



UPDATED 2020 TAX STRATEGY REDUCTION CHECKLIST NOW INCLUDES THE CARES ACT PROVISIONS

Please review the following and indicate the items to discuss with your professional advisor.

Not Applicable Ask Advisor

RETIREMENT SAVINGS

Defer the maximum annual amount into qualified retirement plans (e.g. \$19,500 for 401k), including the “catch-up” amount for those age 50+ (e.g. \$6,500 for 401k).	<input type="checkbox"/>	<input type="checkbox"/>
Contribute some or all of your retirement plan deferrals to a Roth 401(k) if you expect to be in same or higher marginal tax bracket in retirement.	<input type="checkbox"/>	<input type="checkbox"/>
Contribute up to \$37,500 of non-deductible contributions to a qualified defined-contribution retirement plan per year which can later be transferred tax-free to a Roth IRA.	<input type="checkbox"/>	<input type="checkbox"/>
Convert some or all of your IRA to a Roth IRA if you expect to be in the same or higher marginal tax bracket in retirement.	<input type="checkbox"/>	<input type="checkbox"/>
Contribute up to \$6,000 (\$7,000 if age 50+) of non-deductible contributions to an IRA that can later be converted to a Roth IRA.	<input type="checkbox"/>	<input type="checkbox"/>
Establish a cash balance defined benefit plan (if you own a business or are self-employed and are age 40+) to make substantial tax-deductible contributions.	<input type="checkbox"/>	<input type="checkbox"/>
Elect 83(b) upon receipt of restricted stock to convert taxation of growth from ordinary income to capital gain income.	<input type="checkbox"/>	<input type="checkbox"/>

INVESTMENT

Pay investment management fees attributable to a Traditional IRA using assets from within the IRA if you are age 50+, or from outside the IRA if you are younger.	<input type="checkbox"/>	<input type="checkbox"/>
Pay investment management fees attributable to a Roth IRA using assets outside of the Roth IRA to allow for greater tax-free compounding within the Roth IRA.	<input type="checkbox"/>	<input type="checkbox"/>
Utilize municipal bonds for a portion of your bond holdings if you are in a 32% or higher marginal tax bracket to reduce taxation of bond income.	<input type="checkbox"/>	<input type="checkbox"/>
Sell assets with capital losses to offset taxable capital gains and reduce the 3.8% Net Investment Income Tax (NIIT).	<input type="checkbox"/>	<input type="checkbox"/>
Sell assets with capital gains to the extent eligible for the 0% long term capital gain rate.	<input type="checkbox"/>	<input type="checkbox"/>
Utilize stock index funds and “low-turnover” active stock strategies for a portion of your stock holdings to reduce capital gain taxes.	<input type="checkbox"/>	<input type="checkbox"/>
Replace an out-of-date or under-performing annuity contract (or life insurance policy) with another without incurring tax consequences (“1035 exchange”).	<input type="checkbox"/>	<input type="checkbox"/>
Exchange a real estate property used in business or for investment for another property of like-kind without incurring capital gain taxes (“1031 exchange”).	<input type="checkbox"/>	<input type="checkbox"/>

EDUCATION

Save for primary and secondary education costs using a 529 savings plan for tax-free growth and potentially a state tax deduction.	<input type="checkbox"/>	<input type="checkbox"/>
Consider using a 529 savings plan (up to \$10,000) towards the 529 plan beneficiary’s student loan. ¹	<input type="checkbox"/>	<input type="checkbox"/>
Save for secondary education tuition costs using a 529 pre-paid tuition plan for tax-free growth and potentially a state tax deduction.	<input type="checkbox"/>	<input type="checkbox"/>
Contribute up to 5x’s the annual gift tax exclusion amount (single: \$15k x 5 = \$75k; married: \$30k x 5 = \$150k) to a 529 plan in one year to jump-start savings and avoid gift taxes.	<input type="checkbox"/>	<input type="checkbox"/>
Pay tuition bills for someone directly to the institution to avoid paying gift taxes (direct payments for medical care or medical insurance are also exempt).	<input type="checkbox"/>	<input type="checkbox"/>
Claim the American Opportunity Tax Credit (up to \$2,500) or the Lifetime Learning Credit (up to \$2,000) if eligible.	<input type="checkbox"/>	<input type="checkbox"/>

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RETIREMENT DISTRIBUTION

Determine how much to withdraw from each account type per year—taxable (e.g. brokerage), tax-deferred (e.g. IRA), or tax-free (e.g. Roth IRA)—to reduce your effective tax rate.	<input type="checkbox"/>	<input type="checkbox"/>
Evaluate if income is needed from retirement accounts for 2020 as required minimum distributions have been waived for 2020 from most retirement accounts. ²	<input type="checkbox"/>	<input type="checkbox"/>
Plan for distributions from retirement accounts that will occur prior to age 59 1/2 to avoid tax penalties.	<input type="checkbox"/>	<input type="checkbox"/>
Transfer your IRA into your 401(k) to defer taking required minimum distributions +, still working, and don't own 5% or more of the company (applies to those who obtained age 70 1/2 in year 2019 or earlier or obtaining age 72 in 2020 and or later). ¹	<input type="checkbox"/>	<input type="checkbox"/>
Distribute company stock from a qualified retirement plan using Net Unrealized Appreciation (NUA) rules to pay capital gain rates vs. ordinary income rates on stock growth.	<input type="checkbox"/>	<input type="checkbox"/>

CHARITABLE

Donate appreciated assets to charity to eliminate the unrealized capital gain tax.	<input type="checkbox"/>	<input type="checkbox"/>
Lump charitable gifts into a single tax year to help exceed standard deduction amount and become eligible to itemize deductions.	<input type="checkbox"/>	<input type="checkbox"/>
Utilize a Donor Advised Fund (DAF) to simplify the donation of appreciated assets to charity and to provide more control on the timing of gifts.	<input type="checkbox"/>	<input type="checkbox"/>
The CARES Act temporarily increases the AGI limit on cash gifts to charities. Qualified contributions may be deducted up to 100% of AGI in 2020 (an increase from the customary maximum of 60%). ²	<input type="checkbox"/>	<input type="checkbox"/>
If you take the Standard Deduction, The CARES Act allows a new above-the-line charitable deduction of up to \$300 when cash contributions are made to certain qualifying charities for 2020 and beyond. ²	<input type="checkbox"/>	<input type="checkbox"/>
Make a Qualified Charitable Distribution (QCD) by donating up to \$100,000/year to charity directly from your IRA (if age 70 1/2+) to avoid taxation on the amount given.	<input type="checkbox"/>	<input type="checkbox"/>
Direct some or all of your IRA to charity at death to eliminate the income taxation of IRA assets that would otherwise be paid by heirs.	<input type="checkbox"/>	<input type="checkbox"/>
Consider charitable remainder trusts (CRT) and charitable lead trusts (CLT) to receive a tax deduction while retaining some use of the assets either for yourself or for heirs.	<input type="checkbox"/>	<input type="checkbox"/>

PERSONAL INCOME TAX

Contribute to a Health Savings Account (HSA) up to \$3,550 for an individual or \$7,100 for a family to obtain a "triple tax advantage" (tax deduction + tax-free growth + tax-free withdrawals for qualifying expenses). Note: A catch-up contribution of \$1,000 is available if you are age 55 or older.	<input type="checkbox"/>	<input type="checkbox"/>
Contribute to a Flexible Spending Account (FSA) up to \$2,750 and/or a Dependent Care FSA up to \$5,000 (single or married filing jointly) to pay qualifying expenses with pre-tax dollars.	<input type="checkbox"/>	<input type="checkbox"/>
Withdraw up to \$5,000 from a retirement account penalty free within a year of birth or adoption for qualified expenses. ¹	<input type="checkbox"/>	<input type="checkbox"/>
Reconsider home equity loans that are not used to buy or improve your home as this loan interest is not deductible.	<input type="checkbox"/>	<input type="checkbox"/>
Deduct qualified health care expenses if they exceed 7.5% of your Adjusted Gross Income. ¹	<input type="checkbox"/>	<input type="checkbox"/>
Pay long term care premiums with tax-free dollars from a Health Savings Account if you do not qualify for the medical expense deduction.	<input type="checkbox"/>	<input type="checkbox"/>
Adjust income and deductions to reduce taxation of Social Security benefits, 3.8% Net Investment Income Tax (NIIT), 0.9% Medicare surtax, and Medicare insurance premiums.	<input type="checkbox"/>	<input type="checkbox"/>
If you have been impacted by COVID-19 or financially impacted by COVID-19, The CARES Act provides a new "Coronavirus-Related Distribution" of up to \$100,000 from your retirement account, of which is exempt from the 10% penalty and mandatory withholding. ²	<input type="checkbox"/>	<input type="checkbox"/>
Payments on retirement plan loans that should be made in 2020 can be delayed for up to one year. ²	<input type="checkbox"/>	<input type="checkbox"/>
Determine if you will likely be subject to the Alternative Minimum Tax (AMT) in 2020 as this results in a much different approach to tax planning.	<input type="checkbox"/>	<input type="checkbox"/>

Not Applicable Ask Advisor

ESTATE		
Implement estate tax reduction strategies if your total net worth is approaching or is in excess of \$11,580,000 (single) / \$23,160,000 (married). ¹	<input type="checkbox"/>	<input type="checkbox"/>
Review beneficiary designations on retirement plan assets given the new law eliminating the stretch IRA provision for most non-spousal beneficiaries who inherit in 2020 and beyond. ¹	<input type="checkbox"/>	<input type="checkbox"/>
Review your trust documents to assure no unintended consequences given the new law eliminating the stretch IRA provision for most non-spousal beneficiaries who inherit in 2020 and beyond. ¹	<input type="checkbox"/>	<input type="checkbox"/>
Review your estate documents to assure no unintended consequences given the large estate tax exemption amount.	<input type="checkbox"/>	<input type="checkbox"/>
Make annual gifts to loved ones up to the annual gift tax exclusion amount (single: \$15,000 per person; married \$30,000 per person) to avoid gift taxes.	<input type="checkbox"/>	<input type="checkbox"/>
Defer large capital gains later in life to obtain a step-up in cost basis at death.	<input type="checkbox"/>	<input type="checkbox"/>
Harvest capital losses on assets later in life to assure the tax savings are not lost due to death.	<input type="checkbox"/>	<input type="checkbox"/>
Distribute all assets from an irrevocable trust, if there are no longer any estate tax or asset protection reasons for maintaining it, to avoid higher tax rate on trust income.	<input type="checkbox"/>	<input type="checkbox"/>
BUSINESS PLANNING		
If you own a pass-through business, consider the Qualified Business (QBI) deduction eligibility rules.	<input type="checkbox"/>	<input type="checkbox"/>
If your business has received relief from The CARES Act work with your tax and financial advisor to review and evaluate pay back options. ²	<input type="checkbox"/>	<input type="checkbox"/>
Consider the use of a Roth vs. traditional retirement plan and its potential impact on taxable income and Qualified Business Income.	<input type="checkbox"/>	<input type="checkbox"/>
Deduct purchase of qualifying equipment (e.g. machines for business use, computers, off-the-shelf software, etc.) up to \$1,000,000 Section 179 limit.	<input type="checkbox"/>	<input type="checkbox"/>
Employ children to divert income to a lower tax bracket.	<input type="checkbox"/>	<input type="checkbox"/>

¹ Annotates a new addition to the tax code or substantial change that was implemented with the passing of The SECURE Act on December 20, 2019.

² Annotates a new addition to the tax code or substantial change that was implemented with the passing of The CARES Act on March 27, 2020.

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