LENOX ADVISORS

Maximizing Your Money:

A Year-End Financial Checklist

As we approach the conclusion of 2024, it is imperative to conduct a thorough review of your financial situation to ensure you are optimizing your wealth strategies. With critical deadlines set by the IRS regarding retirement savings and tax obligations, the array of time-sensitive financial tasks can be overwhelming. However, our team at Lenox is equipped to guide you through these essential to-dos, enabling you to end the year with a robust financial standing.

1 Optimize Your Retirement Contributions

Investing in tax-advantaged retirement accounts, such as IRAs and 401(k) plans, is a proven method for reducing tax liabilities on investment earnings. As the year concludes, consider maximizing your contributions or increasing them to enhance your retirement savings and potentially decrease your overall tax burden. For 2024, the contribution limits are as follows:

- IRA: $7,000 ($8,000 for individuals aged 50 or older)
- 401(k): $23,000 (an additional $7,500 is permitted for those 50 and older)

Please note the following crucial deadlines: 401(k) contributions must be completed by December 31, 2024, while IRA contributions for the 2024 tax year have a deadline of April 15, 2025.

2 Consider a Pre-Tax Roth Conversion or Backdoor Roth IRA

A Roth conversion or backdoor Roth may be advantageous if you find yourself in a lower tax bracket for 2024. High-income earners who cannot contribute to a Roth IRA due to income restrictions might explore the backdoor Roth option. The deadline for these actions is December 31, 2024.

Planning Tip: Roth IRA conversions may be particularly appealing to folks who want to hedge the risk of potentially higher taxes in the future, given rising federal budget deficits and the expiration of the current favorable tax rates at the end of 2025.

3 Adhere to Required Minimum Distributions (RMDs)

For individuals aged 73 and older, compliance with IRS RMD rules is essential. These regulations mandate minimum withdrawals from qualified retirement accounts by December 31 each year. Neglecting these requirements can result in substantial IRS penalties, thus it is crucial to fulfill your RMD obligations promptly.

Planning Tip: Investors who are 70½ or older can donate all, or a portion, of their RMD directly to charity via Qualified Charitable Distributions (QCD). QCDs are limited to a maximum of $100,000 annually per taxpayer.

4 Strategically Manage Your Investment Losses and Gains

The end of the year presents an opportune moment to assess your portfolio's performance and make informed decisions. If you have incurred investment losses, employing tax-loss harvesting can effectively offset taxes owed on capital gains. Conversely, if certain assets have appreciated significantly, consider tax-gain harvesting. This involves selling high-value assets during a favorable tax year, ideally when you are in a lower tax bracket or have losses to offset gains. Ensure these transactions are executed by December 31, 2024, to be applicable for the 2024 tax year.

5 Engage in Charitable Contributions

For those who itemize their taxes and prioritize philanthropy, now is an advantageous time to boost donations or make year-end contributions ahead of the December 31, 2024, deadline.

Planning Tip: A Donor Advised Fund (DAF) may be useful when "bunching" your charitable contributions, which involves donating several years' worth of charitable contributions all at once for tax planning purposes. For example, charitable contributions are only tax-deductible to those who itemize their deductions. This year, the standard deduction is $14,600 for single filers and those married filing separately, $29,200 for those married filing jointly, and $21,900 for heads of household. Bunching donations via a DAF may allow the donor to exceed the standard deduction this year and take the itemized deduction yet still distribute the funds over the current and subsequent years.

6 Review your Employee Benefits

Year-end planning for workplace perks is key to securing your finances. By evaluating retirement goals, exploring Roth accounts, optimizing healthcare benefits, and strategically using paid time off, you can maximize your employee benefits and foster a more prosperous future.

Planning Tip:

- **Calculate your remaining health insurance deductible.** Can you accelerate or postpone medical treatments?
- **Use up your** Flexible Spending Account (FSA). There are some qualified products you may not have thought of, from contact lens solution to bandages, that you can purchase with those funds.

7 Invest in Future Education

Contributing to a 529 plan can provide state tax benefits, but you must follow certain guidelines: contribute to a plan sponsored by your state and complete your gift by December 31, 2024. If you have qualified expenses like tuition or textbooks, ensure to reimburse yourself before the year's end to validate the use of your 529 plan distribution.

8 Review and Reflect on Your Financial Goals

The end of the year serves as an ideal juncture to evaluate your financial objectives. Reflect on the progress achieved and contemplate any necessary adjustments or new goals for the upcoming year.

At Lenox, we provide personalized financial guidance tailored to your objectives. We invite you to schedule a meeting with our experts to discuss your financial strategies for the coming year. As we transition from 2024, let us collaborate to conclude this year on a strong note and enter 2025 with renewed financial determination.