



## Tax Strategies, Savings, and Return on Investment for Successful Small-Business Owners

### **Strategy #1: Bunching Charitable Deductions Together Every Five Years into a Donor-Advised Fund**

If you make more than \$10,000 a year in charitable contributions, it is unlikely that your total itemized deductions will exceed the \$24,000 standard deduction, and you will not receive any tax benefit for your annual charitable contributions.

By bunching the next five years of contributions—for a total of \$50,000—into a donor-advised fund, assuming a 30% effective federal tax rate, you can save around \$7,800 in taxes during the year of the contribution. If done one more time over the next 10 years, the tax savings should total around \$16,600 over that period.

### **Strategy #2: Using Appreciated Stock (or Funds) to Make a Donor-Advised Fund Contribution**

If you have unrealized gains on stock or mutual fund holdings in a trust, transfer on death (TOD), individual, or joint investment account, you can gift appreciated shares or units directly to a donor-advised fund. Assuming \$20,000 of unrealized gains out of the \$50,000 donor-advised fund contribution described above, and a 29% total capital gains tax rate (federal, state, investment income tax), approximately \$5,700 could be saved each time—for a total of \$11,400 over the next 10 years.



## **Strategy #3: Backdoor Roth IRA Conversions**

If you are saving money outside of your retirement plan, the first dollars should go into Roth individual retirement accounts (IRAs) for you and your spouse. For taxpayers who earn greater than \$200,000, direct Roth IRAs are not allowed. However, a “backdoor” Roth strategy may work. A contribution is made to a non-deductible traditional IRA and immediately converted to a Roth IRA. Since no tax deduction was taken, no taxes are owed at conversion.

Over the next 10 years, by saving the first \$14,000 per year (\$7,000 each), the Roth accounts would be worth approximately \$45,000 more than if they were invested in after-tax accounts (and sold, with taxes paid at 29%). This benefit should increase each year going forward.

## **Strategy #4: Implementing a Cash Balance Plan**

If you are considering or already implementing a cross-tested profit-sharing calculation for your 401(k) or profit-sharing plan, consider adding a cash balance offset plan to provide significant tax savings each year. If additional cash balance contributions of \$100,000 are made each year (assuming a 37% total tax rate), \$37,000 per year in tax savings is possible. Over a five-year period, \$500,000 of contributions would be made (plus earnings), and \$185,000 in total taxes would be saved.

## **Strategy #5: Tax Loss Harvesting**

In a year like 2018, where stock markets drop in value, a proactive tax-loss harvesting strategy can offset future capital gains without likely affecting future investment returns. As an example, if \$100,000 of capital losses were taken during 2018 (and immediately invested back into similar strategies), you can offset the next \$100,000 in capital gains in future years. If net losses remain, \$3,000 per year can be used to offset ordinary income. Assuming a 29% total capital gains tax rate, that is \$29,000 in future tax savings until the losses are used.

## **Strategy #6: 529 Plan Contributions**

If you have four children or grandchildren, contributing the maximum state of Ohio tax- deductible amounts of \$4,000 each to the state 529 education savings program can save Ohio taxes. The overall savings, assuming a 5% Ohio tax rate, is \$800 of Ohio tax savings per year.

## **Strategy #7: Prudent Investing/Investment Policy – Value of Discretion**

Emotional and reactive decision making by investors can dramatically and negatively impact performance. Over the period from 2013 to 2018, the CAPTRUST Moderate Growth Strategy provided a cumulative investment return of 12.99% vs. the average retail investor of 7.73%—or just



over 1% per year on average. (Source: DALBAR Quantitative Analysis of Investor Behavior for the period ending 12.31.2018.). For a portfolio of \$1,000,000, 1% per year is approximately \$10,000 per year in additional account value.

## **Strategy #8: Active Rebalancing**

While there is no free lunch in investing, rebalancing consistently comes close. In their 2016 paper, “Advisor Alpha,” Vanguard estimated that active, consistent rebalancing adds 0.10% per year in additional returns—basically by selling small amounts when they are high and reinvesting in portfolio areas that are not. Assuming \$1,000,000 in an investment portfolio, this could add approximately \$1,000 in additional account value each year.

## **Strategy #9: Life Insurance Policy Review**

Life insurance is an essential but undermanaged component of many families’ financial plans. It can help provide you liquidity to pay estate taxes, fund a shareholder buyout, protect a company from financial loss in the event of a loss of a key employee, or provide tax-free retirement cash flow. It is important to monitor your policies’ performance to make sure they continue to meet the expectations set when you purchased them, and to verify that your policies’ current premiums and fees are competitive.

A consolidated life insurance portfolio review provides reporting to produce clarity and increase transparency so that you can make important decisions about your coverage with confidence. Policy reviews often lead to alternatives such as tax-free income at retirement, reduced premiums for the same amount of coverage, or increased coverage for the same amount of premium.

## **About CAPTRUST**

Founded in 1997 in Raleigh, North Carolina, CAPTRUST is an independent registered investment advisor with more than 650 employees nationwide and \$362 billion in client assets. An employee-owned firm, CAPTRUST provides investment advisory services to retirement plan fiduciaries, endowments, and foundations, and comprehensive wealth planning services to executives and high-net-worth individuals. CAPTRUST’s mission is to enrich the lives of its clients, colleagues, and communities through sound financial advice, integrity, and a commitment to service beyond expectation. The firm also operates the CAPTRUST Community Foundation, a charity focused on meeting the needs of underserved children.



## Legal Notice

This material is intended to be informational only and does not constitute legal, accounting, or tax advice. Please consult the appropriate legal, accounting, or tax advisor if you require such advice. The opinions expressed in this report are subject to change without notice. This material has been prepared or is distributed solely for informational purposes. It may not apply to all investors or all situations and is not a solicitation or an offer to buy any security or instrument or to participate in any trading strategy. The information and statistics in this report are from sources believed to be reliable but are not guaranteed by CAPTRUST Financial Advisors to be accurate or complete. All publication rights reserved. None of the material in this publication may be reproduced in any form without the express written permission of CAPTRUST: 919.870.6822.

© 2026 CAPTRUST Financial Advisors