



Year-End Tax Planning

The sweeping tax changes now wending their way through Congress may take effect in 2018. But those changes are not expected to alter what your tax return will look like next April, when you will have to file your return for 2017. Here are some things to consider for 2017 and beyond.

Things you do now can still have an impact.

Retirement Accounts

- **For savers.** Chances are you're not currently taking full advantage of this year's retirement savings tax incentives at your employer. For example, 401(k), 403(b) and most 457 plans may allow employees to contribute up to \$18,000 this year; plan participants age 50 or old may add up to another \$6,000. (Check your plan for its specific limits.)

Depending on the type of plan, your contributions could reduce your current taxable income. However, your contributions must be made before year-end.

Don't overlook individual retirement accounts (IRAs), which also offer potential tax advantages to many savers. Generally, there are two different types of IRAs -- traditional and Roth. With traditional IRAs, you may make deductible contributions, but any previously untaxed contributions and earnings will be taxable upon distribution. With Roth IRAs, you may make only nondeductible, after-tax contributions, but qualified distributions of both contributions and earnings will be free of federal income taxes.¹

Most savers can add up to \$5,500 to either type of IRA for the 2017 tax year; those aged 50 or older may be eligible to add another \$1,000.

- **For retirees.** Retirement savings plans such as 401(k)s and traditional IRAs have required minimum distributions (RMDs). If you are subject to those rules and fail to take your RMD by the appropriate date, you may face a hefty tax penalty.²

State and Local Taxes

Generally, for 2017, state and local property and income taxes are potentially deductible on your federal income tax return. You might consider prepaying your real estate taxes before year-end, particularly if the tax legislation currently pending in Congress eliminates or limits this itemized deduction. Also, if you pay quarterly estimated taxes, you might want to make your January 2018 installment before the end of 2017.

Health Savings Accounts

If you get your health insurance through a high-deductible health plan (HDHP), you may also have a health savings account (HSA). You may use an HSA to pay for any qualified medical expenses that were not covered by insurance. You may also want to use it to build a reserve for future qualified medical expenses.

Generally, for 2017, the HSA deduction limits are \$3,400 for self-only coverage and \$6,750 for family coverage. Individuals who are age 55 or older at year-end may contribute an additional \$1,000. If total contributions to your HSA haven't reached the above limits, you can make deductible contributions for the remaining balance up until the account holder's return due date (without extensions).

Capital Gains and Losses

If you've realized a material gain this year, you may be liable for a significant tax on that gain. You may be able to reduce your exposure to tax if you also realize a loss from selling an investment that has performed poorly.

Generally speaking, capital losses can be used to offset capital gains, *plus* an additional \$3,000 of ordinary income (\$1,500 if married filing separately), annually. You may also carry forward unused capital losses to future tax years, subject to the same limitations.

Remember, tax issues can be complex, so if anything is unclear to you, please seek appropriate advice. You should also be sure that any tax strategy you adopt supports your long-term investment goals.

¹Eligibility to deduct contributions to a traditional IRA may be subject to limitations based on your income level and whether you or your spouse is covered by an employer-sponsored plan. Eligibility to make contributions to a Roth IRA may be subject to limitation based on income level.

²RMD rules generally apply to owners of accounts in employer-sponsored retirement plans (such as 401(k)s) and owners of traditional IRAs who are 70½ or older. Failure to take a timely RMD may result in an excise tax equal to 50% of the missed distribution.