

# 10

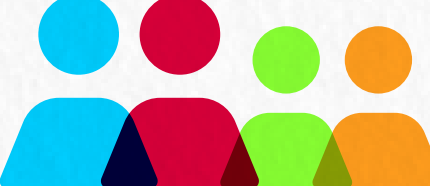
# Tax Planning Tips That Could Reduce Your Taxes


## 1. Invest In a Health Savings Account

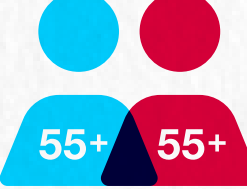
Health savings accounts (HSAs) offer a triple tax advantage: tax deductible contributions, tax-free growth, and tax-free qualified distributions. To be eligible to contribute the full allowable amount to an HSA, you need to be covered under a high deductible health plan on the first day of the last month of your tax year – Dec. 1 for most taxpayers.

Limits can change. In 2023, contribute up to:

  
**\$3,850**  
per individual

  
**\$7,750**  
per family

  
**+\$1,000**  
when 55+ yrs. old

  
**+\$1,000 each**  
when both spouses  
are 55+ yrs. old

## 2. Set Up a Retirement Plan

Even if you're self employed or your employer does not offer a retirement planning benefit, you can still set up a solo retirement plan. These types of plans help you qualify for other tax benefits and tax-advantaged investments.

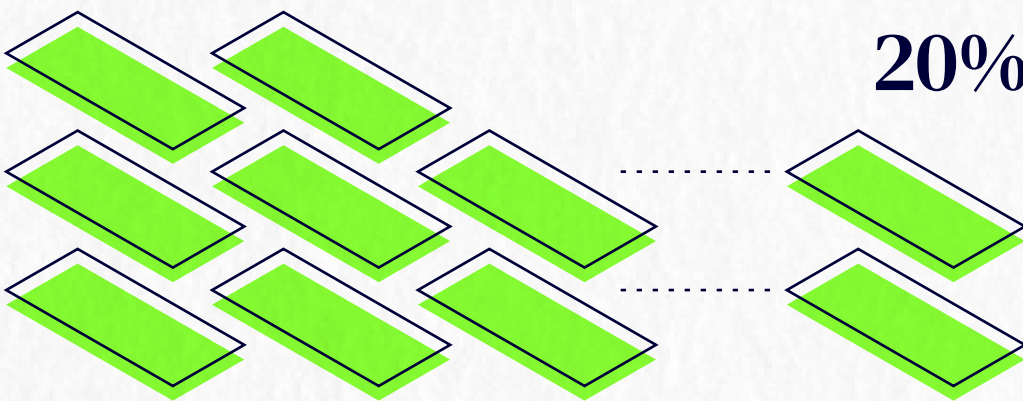
Many people are unaware that you can set up the following plans to set aside money for retirement:

- Solo 401(k)\*
- Defined Benefit Plan\*
- Roth IRA
- Traditional IRA
- SEP IRA\*
- Simple IRA\*

\*Self-employed retirement plans

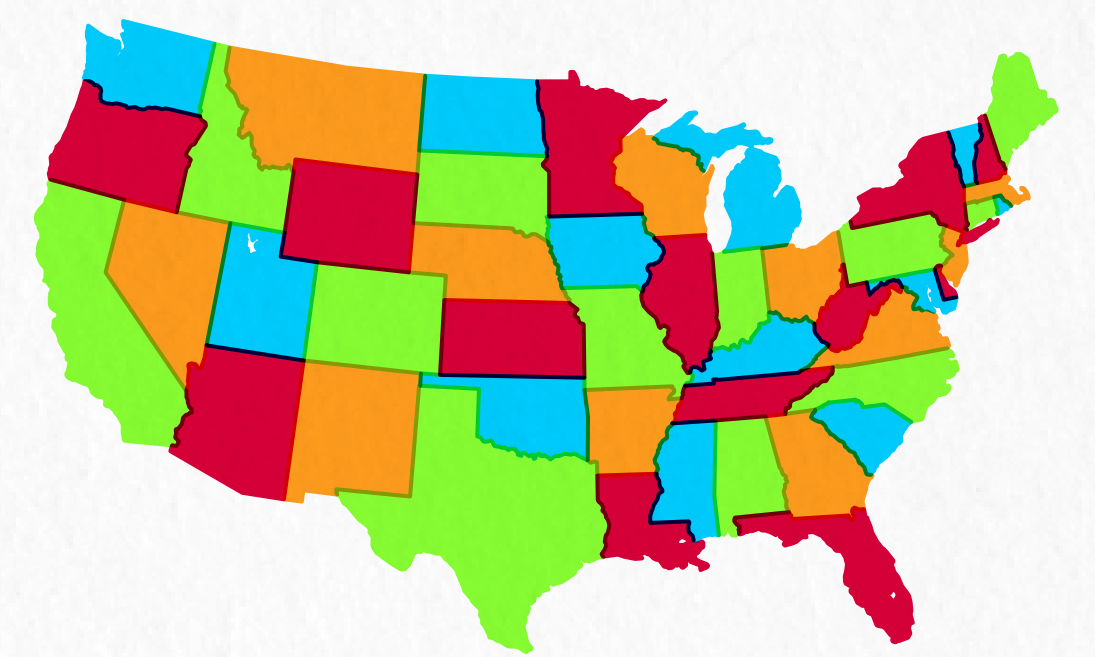
## 3. Factor in Section 199A

For pass-through entities such as sole-proprietorships, partnerships, S corporations, trusts or estates, Section 199A allows for a deduction of up to 20% of qualified domestic business income.



## 4. State Your Location

Each state taxes income differently, making some states more or less attractive depending on your life stage and income level. Likewise, estate and inheritance tax laws vary from state to state and may be an important consideration.



## 5. Lock in on Asset Location, Location, Location

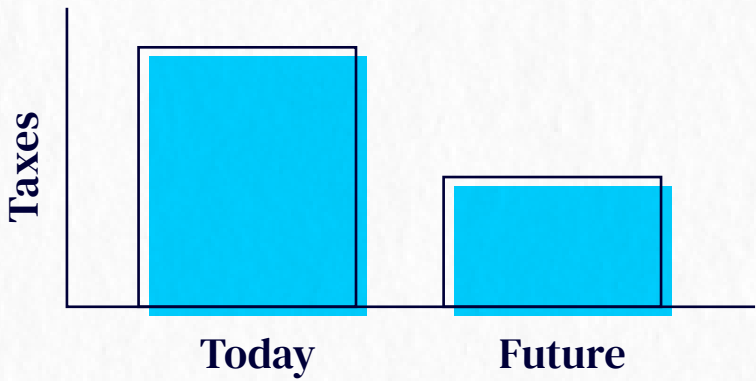
A great way to save on taxes is to understand how each type of account is taxed and line up your assets accordingly.

Investments are taxed in one of three ways:

- Taxable Investments
- Tax-Deferred Money and Accounts
- Tax-Free Investments

## 6. Roth and Roll

Roth IRA conversions mean **higher taxes today but lower taxes in the future**. Rolling a 401(k) or other tax-free retirement accounts into a Roth IRA lets that money grow tax-free as long as the holding period requirements and trigger events for distribution are met.



## 7. Matters of Estate Planning

Estate planning involves preparing your assets to smoothly pass on to your loved ones and giving permission to others to provide care and support in the event you can no longer care for yourself.

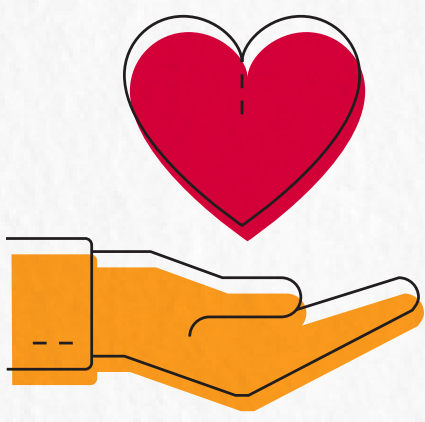


## 8. Give Back and Get Back

There's nothing wrong with embracing the opportunity to help your own finances while helping others. While most donors give the conventional way (via cash gift) there are other impactful ways to give that can also provide a boost to your tax strategy.

Consider one of the following strategies:

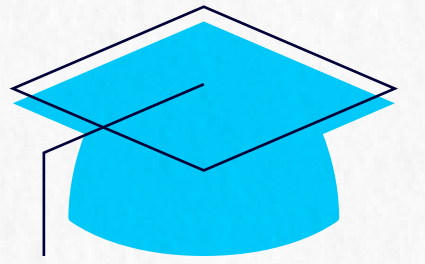
- Donor-Advised Funds (DAF)
- Qualified Charitable Distributions (QCDs)
- Charitable Gift Annuities



## 9. Contribute to a College Savings Plan

A 529 plan is a savings vehicle specifically for education expenses. You can start one at any point and contribute throughout the student's life and even while they are pursuing that education. Growth on the account and qualified distributions are tax-free.

There are currently 30 states that have carved out tax credits or deductions for contributions to 529 plans. There is no federal tax deduction, so contributions are considered after-tax on that level.



## 10. Check Your Business Entity Structure

If you're operating your own small business, you should think about your legal entity structure. Your entity type impacts your taxes (for example, whether the taxes are paid by the entity or the individual, and whether the business qualifies for the Sec 199A qualified business deduction).

Today, many people gravitate to LLCs for the liability and pass-through nature. However, a partnership, S corp, C corp, or a sole proprietorship can make more sense for others.

There are 6 types of business entity structures:

Sole Proprietor	LLC
S corp	C corp
General Partnership	Limited Partnership

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Converting from a Roth IRA is a taxable event. To qualify for the tax-free and penalty-free withdrawal or earnings, a Roth IRA must be in place for at least five tax years, and the distribution must take place after age 59 ½ or due to death, disability, or a first time home purchase (up to a \$10,000 lifetime maximum). Depending on state law, Roth IRA distributions may be subject to state taxes.

Investors should also consider whether the investor's or beneficiary's home state offers any state tax or other benefits available only from that state's 529 Plan. Any state-based benefit should be one of many appropriately weighted factors in making an investment decision. The investor should consult their financial or tax advisor before investment in any state's 529 Plan.