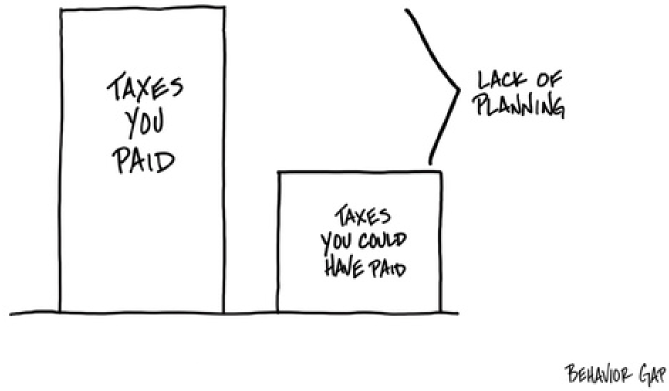
5 Tax Strategies Retirees Often Overlook

www.ascent-financial.com

Are you one of the millions of Americans who pay too much in taxes?



Sure, taxes are a fact of life, but many people fail to be proactive in their tax planning.

As a result, these people needlessly pay tax to the government that should be spent on family vacations, charitable gifts, or countless other items.

We understand that the tax code is complicated and changes often. We are here to guide you through the maze of tax codes and work with you to implement your personal strategy.

We have all experienced the pain of an unexpected tax that is due. These types of surprises are not fun. But do you know what is much more enjoyable?

Proactively planning so that you and your kids pay less now and in the future. We find many people aren't aware of the control they have over the taxes they pay. We want to help solve that problem.

Below are the **five common strategies and opportunities** we have uncovered in the last two decades of sorting through client conversations and goals:

1) Anticipating changes in income and proactively planning

Your taxable income can change dramatically as you enter retirement. Many high income earners go from the highest tax bracket to the lowest over the course of a few years. Still others who are in a low tax bracket in the early retirement years find their taxable income is much higher once they take required minimum distributions (RMDs) at age 73. When you plan ahead for these changes, you take advantage of a huge opportunity to keep more money for your family.

2) Tax-free qualified dividend and long-term capital gains

As of 2020, investors in the 12% marginal tax bracket pay a 0% federal long-term capital gains rate. So yes, some investors can claim capital gains and have no federal tax liability. Many investors can benefit by taking these gains early, while others can benefit from changing current investments so their dividend income qualifies for this treatment. This strategy is especially important if you may be in a higher tax bracket in the future, or if tax law changes.

3) Roth IRAs

Roth IRAs are not only for your kids and grandkids! Many investors should consider converting Traditional IRA money into a Roth, especially if they are in a low tax bracket now and expect income to be higher later. Roth IRAs can be great vehicles for wealth transfer, as they do not have to be withdrawn for the lifetime of the owner (or spouse) and transfer to beneficiaries tax-free.

4) Qualified Charitable Distributions (QCDs) from IRAs

Did you know if you are over age 70.5 you have the ability to send checks directly from your IRA to a 501(c)3 and avoid tax on the distribution? For the 70% of taxpayers who claim the standard deduction, this strategy may be especially appealing.

Many investors can save several thousand dollars per year by implementing this strategy.

This strategy is very easy to implement and perhaps the most common one missed or ignored. As a result, many people needlessly pay tax and have less money in their pockets.

5) 529 College Savings Accounts

If you live in Virginia (and also in many other states), you can claim a state tax deduction for money invested into state-sponsored 529 accounts. Once you are over age 70 you can deduct the entire amount contributed from your state tax return. Furthermore, the money grows tax-deferred and comes out tax-free if used for qualified education expenses. Lastly, 529 accounts owned by grandparents often do not hinder the ability for your grandkids to receive financial aid (please consult us for details on this).

Ascent Financial Group

Retirement planning, investment management, and tax planning services to help you maximize your money and retire with confidence.

Talk with an Ascent Advisor

www.ascent-financial.com