimize your taxable income, you may also be reducing the surcharge for Medicare. This is especially important to do if you are single, as surcharge thresholds are lower for one person.

6. Review the Tax Efficiency of Your Investments

It's always advisable to review your investment makeup at least once a year. But do you know how tax efficient your non-retirements are? A strategy called asset location involves putting income-producing, tax-inefficient investments in retirement accounts and locating more efficient investments in non-retirement accounts. This requires a good deal of organization and transparency, and it makes sense to consult with a financial advisor for a complete overview.

7. "Bunch" Deductions

Do you have a significant income year coming up? It may be worth strategizing to help find tax offsets. You could consider employing several of the strategies above in an especially high-income year. In doing so, you might be better off itemizing your deductions, and by itemizing, you may be able to take advantage of otherwise unavailable deductions. Examples of deductions for itemizers include state/local income taxes; medical expenses in excess of 10% of AGI; charitable contributions; and home mortgage interest. This is where coordinating with a financial advisor and/or tax professional can make a lot of sense.