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Online Advisor – December 2024

Upcoming dates:

Dec. 25 to Jan. 2

- Hanukkah

December 25

- Christmas Day

December 26

- Kwanzaa begins

January 15

- 4th Quarter Estimated Payments Due

Take final year-end actions

- Charitable contributions, other itemized deductions
- Capital gains/losses
- 401(k) contributions
- Dividend income

There's still time to uncover ways to cut your 2024 tax bill before the end of the year. In this month's newsletter, use our year-end tax savings checklist to help you minimize your annual tax liability.

Also learn about tax policy changes that may be on the horizon in 2025, and read about how the art of selfless giving can help you capture the spirit of the holidays. And test your knowledge of how the holidays are celebrated around the world with our annual holiday quiz!

Please pass this information on to anyone that may find it useful and call if you have any questions or concerns.

Year-End Tax Savings Checklist

Great tax moves you can still make

Conducting a year-end tax review of your financial situation can uncover opportunities to cut your tax bill or save you from an unpleasant tax surprise. But hurry, the clock is ticking! Here are several areas to consider reviewing in the next few weeks to trim your tax bill.



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Review #1: Retirement Savings Accounts. The deadline to contribute to a 401(k) plan to help reduce your 2024 taxable income is December 31st. So if your employer's plan allows it, consider making a last-minute lump sum contribution. For 2024, you can contribute up to \$23,000 to a 401(k), plus another \$7,500 if you're age 50 or older. Even better, you have until April 15, 2025, to contribute up to \$7,000 into a traditional IRA, plus another \$1,000 if you're age 50 or older. And as long as your income does not exceed phaseout limits, your traditional IRA contribution can reduce your taxable income on your 2024 tax return.

Review #2: Investments. If you own stock outside a tax-deferred retirement plan, you can sell your under-performing stocks by December 31st and use these losses to reduce any taxable capital gains. If your net capital losses exceed your gains, you can net up to \$3,000 against other income such as wages. Losses over \$3,000 can be used in future years.

Review #3: Appreciated Assets. Consider selling appreciated assets in the tax year that helps you the most. While this strategy may be hard to accomplish this late in the year, it's still worthy of consideration. To do this, estimate your current year's taxable income and compare it to next year's projected taxable income. Then sell the appreciated asset in the year that will yield the lowest tax. Remember, if appropriate, to account for the 3.8% net investment income tax in your estimates.

Review #4: Tax-Efficient Contributions. As you're reviewing your appreciated assets, consider donating one or more of these assets if it helps you pass the itemized deduction threshold. If it does, consider donating next year's contributions as well to maximize the tax savings. Remember when you donate a long-term asset (held for more than one year) you avoid paying capital gains taxes while getting a market value charitable deduction. And don't forget, if you are over age 70 1/2 you can make up to \$100,000 in direct contributions from a qualified IRA account and not pay tax on the withdrawal.

Review #5: Health Spending Accounts. If you participate in a Health Savings Account (HSA), try to maximize your annual contribution to reduce your taxable income. Remember, these funds allow you to pay for qualified health expenses with pre-tax dollars. The deadline for contributing to your HSA and still getting a deduction for the 2024 tax year is April 15, 2025. The maximum contribution for 2024 is \$4,150 if single and \$8,300 for married couples. If you're age 55 or older, you can add \$1,000 to your HSA contribution. If you have a Flexible Savings Account, you can carry forward a maximum balance of \$640 from 2024 into 2025 if your plan allows this.

The 2025 Tax Law Uncertainty

With the changes happening in Washington D.C., there is now some uncertainty about what tax policies we may see in 2025 and beyond. During this time of uncertainty, it is challenging to create a



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workable tax plan. But not to fear. There are several things that we DO know about tax changes to start 2025. Here are the key highlights as they are currently known.

What we DO know

- **Tax brackets and rates.** The seven tax rates remain unchanged while the income subject to each rate got a slight bump. After a 5.4 percent increase in 2024, there's an additional 2.8 percent increase in income subject to each tax rate in 2025. This means more of your income will be subject to a lower tax rate.
- **Higher retirement plan limits.** The amount you can contribute to a 401(k) in 2025 is \$23,500, up from \$23,000 in 2024. The 401(k) catch-up contribution limit in 2025 stays at \$7,500 if you're age 50 to 59, and age 64+. New in 2025, if you are ages 60 to 63, the catch-up contribution limit increases to \$11,250. The annual contribution threshold for IRAs remains at \$7,000, as does the IRA catch-up contribution limit of \$1,000.
- **New cryptocurrency reporting rules.** New reporting rules in effect as of January 1, 2025 means you'll need to be more vigilant with tracking your cryptocurrency transactions and complying with the IRS's digital asset rules. Brokers of digital assets, including cryptocurrency exchanges, custodial services, and certain payment processors, must report sales and exchanges of digital assets to the IRS starting in 2025. Your digital asset transactions will be summarized annually on a new Form 1099-DA. This new reporting of digital asset transactions will be similar to existing reporting for traditional securities such as stocks and bonds.

Changes on the horizon

- **The 1099-K reporting threshold.** If you use third party payment processors like Venmo or sell tickets on apps like SeatGeek, you're more likely to receive a tax form of your activity that will also be sent to the IRS. The limit requiring your activity to be reported was \$5,000 in 2024. In 2025, this threshold is scheduled to be lowered to \$2,500, and further lowered in 2026 to \$600.
- **Uncertainty over TCJA provisions.** There has been discussion about extending and/or making permanent many of the provisions contained in the Tax Cuts and Jobs Act (TCJA) of 2017. Most of the provisions are scheduled to expire at the end of 2025, so we will pay attention to any legislation forthcoming that could change any of this tax landscape.
- **Proposed decrease in corporate tax rates.** There is also discussion about lowering the corporate tax rate from its current level of 21%, in addition to lowering the effective corporate tax rate from 21% to 15% for domestic manufacturers.

Stay tuned for continuing updates of any tax changes as events unfold in 2025.



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Annual Holiday Quiz - Around the World!

The holiday season is celebrated in so many unique ways across the globe. From unusual foods to peculiar customs, each country has its own special way of celebrating. Think you know your global holiday traditions? Test your knowledge and have fun with our annual holiday quiz!

- **1.) In Japan, what unusual meal is a popular Christmas tradition?**

A) Sushi B) Fried Chicken C) Tempura D) Ramen

- **Answer: B) Fried Chicken**

In Japan, eating KFC on Christmas has become a beloved holiday tradition. This started in the 1970s after a successful marketing campaign by KFC, and now people even reserve their meals weeks in advance!

- **2.) In Norway, what household item do people hide on Christmas Eve to keep it safe from mischievous spirits?**

A) Shoes B) Brooms C) Mirrors D) Keys

- **Answer: B) Brooms**

In Norway, people hide their brooms on Christmas Eve to prevent witches and other spirits from stealing them for a night of mischief.

- **3.) In which country do people celebrate Christmas with a giant lantern festival called Ligligan Parul?**

A) Philippines B) Thailand C) India D) Malaysia

- **Answer: A) Philippines**

In the Philippines, Ligligan Parul, or the Giant Lantern Festival, takes place every December and features enormous, colorful lanterns in a dazzling display of light and creativity.

- **4.) In Ukraine, it's customary to decorate Christmas trees with what unusual item?**

A) Straw B) Spiderwebs C) Feathers D) Seashells

- **Answer: B) Spiderwebs**

Ukrainians decorate Christmas trees with artificial spiderwebs for good luck, based on a legend where spiders wove webs around a poor family's tree, turning them into silver and gold.



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- **5.) In Venezuela, many people travel to Christmas Mass in which unusual way?**

A) On bicycles B) By horse-drawn carriages C) Roller-skating D) On scooters

- **Answer: C) Roller-skating**

Across Venezuela, particularly the capital city of Caracas, it's a Christmas tradition to attend early morning Mass by roller-skating through the streets, which are even closed to traffic for the event!

- **6.) In Finland, what do families traditionally do to honor the memory of their loved ones on Christmas Eve?**

A) Set a place at the table B) Visit cemeteries and light candles C) Sing carols at home D) Write letters to ancestors

- **Answer: B) Visit cemeteries and light candles**

On Christmas Eve, Finnish families visit cemeteries to light candles on the graves of their loved ones, creating a serene and glowing display of remembrance.

- **7.) In which country do children place their shoes by the fireplace instead of hanging stockings for Christmas?**

A) France B) Portugal C) Brazil D) Austria

- **Answer: A) France**

In France, children leave their shoes by the fireplace, and Père Noël (Father Christmas) fills them with gifts and treats on Christmas Eve.

- **8.) In Iceland, which mythical creatures visit children during the 13 days leading up to Christmas?**

A) Santa's Reindeer B) Christmas Cats C) Yule Lads D) Snow Fairies

- **Answer: C) Yule Lads**

Icelandic children are visited by the Yule Lads, 13 mischievous creatures who bring small gifts (or potatoes for the naughty ones!) on each of the 13 nights before Christmas.

- **9.) In Spain, what is traditionally eaten at midnight on New Year's Eve for good luck?**

A) 12 grapes B) A slice of cake C) Lentils D) A piece of garlic

- **Answer: A) 12 grapes**

In Spain, people eat 12 grapes at the stroke of midnight on New Year's Eve — one for each chime of the clock — to bring good luck for each month of the coming year.



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However you celebrate the holiday season, may it be filled with joy and laughter!

The Art of Selfless Giving

Capture the spirit of the holidays

We are a generation past the hardships of the dust bowl and the Great Depression. And we are a generation well into an economy based upon consumption. And in this environment, Santa presents an interesting paradox.

From kids' perspectives, it is about magic and the joy of receiving the unexpected. From Santa's perspective, it is all about selfless giving. In light of the vast increases in the cost for just about everything, this could be the year you decide to view the holidays from the perspective of Santa.

Here are some ideas to help capture the spirit of giving:

- **Give the gift of time.** Spend an afternoon with someone you never seem to have the time to see. It could be a neighbor, a parent, an adult child, a grandparent, or a friend. Challenge your kids to give you a non-monetary gift, like a coupon book of chores.
- **Make something.** Make something instead of buying it. Perhaps it's a meal, a drawing, or a useful object around the house. There are numerous ideas online and you *DO NOT* have to be a creative genius, just a willingness to be creative.
- **Give the gift of fulfilling an unwanted chore.** Offer babysitting for a night out to a young couple. Do the dishes, shovel the walk, or offer to mow the lawn. There are so many unwanted chores, that a creative gift here will be much appreciated.
- **Commit to a gift that goes unnoticed.** During the holiday season, quietly go about making things better for someone else without them knowing about it. Shoveling a neighbor's sidewalk, rolling down a trash bin to the curb, gathering a morning paper and placing it by the front door, or picking up the garbage every day in front of a store are all examples that are easy to do.
- **Pay it forward.** Find opportunities to help someone else with a little surprise gift. Have your kids BRING a gift to help Santa while they visit him. Pay for your meal at a drive through restaurant, and then pay the meal of the car behind you. Do the same thing at a restaurant when you see someone out for a special occasion.
- **Provide a smile to someone who needs it.** Try to make a person smile every day during the holiday season. Then challenge yourself to do this with a person you do not know, or barely know.



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Giving during the holiday season doesn't need to break the bank. It's up to all of us to reconnect the season to something that could be a lot more meaningful. Enjoy your holiday season!

Creative Ways to Save Money

Saving money doesn't have to be a chore. In fact, with a little creativity, it can be both fun and rewarding. Here are some interesting ways to boost your savings without feeling like you're missing out.

- **Embrace the 30-Day Rule.** If you find yourself wanting to make an impulse purchase, give yourself 30 days to think it over. This rule allows time for the initial excitement to wear off, helping you decide if you truly need or want the item. If you still want it after 30 days, then go for it! If not, you've saved yourself from a purchase you may later regret.
- **Try a *No-Spend Challenge*.** Challenge yourself to a no-spend day, week, or even a month. This means avoiding unnecessary purchases and focusing only on essentials, such as groceries, rent, and utilities. Not only does it help you save, but it also makes you more aware of your spending patterns and helps reset your budget habits.
- **Have a use-it-up month.** Designate a month to use up everything you already have before buying more. This can apply to pantry items, food in the freezer, cleaning supplies, and even beauty products. You'll be amazed at how much you can save by simply using what you already own instead of restocking.
- **Create a *Fun Jar*.** Use a clear jar as a visual savings tool. For example, set a goal to fill the jar with loose change or a specific dollar bill, like \$5 or \$10. This works especially well if you want to save for something fun, like a weekend getaway or a special purchase. Watching the jar fill up can be surprisingly motivating.
- **Make gifts instead of buying them.** Homemade gifts are often more thoughtful and can save you a lot of money compared to store-bought options. You could bake cookies, create a photo album, or craft something unique. DIY gifts don't just save money, they also add a personal touch that recipients appreciate.
- **Use a cash envelope system.** Using cash instead of debit or credit cards can help control spending. Create envelopes for each budget category (groceries, entertainment, dining out) and place your allotted amount of cash in each. When the cash is gone, you know you've hit your limit for that category, which can curb overspending.



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- **NEVER carry a credit card balance.** Speaking of credit cards, carrying a balance from one month to another means wasting money on interest expense. Pay yourself - and not your bank! - by paying your credit card off in full every month.

With a little creativity, you can make saving money both fun and rewarding.

Tax Planning Tips for Your Business

As 2024 winds down, here are some ideas to help you prepare your business for filing your upcoming tax return:

- **Informational returns.** Identify all vendors who require a 1099-MISC and a 1099-NEC. Obtain tax identification numbers (TINs) for each of these vendors if you have not already done so.
- **Shifting income and expenses.** Consider accelerating income, or deferring earnings, based on profit projections.
- **Be prepared to receive a Form 1099-K.** You may receive a Form 1099-K from each payment processor from whom you've received a payment. In addition to credit card companies and banks, payment processors can include Amazon, Etsy, PayPal, Venmo and Apple Pay. You'll need to include the 1099-K on your tax return.
- **Categorize income and expenses.** Organize your records by major categories of income, expenses and fixed asset purchases. If your accounting records are accurate, then any tax form should be easy to tie out to your books.
- **Separation of expenses.** Review business accounts to ensure personal expenses are not present. Reimburse the business for any expenses discovered during this review.
- **Create expense reports.** Having expense reports with supporting invoices and business credit card statements with corresponding invoices will help substantiate your deductions in the event of an audit.
- **Fixed asset planning.** Section 179 or bonus depreciation expensing versus traditional depreciation is a great planning tool. If using Section 179, the qualified assets must be placed in service prior to year-end.
- **Leveraging business meals.** Business meals with clients or customers are 50% deductible. Retain the necessary receipts and documentation that note when the meal took place, who attended and the business purpose on each receipt.
- **Charitable opportunities.** Consider any last-minute deductible charitable giving including long-term capital gain stocks.



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- **Cell phone record review.** Review your telephone records for qualified business use. While expensing a single landline out of a home office can be difficult to deduct, cell phone use can be documented and deducted for business purposes.
- **Inventory review.** Review your inventory for proper counts and remove obsolete or worthless products. Keep track of the obsolete and worthless amounts for a potential deduction.
- **Review your receivables.** Focus on collection activities and review your uncollectible accounts for possible write-offs.
- **Review your estimated tax payments.** Recap your year-to-date estimated tax payments and compare them to your forecast of full year earnings. Then make your 2024 4th quarter estimated tax payment by January 15, 2025.

As always, should you have any questions or concerns regarding your tax situation please feel free to call.

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