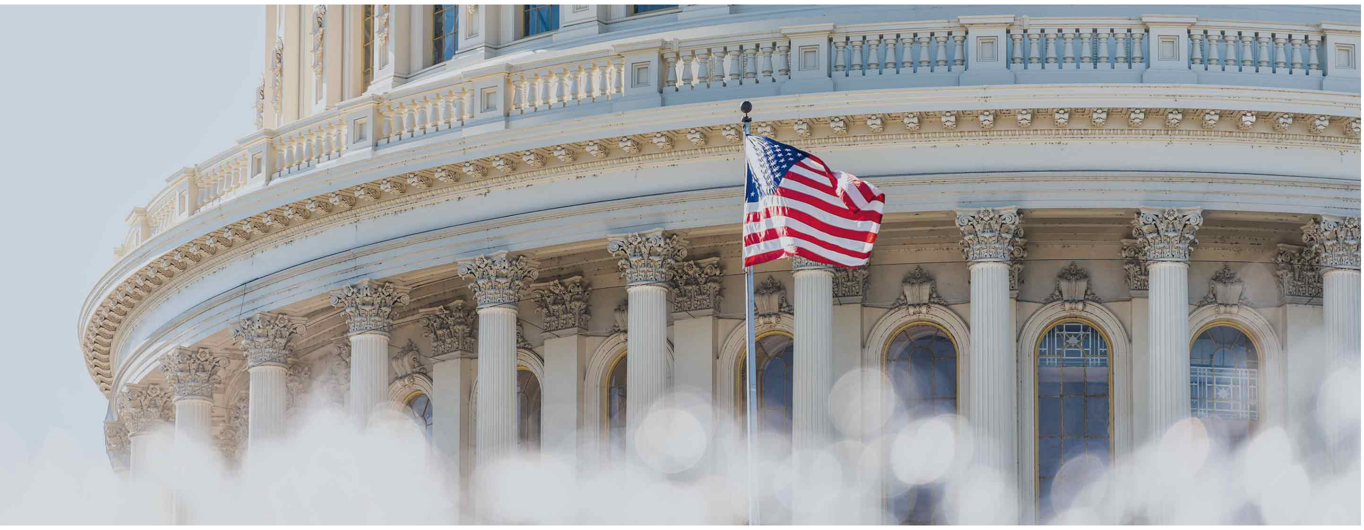

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# Post-Election Financial Planning Considerations

Taking a little time out to understand the basics of the proposed tax changes under the Biden-Harris administration before December 31 could affect your long-term ability to meet your financial goals. Read on for several year-end financial planning strategies to consider.

A lot will be written in the coming months about the promises made by the Biden-Harris campaign and the tax proposals central to the new administration's message. As with any newly elected president, it's very difficult to predict what campaign promises will be prioritized in office, and it's even more difficult to predict which promises will be executed on.

As the saying goes, no plan survives contact with the enemy. Put another way, all potential changes under the new administration are speculation at this point.

The good news is that still several year-end financial planning strategies may still be beneficial.

**Realize Losses or Take Gains in Investment Accounts**

Depending on your tax situation and your portfolio, you may be able to realize losses in your accounts to lower your tax bill. In certain cases, investors may choose to realize gains to fill low tax brackets or in anticipation of higher income or higher taxes in the future.

**Consider Roth IRA Conversions**

Converting traditional individual retirement account (IRA) funds to a Roth IRA is a taxable event; however, for some, it may be beneficial to take the income now rather than in the future. After the conversion, growth and distributions are tax-free in a Roth IRA once qualified.

**Assess Charitable Gifting Strategies**

Year-end is a popular time to address charitable giving. For some, bunching deductions into one calendar year may allow them to take advantage of a tax deduction. Donor-advised funds are also a great tool for those looking to donate on an ongoing basis.

**Review Your Estate Planning Selections**

You should revisit your estate plan after significant life events. Year-end can also be a time for you to revisit your beneficiary selections and to discuss with your advisors more complex opportunities to take advantage of estate-tax exemption limits.

**Evaluate Your Retirement Plan Contributions**

For many, open enrollment occurs at year-end, so this is a critical time to revisit your employer-sponsored benefits and confirm your contribution limits with your financial advisor.

**Examine Your Investment Plan**

This has been a tumultuous year in the investment markets. Confirm with your advisor that your investment plan still makes sense. Also confirm that you have sufficient emergency funds on hand in the form of cash or cash alternatives.

When it comes to year-end tax planning, there's a lot to think about. Consider seeking the assistance of a financial advisor and tax professional to help you evaluate your situation, keep you apprised of legislative changes, and determine whether any year-end moves make sense for you. The window of opportunity for many tax-saving moves closes on December 31, so it's important to evaluate your tax situation now while there's still time to affect your bottom line for the 2020 tax year.

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Benjamin Franklin is credited with saying, "In this world nothing can be said to be certain, except death and taxes."

While we can't do much about death, we can help you to understand the basics of the proposed payroll tax, individual income tax, and estate and gift tax changes under the Biden-Harris administration. According to *taxfoundation.org,* President-elect Biden may:

- Impose a 12.4 percent Social Security payroll tax for wages above $400,000
- Revert the top individual income tax rate for taxable incomes above $400,000 from 37 percent under current law to the pre-Tax Cuts and Jobs Act level of 39.6 percent
- Tax long-term capital gains and qualified dividends at the ordinary income tax rate of 39.6 percent on income above $1 million and eliminate step-up in basis for capital gains taxation
- Cap the tax benefit of itemized deductions to 28 percent of value for those earning more than $400,000
- Restore the Pease limitation on itemized deductions for taxable incomes above $400,000
- Phase out the qualified business income deduction (Section 199A) for filers with taxable income above $400,000
- Temporarily increase the Child Tax Credit and Dependent Credit
- Reestablish the First-Time Homebuyers' Tax Credit
- Increase the corporate income tax rate from 21 percent to 28 percent
- Establish an advanceable 10 percent Made in America tax credit for activities that restore production, revitalize existing closed or closing facilities, retool facilities to advance manufacturing employment, or expand manufacturing payroll

 

- Equalize the tax benefits of traditional retirement accounts (such as 401(k)s and individual retirement accounts) by providing a refundable tax credit in place of traditional deductibility
- Expand the estate and gift tax by reducing the exemption amount to $3.5 million and increasing the top rate for the estate tax to 45 percent
- Repeal the limit restricting deduction of state and local taxes (SALT) to $10,000

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