7 TAX STRATEGIES **TO JUMPSTART YOUR FINANCIAL PLAN**

Let Confidence Be the Cornerstone of Your Financial Journey

Taking time to review your financial plan can make a meaningful difference. It gives you the opportunity to adjust for any recent life changes or updates in tax laws and helps ensure your strategy is tailored to your current goals.

Planning for a prosperous financial life requires forethought and strategies that can help you protect your assets and grow your wealth. With an evolving tax environment, it's important to strategically address your unique needs and prepare to minimize the effect of taxes on your financial foundation.

Through careful planning, you may be able to:

- **Lessen the impact of taxes on your estate**
- **Reduce your taxable income**
- **Maximize your investment strategies**
- **Plan for your lifelong financial priorities**

In this whitepaper, we share seven tips that can help you strategically implement tax-aware financial strategies and jumpstart your financial plan for efficient wealth management.

1. REVIEW ESTATE PLANNING

Estate planning is a critical step in protecting your financial foundation. Not only do you designate heirs for your estate, but you also can strategically manage your estate's tax obligations. One important element to address is the existing estate tax. In 2025, you can file an exemption for $13.99 million per person and $27.98 million per couple. However, this amount is set to expire in 2026, which if left unchanged, would drop the estate tax exemption by half.[i] You can get ahead of this change by regularly reviewing your estate planning strategies for tax efficiency to help ensure they support your long-term goals.

Planning Steps to Consider:

- Revisit your estate goals and potential tax exposures
- Set up a trust to help avoid a costly estate probate after your death[ii]
- Take advantage of the estate tax exemption[iii]

2. MAXIMIZE RETIREMENT CONTRIBUTIONS

You can reduce your taxable income by making sure you save money in your retirement accounts and pursue the maximum contribution amounts. Investment strategies that offer tax-deferred or tax-free growth can be an integral component of your retirement planning.[iv] Doing so can help you continue to grow your wealth with tax efficiency in mind.

Planning Steps to Consider:

- **401(k) Contributions:** You can invest into this company-sponsored retirement account with pre-tax contributions and grow your money tax-deferred. Remember to maximize your contributions and take advantage of any "catch-up" contributions if you're 50 years old or more.[v]
- **Nonqualified Deferred Compensation (NQDC) Plans:** If you receive salary or bonuses from an employer but don't currently need to use the income, consider a NQDC plan. This investment tool allows you to receive this income in the future and defer paying the income tax.[vi]
- **Backdoor Roth IRA Contributions:** This investment strategy benefits high-income earners who make too much to contribute to a Roth IRA by indirectly contributing to one. You can then benefit from tax-free growth, tax-free earnings withdrawals with timing specifications, and penalty-free withdrawals.[vii]

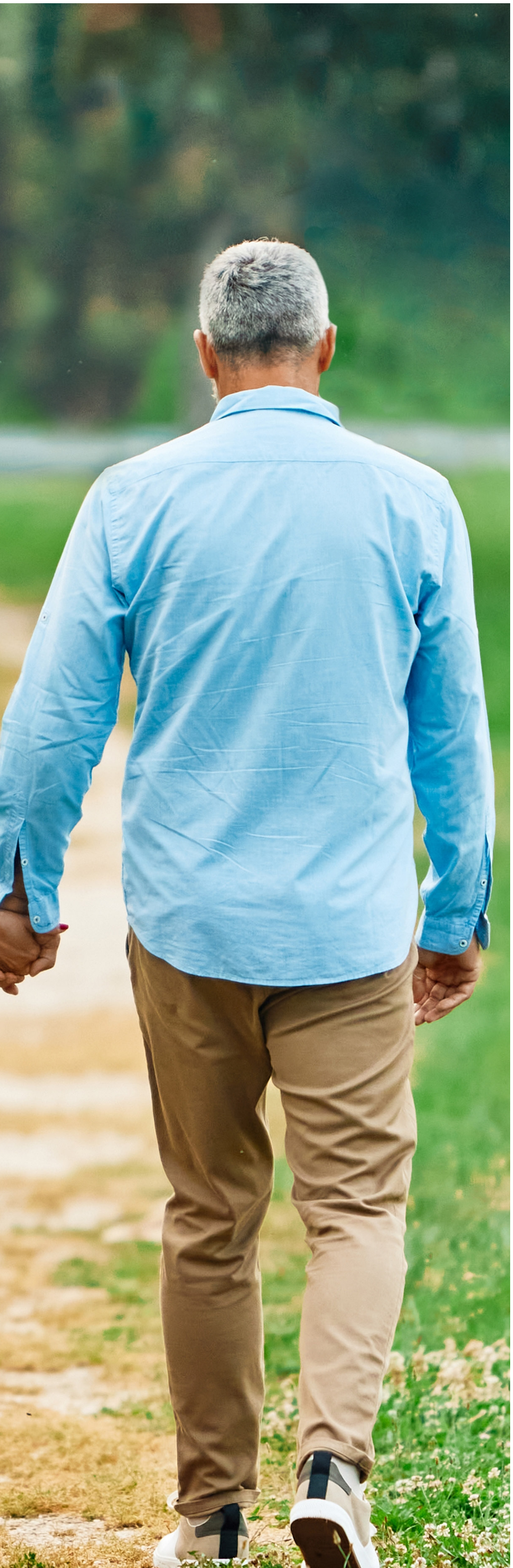
3. ADJUST INCOME AND DEDUCTION TIMING

Depending on your financial situation, you may want to consider "threshold planning." With this strategy, you can choose whether to speed up or postpone taking income.[viii] Another technique is to address your deductions. Doing so can help high-net-worth individuals efficiently manage income changes and a shift into higher tax brackets.

Planning Steps to Consider:

- **Accelerate Income:** You may want to bring more income in a certain year to help avoid tax obligations of a higher tax bracket in the next year. This can include strategies like selling a business, exercising stock options, or selling real estate.[ix]
- **Defer Income:** You may want to defer the income you receive to a later year if you think you'll be in a lower tax bracket in the future. An NDQC plan is one way to address this strategy. To optimize deferred income, be sure to pay attention to what you think your future tax rates will be.[x]
- **Accelerate Deductions:** You can choose to "bunch" your deductions in one tax year to help you save money in future taxes by going above the standard deduction. Doing steps like boosting your charitable donation and medical expenses can contribute to this strategy.[xi]

Knowing your specific long-term goals can help you balance whether adjusting income and deduction timing is right for your unique situation.



4. OPTIMIZE CHARITABLE GIVING

Charitable giving can be a great way to express your values and help your community. Another benefit is the potential tax advantages it can offer. In fact, 65% of high-income taxpayers take advantage of this technique and donate to charities.[xii] You can optimize your charitable giving by pursuing tax-friendly strategies other than making cash donations. By itemizing donations, you deduct them up to a percentage of your adjusted gross income.[xiii]

Planning Steps to Consider:

- **Donor-Advised Funds (DAFs):** You can receive an immediate tax deduction while waiting to identify which charities to direct your donation to.[xiv]
- **Appreciated Securities:** You can donate long-term appreciated securities to a qualified charity and deduct its fair market value from your taxable income. Further, there's a potential for you and the charity to benefit from capital gains savings.[xv]
- **Qualified Charitable Distributions (QCDs):** If you're over 70 ½ years old, you can make QCDs from your IRA tax free and meet your Required Minimum Distribution.[xvi] This strategy can help you reduce your taxable income. Work with a financial professional to help ensure you set up a QCD correctly.

5. HARVEST INVESTMENT LOSSES

Knowing whether your investment portfolios are performing optimally is a key element in tax efficiency. Addressing this factor early in the year can help you set your portfolio up for year-long success toward your financial goals. One key strategy is tax-loss harvesting. With this approach, you sell investments at a loss to help offset taxable gains from the previous year. By doing so, you may be able to reduce your taxable income within that year.[xvii]

Planning Steps to Consider

Tax-loss harvesting can help you by:[xviii]

- Rebalancing your portfolio
- Addressing the potential to deduct up to $3,000 in investment losses, per year
- Realigning investments with your long-term goals

Further, your unique financial situation will help you identify whether it makes sense to harvest investment losses.

Note: Make sure you follow the "wash-sale rule." This rule means you have to wait to buy the same or near-same security that you sell for tax-loss harvesting after 30 days of the sale. Working with a financial advisor can help you identify the best strategies for your specific financial goals.

6. EXPLORE A ROTH CONVERSION

Roth conversions can help you manage your tax liabilities by converting traditional IRA funds to a Roth IRA. This situation may make sense for you if you anticipate situations like a higher tax bracket in retirement or a need to diversify your tax treatments.[xix] Your unique goals will help you know whether this strategy makes sense for your financial life.

Planning Steps to Consider

Benefits of a Roth Conversion include:[xx]

- Lowering tax liabilities by not having to take required minimum distributions
- Avoiding beneficiaries paying taxes on Roth IRA income
- Strategizing to potentially reduce tax liability on underperforming IRA holdings

7. OPTIMIZE BUSINESS EXPENSES AND STRUCTURES

Business structures and expenses can be costly for business owners and executives. By thoroughly reviewing these details early in the year, you can identify tax-efficient strategies that can help boost your ability to grow your wealth.

Planning Steps to Consider:

- Deduct depreciable equipment you buy for your business immediately rather than spreading it out over the years using Section 179[xxi]
- Explore using a Section 125 plan to give employees a pretax benefit like health and dental insurance while also lowering your tax obligations[xxii]
- Updating your business structure may potentially lead to tax savings[xxiii]

CONCLUSION

The financial steps you take can have lasting impacts on your ability to grow and preserve your wealth for the long term. With careful attention to your unique tax situation, you can implement specific planning strategies that account for your goals and help prepare you for tomorrow's needs. Remember, tax laws are ever changing. Having a trusted advisor to guide you through your planning priorities can help you ensure that you're taking the right steps for your specific priorities.

At Cornerstone Wealth Management, we are dedicated to helping our clients maximize their wealth. We can work with you to create a forward-looking plan and address these tax tips and more, so you arrive at your desired financial destination. Contact us today to start the conversation.

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If converting a Traditional IRA to a Roth IRA, you will owe ordinary income taxes on any previously deducted Traditional IRA contributions and on all earnings. We suggest that you discuss tax issues with a qualified tax advisor.

Not everyone will qualify for a Backdoor Roth IRA. Please consult your tax professional to see if a Backdoor Roth IRA is appropriate for your situation.

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[i] https://www.kiplinger.com/kiplinger-advisor-collective/will-the-tcja-estate-and-gift-tax-provisions-really-sunset
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