TAX PLANNING

BENJAMIN F. EDWARDS®
INVESTMENTS *for* GENERATIONS®

2024 Year-End Tax Guide

One North Brentwood Boulevard, Suite 850 · St. Louis, Missouri 63105 · (855) 382-1600 · www.benjaminfedwards.com | Member SIPC

For yet another year there are no major income tax changes. However, this is an election year. Also looming is the scheduled lapse of the Tax Cut and Jobs Act, which occurs after December 31, 2025, unless Congress acts otherwise. In short, we likely face a transitory tax situation in the year to come. With this backdrop, here are some ideas to consider as we wrap up 2024.

The Presidential Election and TCJA Sunset

At the time of this writing, the election is still pending. Regardless of the outcome there will be a new presidential administration, and Congress will have changes in the House and Senate. Most experts predict a divided government, or at most, a slim majority by one party.

What this likely means is ongoing gridlock in our government. Accordingly, we must look at the pending lapse of the Tax Cut and Jobs Act (TCJA) scheduled to occur at the end of 2025.

In its simplest terms, the lapse of the TCJA means a reversion to the 2017 tax regime. Generally speaking, the tax brackets will compress to smaller numbers, and the tax rates will increase 2-4% (other than the lowest 10% bracket), with the highest tax bracket returning to the 39.6% rate. Standard deductions will also be reduced by about half, but personal exemptions and many itemized deductions will return, including the end of the $10,000 state and local tax (SALT) deduction limitation. In short, it is generally estimated that a reversion will mean a tax increase for most Americans. Whether this lapse occurs, Congress acts to reinstate the current rules, or whether something else becomes law there will be changes for 2026 to address.

Rates Remain the Same; Limits Adjusted

For 2024, the middle tax bracket (24%) caps at $191,950 for single and $383,900 for married taxpayers[1]. The top bracket (37%) starts at $609,350 for single and $731,200 for married taxpayers.

Standard deductions this year are $14,600 for single and $29,200 for married taxpayers. Accordingly, you should review your specific situation to see if your tax withholding election at work remains appropriate to meet your tax liabilities.

If you itemize there are only deductions for charitable contributions, mortgage interest and state and local taxes. Most other itemized deductions remain eliminated. Despite ongoing debate, the SALT deduction is still capped at $10,000.

COLAs for 2025

Recently announced COLAs for 2025 are relatively "standard". The 24% bracket cap increases to $197,300 single/$394,600 married, and the top tax bracket of 37% begins at $626,350 single/$751,600 married.

Standard deductions for 2025 increase to $15,000 single /$30,000 married. Also, the Social Security benefit increase is 2.5% for 2025.

Cost-of-Living Adjustments	2024	2025
Standard Deduction	$14,600 (Single) $29,200 (Married Filing Jointly)	$15,000 (Single) $30,000 (Married Filing Jointly)
Social Security	3.2%	2.5%
State and Local Tax Deduction Limit	$10,000	$10,000

[1] Note: All reference to "married taxpayers" means married filing jointly.

Top 10 Tax Tips For Year End

As you review the traditional year-end planning tips you need to keep in mind that the near-term tax rates are known, and changes are on the horizon in 2026. Planning opportunities for these possibilities are addressed for each affected topic below. Make sure you work with your tax advisor to see if any of these techniques apply to your personal situation.

1. Review Accounts for Realized Gains and Losses

As performance amongst asset classes varies throughout the year, be sure to review your portfolio to make sure your allocation continues to align with your goals. If some adjusting is in order, consider whether to take action such as realizing additional losses to offset any realized gains. When selling securities you own, remember that the trade date – the date the order is executed – should be used to determine your holding period, not the settlement date. Also, it is important to remember that even if the growing standard deduction means you no longer itemize, you can still apply up to $3,000 of capital losses to your taxable income. Contrarily, with the possible return of lower standard deductions and more itemized deductions in 2026, you may consider pushing gains or losses into 2025 to have flexibility in your planning for the end of next year.

Choppy markets often provide opportunities for tax loss selling in taxable accounts. If you are selling securities for a loss, remember the wash sale provisions. You can't deduct a loss on the sale of securities if you purchased a substantially identical investment within 30 days. This includes the 30-day period before and after the date of the sale.

To avoid the wash sale rule, wait at least 31 days and then repurchase the security, or you can double up and wait the required amount of time to sell. The last day to double up this year is November 29th. By doubling up, you can retain a holding in the security and still take the loss by selling the original holding 31 days after you doubled the holding.

2. Review Whether to Take or Defer Gains or Deductions

Review your portfolio and other financial matters with your tax advisor to see whether you should take or defer gains and deductions this year. If you can control when to take a gain or a deduction, choosing the appropriate time to take such actions can help you control your potential tax liability year over year, especially in the face of changes at the end of next year. Also, recall there is no link between the top tax bracket and the top capital gains rate. For 2024, individuals meet the top capital gains rate of 20% at $518,900; married taxpayers at $583,750.

3. Don't Forget About Cost Lots When Selling

As you review your investments and ponder repositioning your portfolio, consider your cost basis if you are selling positions with multiple cost lots in taxable accounts. You can specifically identify shares when selling to select the cost lot you want to sell. By doing this, you can control the capital gains (or losses) that are incurred.

4. For Higher Income Taxpayers, Be Mindful of Extra Tax Liabilities

For individuals with modified adjusted gross income (MAGI) of $200,000 ($250,000 if married), there is a 0.9% additional Medicare tax for wages and compensation in excess of the $200,000/$250,000 thresholds. For these taxpayers there is also a potential 3.8% net investment income tax to be paid on investment income. Investment income includes dividends, interest, royalties, rents, passive activity income, and capital gains. The 3.8% tax applies to the lower of a taxpayer's net investment income, or the amount that the taxpayer's MAGI exceeds the applicable threshold.

For example, assume a married couple filing jointly has a MAGI of $315,000 and net investment income of $50,000. They will pay a 3.8% tax on investment income of $50,000 ($1,900 in this example) because it is lower than the amount of MAGI in excess of the $250,000 threshold ($65,000). Importantly, these thresholds are not scheduled to change in 2026.

For now, it is important to remember that many itemized deductions have also been eliminated, coupled with the fact that the SALT deduction is currently capped at $10,000 regardless of your marital status. This could lead to more tax liability for some. If the TCJA lapses, these deductions return and the SALT limitation is eliminated, both items to consider when reviewing your specific tax situation.

5. Start Your Gift Process Early

Charitable giving from non-IRA assets may help manage your tax bill if you itemize deductions. The strategy of gifting highly appreciated assets instead of cash allows you to deduct the fair market value of the asset donated and allows you to sidestep recognizing capital gains on those assets. If you itemize, you can deduct up to 60% of your adjusted gross income for cash gifts to qualified charities. If you gift assets, recall that the deduction is reduced to 30% of your adjusted gross income.

With higher standard deductions you may want to consider "bunching" your charitable gifts. Bunching involves making larger gifts in years you itemize while taking the standard deduction in other years. For example, instead of gifting $10,000 a year over three years to your favorite charity, you would gift $30,000 in the year you itemize and use the standard deduction in the remaining two years. Should the law change in 2026, this technique may become less advantageous.

For gifts to individuals, it is important to note the maximum gift exclusion increased in 2024 to $18,000 per person, per year ($36,000 if married). Remember, though, when you gift an asset to an individual you also gift them your basis in that asset. Gifting assets with little or no gain may allow your beneficiary to sell that asset and utilize the proceeds with little or no income tax consequence. Conversely, if the individual is in a lower tax bracket than you, you could gift lower basis assets and let the beneficiary sell it and pay the tax at their tax rate.

If you are planning charitable giving or making gifts to individuals, make sure those gifts are completed by year end. If you intend to claim a charitable deduction on your tax return for this year, don't forget that it may take some time to make the gift, especially if you are transferring stock or other non- cash assets. Start the gift process early to ensure that the transfer is made before the end of the year.

Annual Gifting

Remember you can gift up to $18,000 per person, per year ($36,000 if married) gift tax free to as many individuals as you like. The gifts must be delivered by year end to count for the 2024 tax year. Gifts greater than $18,000 per person ($36,000 if married) require the filing of a gift tax return.

6. Take Advantage of Tax-Exempt Investments and Accounts

If you are in a higher tax bracket, you may want to consider increasing funding to investments and accounts that are designed to be a shelter from taxes. This planning opportunity may become increasingly important should the tax brackets revert in 2026.

Life insurance, tax-exempt municipal bonds and Roth IRAs provide tax efficiency in various forms. Certain types of life insurance build cash value. The interest earned on the cash value is not taxed when earned and you might be able to withdraw or borrow against the cash value. Interest paid on municipal bonds is generally exempt from federal and, in some cases, state and local taxes. Keep in mind that any capital gain arising from the sale of a municipal bond is still taxable and income from some municipal bonds may be taxable under the AMT rules.

Roth IRAs provide tax-free distributions in retirement, but only if certain conditions are met. Generally, you must be over the age of 59 ½ and have held the Roth IRA for five years for earnings to be distributed tax-free, although they can also be made prior to age 59 ½ due to death, disability, or first-time home purchase. There are also limits on who can contribute and how much can be contributed to a Roth IRA each year.

7. Make Sure You Are Maximizing Your IRA and Retirement Plan Contributions

For long-term goals such as retirement, tax-deferred investing is a way to boost your savings and reduce current taxes. Increasing 401(k) savings or making IRA contributions are ways to get additional tax deferral on your investments. Tax deferral means you won't pay taxes on investment earnings as you earn them, but instead you are taxed later when you take withdrawals, presumably during your retirement.

Whether you will be in a higher or lower tax bracket or pay higher or lower tax rates in retirement depends on many distinct factors including how far from retirement you are and what tax laws may be in place at that time.

At a minimum, make sure you are contributing enough to your employer retirement plan to obtain any employer matching contribution. Remember that if you are 50 or older, you can make a catch-up contribution.

If you are already maximizing your contributions to your retirement accounts and are looking for additional tax deferral for retirement, consider additional saving opportunities available through annuities.

Increase to Retirement Savings in 2024

In 2024, 401(k), 403(b), and 457(b) plan salary deferral contributions can be made in amounts up to $23,000 and catch-up contributions for individuals aged 50 or older are $7,500. Eligible compensation and the overall plan contribution (IRC Sec. 415) limit have also increased.

Traditional and Roth IRA annual contribution maximums for 2024 are $7,000. The $1,000 catch-up contributions for individuals aged 50 or older remains unchanged. Modified AGI limits for deducting traditional IRA contributions and for contributing to Roth IRAs have increased as well.

More information on retirement savings cost of living adjustments can be found at www.irs.gov.

8. Consider a Roth IRA Conversion

Anyone with a traditional IRA has the choice to convert to a Roth IRA. Qualified employer-sponsored retirement plan assets can also be converted to a Roth IRA after you become eligible to receive distributions from the retirement plan. In addition, your employer's 401(k), 403(b) or 457(b) plan may also allow you to convert your pre-tax account balances to designated Roth accounts within the plan (if permitted by plan document provisions).

Conversion comes with a cost – you pay income taxes on the amount you convert in the year you convert. Conversion can be advantageous if you desire tax-free retirement income (after 5 years and age 59 ½), you don't want to take required minimum distributions during your lifetime, or you desire tax-free income for your heirs after your death. A conversion must be completed by year end to be included as income on this year's income tax return. Use caution and discuss this strategy with your tax professional before converting because a conversion is a one-way street. You cannot "undo" a conversion once it has been completed. With the possible reversion to higher income tax rates on the horizon in 2026, Roth conversions may be more attractive now at current income tax rates.

9. Review Your Education Savings Plans

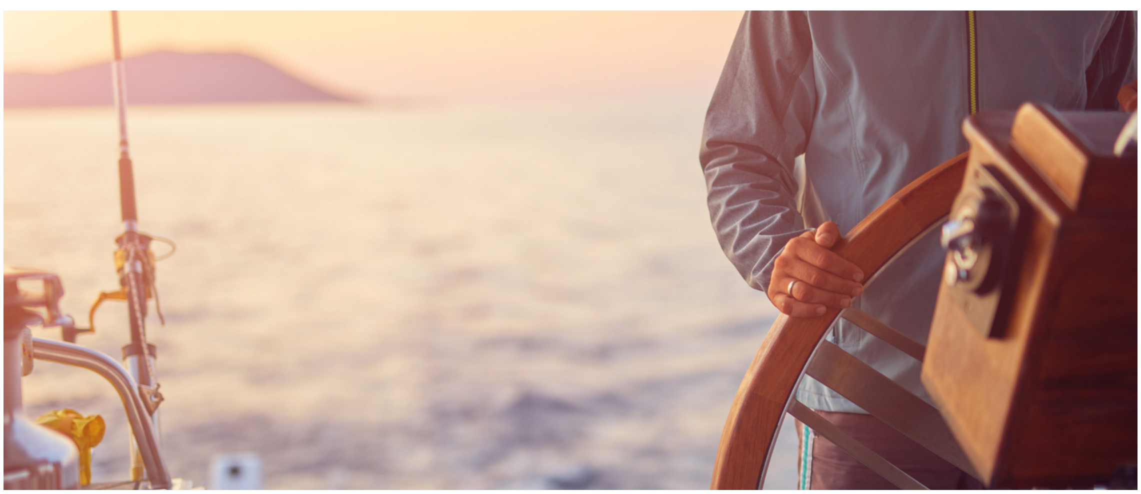
Consider funding an education savings plan through an Education Savings Account (ESA) or 529 Savings Plan for a child or a grandchild. Both offer tax deferral. Both also provide tax-free distributions if they are used for qualified education expenses. For students attending college, that includes tuition, fees, books, and supplies, in addition to certain room and board costs. 529 plans can also be used to make distributions for K-12 tuition (up to $10,000 a year), for certain expenses for registered apprenticeship programs, and for student loan repayments (up to $10,000) for the student or siblings of the student. Some states may also provide residents with an income tax credit or deduction for 529 plan contributions made. Although contributions to an ESA are limited in amount and by your AGI, contributions to a 529 education savings plan are not.

If you are taking withdrawals from a 529 savings plan or ESA, make sure your withdrawals do not exceed your qualified education expenses. Distributions taken before year end can only be used for qualified expenses incurred during this calendar year for those distributions to be tax free. Talk to your tax professional about the documentation you should keep regarding your expenses.

10. Remember to Take RMDs; Qualified Charitable Distributions Create Opportunities When Age 70 ½ or Older

December 31 is the deadline to receive your current year required minimum distribution (RMD), unless it is your first year. If your 73rd birthday was this year, you can delay your first RMD until April 1 of next year, but doing so will require you to take both this and next year's RMD next year.

Although RMDs begin at age 73, if you are charitably inclined, tax-free direct gifts to qualified charities from IRAs are available when you are age 70 ½ or older in amounts up to $105,000 in 2024 and will count toward any RMD you have for the year. You can also make a one-time $53,000 gift to split-interest entity.



Plan Your Next Steps

The concepts discussed in this piece may or may not apply to your individual situation. By working with your tax advisor and your financial advisor, you can determine what ideas might be appropriate given your situation. Your financial advisor can provide more in-depth information on these strategies.

Calendar of Important Dates

2024 Deadline for:	
Nov 29	Doubling up for 2024 (to avoid the wash sale rule)
Dec 31	· Selling a security for a 2024 gain or loss (trade date determines the tax year) · Taking 2024 RMDs (unless it is your first year) · Converting a traditional IRA to a Roth IRA for 2024 · Making gifts for 2024 (transfer must be completed by year end) · Making 529 plan contributions for 2024 (for federal gift tax purposes; state tax deduction deadlines may vary)

2025 Deadline for:	
Jan 15	Paying fourth quarter 2024 estimated taxes
Mar 17	· Filing calendar-year tax returns for partnerships and S-corporations (excluding extensions) · Establishing and funding SEP IRA and other retirement plans for S-corporations for 2024 (unless filing under extensions)
Apr 1	Taking 2024 RMDs if it is your first year
Apr 15	· Filing 2024 income tax returns · Paying first-quarter 2025 estimated taxes · Opening and making contributions to traditional IRAs, Roth IRAs and Coverdell Education Savings Accounts for 2024 · Establishing and funding SEP IRA and other retirement plans for sole proprietors and corporations for 2024 (unless filing under extensions)
Jun 16	Paying second quarter estimated taxes
July 31	Filing qualified retirement plan returns (Form 5500) for calendar-year plans
Sep 15	Paying third quarter estimated taxes
Oct 1	Establishing a SIMPLE IRA plan for 2025
Oct 15	Filing 2024 individual tax returns with automatic extensions
Nov 28	Doubling up for 2025