YOUR 2024 GUIDE TO Proactive YEAR-END TAX PLANNING

Hughes Financial Services, LLC, is an independent Registered Investment Advisor (RIA) that works closely with individuals and families, helping them to accomplish their unique financial goals and objectives through the allocation of their assets.

We are a fee-only firm that seeks to adhere to the highest fiduciary standards and provide clients with advice that is truly unbiased and has only our clients' best interests in mind.

We offer our clients a wealth of comprehensive financial planning expertise in:

- retirement planning
- tax planning
- investment management
- risk management
- estate planning
- education planning

Our advisors hold a variety of professional designations and certifications and are well-versed in a number of financial disciplines. Our combined education and experience allows us to proudly offer you independent financial advice you can trust.

One of our main goals as comprehensive financial advisors is to help our clients recognize tax reduction opportunities within their investment portfolios and overall financial planning strategies. Staying current on the ever-changing tax environment is key to helping our clients benefit from potential tax reduction strategies.

Other than some IRS inflation adjustments, 2024 has brought limited changes in tax laws for individuals. **This report focuses on information that could be helpful for individuals when tax planning for the calendar year 2024. Two important points to remember: Since 2024 is a presidential election year and both candidates have discussed tax rule modifications, it's likely that changes to both income tax and estate tax rules may be proposed. Additionally, many provisions of the Tax Cuts and Jobs Act (TCJA) of 2017 are currently set to expire on January 1, 2026. This report will focus on current tax rules with the understanding that a major uncertainty for taxpayers will be the future of the tax code.**

As financial advisors, we try to be proactive. The objective of this report is to share strategies that could be effective if considered and implemented before year-end. Please note that this report is not a substitute for using a tax professional. In addition, many states do not follow the same rules and computations as the federal income tax rules. Make sure you check with your tax preparer to see what tax rates and rules apply for your state.

INCOME TAX RATES FOR 2024

For 2024, there are still seven tax rates ranging between 10% and 37%. Under current tax law, this seven-rate structure will be phased out on January 1, 2026.

2024 ordinary-income tax brackets				
Tax rate	Single	Head of household	Married filing jointly or surviving spouse	Married filing separately
10%	$0 – $11,600	$0 – $16,550	$0 – $23,200	$0 – $11,600
12%	$11,601 – $47,150	$16,551 – $63,100	$23,201 – $94,300	$11,601 – $47,150
22%	$47,151 – $100,525	$63,101 – $100,500	$94,301 – $201,050	$47,151 – $100,525
24%	$100,526 – $191,950	$100,501 – $191,950	$201,051 – $383,900	$100,526 – $191,950
32%	$191,951 – $243,725	$191,951 – $243,700	$383,901 – $487,450	$191,951 – $243,725
35%	$243,726 – $609,350	$243,701 – $609,350	$487,451 – $731,200	$243,726 – $365,600
37%	Over $609,350	Over $609,350	Over $731,200	Over $365,600

Year-end tax planning

The best time to start is now

TAX PLANNING SHOULD *ALWAYS* BE A KEY COMPONENT OF YOUR FINANCIAL PLAN

Benjamin Franklin once said, "In this world, nothing can be said to be certain, except death and taxes." However, given the huge tax code overhaul in 2017 and potential tax law changes being considered now, wouldn't you agree that "ever-changing tax laws" should be added to Mr. Franklin's quote?

What should always be certain for taxpayers is making sure to start their final year-end tax planning now! Choosing the appropriate tactics will depend on issues that are specific to your financial situation. As you read through this report, mark those strategies that may apply to your situation so you can discuss them with your tax professional and financial advisor.

Evaluate the use of itemized deductions vs standard deduction

For 2024, the standard deduction amounts increase to $14,600 for individuals and married couples filing separately, $21,900 for heads of household, and $29,200 for married couples filing jointly and surviving spouses.

As a reminder, the TCJA roughly doubled the standard deduction with the intent of decreasing tax payments for those who typically claimed this deduction. Although personal exemption deductions are no longer available, the larger standard deduction, combined with lower tax rates and an increased child tax credit, may result in a lower tax bill. Before opting to use itemized deductions, you should run the numbers to determine the impact on your situation.

The TCJA still eliminates or limits many of the previous laws concerning itemized deductions. One example is the state and local tax deduction (SALT), which is still currently capped at $10,000 per year, or $5,000 for a married taxpayer filing separately.

Consider bunching charitable contributions or using a donor-advised fund (DAF)

For taxpayers who are charitably inclined, it makes sense to put together a plan. One method is "bunching." Bunching is the consolidation of donations and other deductions into targeted years so that in those years, the deduction amount will exceed the standard deduction amount.

Another strategy to consider is a **Donor-Advised Fund (DAF)**. A DAF is a philanthropic vehicle established at a public charity. It allows donors to make a charitable contribution of cash, stock, or other assets, receive an immediate tax benefit and then recommend grants from the fund over time.

Taxpayers can take advantage of the charitable deduction when they're at a higher marginal tax rate while the actual payouts from the fund can be deferred until later. It can be a win-win situation for the taxpayer and the charity. **If you are charitably inclined and need some guidance, call us for our assistance.**

Review home equity debt interest

For mortgages taken out after October 13, 1987, and before December 16, 2017, mortgage interest is fully deductible up to the first $1,000,000 of mortgage debt. For homes purchased after December 15, 2017, the threshold has been lowered to the first $750,000 (or $375,000 married filing separately). All interest paid on any mortgage taken out before October 13, 1987, is called "grandfathered debt" and is fully deductible regardless of your mortgage amount. Under the TCJA, this change applies to all tax years between 2018 and 2025. Many mortgage holders refinanced for lower rates or to cash out in the last few years, so remember, to the extent debt increases the interest might not be deductible.

Interest on home equity lines of credit (HELOCs) and cash-out refinancings may be deductible as well if the funds were used to improve the home that secures the loan (or if the proceeds were invested). Remember to share with your tax preparer how the proceeds of your home equity loan were used. If you used cash to pay off credit cards or other personal debts, the interest isn't deductible (but this may change when the TCJA sunsets at the end of 2025).

Revisit the use of qualified tuition plans

Qualified tuition plans, aka 529 plans, are a great way to mitigate your tax bill while planning for the challenge of paying tuition for children or grandchildren. Originally, earnings in a 529 plan could be withdrawn tax-free only when used for qualified higher education at colleges, universities, vocational schools, or other post-secondary schools.

Now, 529 plans can also be used to pay for tuition at an elementary or secondary public, private or religious school, up to $10,000 per year. Unlike IRAs, there are no annual contribution limits for 529 plans. Instead, there are maximum aggregate limits, which vary by plan. Under federal law, 529 plan balances cannot exceed the expected cost of the beneficiary's qualified higher education expenses with limits varying by state.

Some states offer a state tax credit or deduction up to a certain amount for 529 plan contributions. For federal tax purposes, 529 plan contributions are considered completed gifts and, in 2024, up to $18,000 per donor, per beneficiary, qualifies for the annual gift tax exclusion. Excess contributions above $18,000 must be reported on IRS Form 709 and will count against the taxpayer's lifetime estate and gift tax exemption amount ($13.61 million in 2024).

There is also an option to make a larger tax-free 529 plan contribution if the contribution is treated as if it were spread evenly over a 5-year period. For example, a lump sum contribution of up to $90,000 ($18,000 x 5) can be made to a 529 plan in 2024. No other monetary gifts can be made to the same beneficiary over the next five years; however, front-end loading the gift allows for additional tax-free compounding. Grandparents sometimes use this 5-year gift-tax averaging as an estate planning strategy. **If you want to explore setting up a 529 plan, please call us and we would be happy to assist you.**

Maximize your Qualified Business Income (QBI) Deduction (if applicable)

One of the most talked about changes from the TCJA enacted in 2017 is the Qualified Business Income (QBI) deduction under Section 199A. Current proposals want to change this deduction but for 2024, taxpayers who own interests in a sole proprietorship, partnership, LLC, or S corporation may be able to deduct up to 20% of their QBI. This deduction is subject to various rules and limitations so it would be wise to discuss this with your tax preparer.

In 2024, limits on this deduction begin phasing in for taxpayers with income above $364,200 for those married filing jointly and $182,000 for all other filers.

ACTIONS TO CONSIDER BEFORE YEAR-END

- ☐ Guess-timate your new tax rate
- ☐ Review notable tax law changes for 2024 that may impact you
- ☐ Review your capital gains and losses
- ☐ Review your charitable giving
- ☐ Review your retirement savings options
- ☐ Consider Roth IRA conversions
- ☐ Consider additional year-end tax strategies noted in this report
- ☐ Review your tax strategies with a qualified tax preparer

There are planning strategies for business owners to consider. For example, business owners can adjust their business's W-2 wages to maximize the deduction. Also, it may be beneficial to convert independent contractors to employees where possible; before doing so, make sure the benefit of the deduction outweighs the increased payroll tax burden and cost of providing employee benefits. Other planning strategies can include investing in short-lived depreciable assets, restructuring the business, and leasing or selling property between businesses.

The QBI deduction is complicated and would take an entire report to discuss, so we recommend that if you are a business owner, talk with a qualified tax professional about how Section 199A could potentially work for you.

Roth IRA Conversions

In 2024, some IRA owners may want to consider converting part or all their traditional IRAs to a Roth IRA. This is never a simple or easy decision. Roth IRA conversions can be helpful but can also trigger immediate tax consequences and bring on additional rules and potential penalties. Under current laws, you can no longer unwind a Roth conversion by re-characterizing it. It's wise to run the numbers with a qualified professional and calculate the most appropriate strategy for your situation. Reach out to us if you would like to review your Roth IRA conversion options.

2024 Retirement Savings Options

In 2024, if you have earned income or are still working, consider contributing to your retirement plan.

Now is an ideal time to maximize the benefits of retirement plans for 2024 and start thinking about what your strategy should be in 2025. For many investors, retirement contributions represent one of the smarter tax moves to make.

Here are some strategies worth considering:

401(K) Contribution Limits Increased

The elective deferral (contribution) limit for employees under the age of 50 who participate in 401(k), 403(b), most 457 plans, and the federal government's Thrift Savings Plan is $23,000. The catch-up contribution limit for employees aged 50 and over who participate in 401(k), 403(b), most 457 plans, and the federal government's Thrift Savings Plan increased to $7,500 ($30,500 total). **As a reminder, these contributions must be made in 2024.**

IRA Contribution Limits Increased

The limit on annual contributions to an Individual Retirement Arrangement (IRA) increased to $7,000 for 2024. The additional catch-up contribution limit for individuals aged 50 and over is not subject to an annual cost-of-living adjustment and remains at $1,000 (for a total of $8,000). **IRA contributions for 2024 can be made all the way up to the April 15, 2025, filling deadline.**

Higher IRA Income Limits

The deduction for taxpayers making contributions to a traditional IRA is phased out for singles and heads of household who are covered by a workplace retirement plan and have modified adjusted gross incomes (MAGI) of $77,000 to $87,000 for 2024. For married couples filing jointly, in which the spouse who makes the IRA contribution is covered by a workplace retirement plan, the income phase-out range is $123,000 to $143,000. For an IRA contributor who is not covered by a workplace retirement plan and is married to someone who is covered, the deduction is phased out in 2024 as the couple's income reaches $230,000 and completely at $240,000. For a married individual filing a separate return who is covered by a workplace retirement plan, the phase-out range remains at $0 to $10,000 for 2024. **Please keep in mind, if your earned income is less than your eligible contribution amount, your maximum contribution amount equals your earned income.**

Increased Roth IRA Income Cutoffs

The MAGI phase-out range for taxpayers making contributions to a Roth IRA is $230,000 - $240,000 for married couples filing jointly in 2024. For singles and heads of household, the income phase-out range is $146,000 - $161,000. For a married individual filing a separate return, the phase-out range remains at $0 to $10,000. **Please keep in mind, if your earned income is less than your eligible contribution amount, your maximum contribution amount equals your earned income.**

Larger Saver's Credit Threshold

The MAGI limit for the Saver's Credit (also known as the Retirement Savings Contribution Credit) for low- and moderate-income workers in 2024 is $76,500 for married couples filing jointly, $57,375 for heads of household, and $38,250 for all other filers in 2024.

Be Careful of The IRA One Rollover Rule

Investors are limited to only one rollover from all their IRAs to another in any 12-month period. A second IRA-to-IRA rollover in a single year could result in income taxes becoming due on the rollover, a 10% early withdrawal penalty, and a 6% per year excess contributions tax if that rollover remains in the IRA. While individuals can only make one IRA rollover during a one-year period, there is no limit on trustee-to-trustee transfers. Multiple trustee-to-trustee transfers between IRAs and conversions from traditional IRAs to Roth IRAs are allowed in the same year. **If you are rolling over an IRA or have questions about this, please call us.**

A TAXING STORY: CAPITAL GAINS & LOSSES

Investments can provide plenty of tax-saving opportunities! Start by reviewing the various sales you have realized this year on stocks, bonds, and other investments. Then review what is left and determine whether these investments have an unrealized gain or loss (unrealized means you still own the investment, versus realized, which means you have already sold the investment).

Know Your Cost Basis

To determine if you have unrealized gains or losses, you must know the investment's tax basis (the cost of the investment when you bought it). However, this gets trickier with investments that allow you to reinvest your dividends and/or capital gain distributions. We will be glad to help you calculate your cost basis.

Consider Loss Harvesting

If your capital gains are larger than your losses, you may want to do some "loss harvesting" (selling investments that will generate a loss). You can use an unlimited amount of capital losses to offset capital gains. However, you are limited to only $3,000 married, filing jointly ($1,500 married, filing separately) of net capital losses that can offset other income, such as wages, interest, and dividends. **Bonus:** any remaining unused capital losses can be carried forward into future years indefinitely.

Know The "Wash Sale" Rule

If you sell an investment at a loss and buy it right back, the IRS disallows the deduction. The "wash sale" rule says you must wait at least 30 days before buying back the same security to claim the original loss as a deduction. The deduction is also disallowed if you bought the same security within 30 days before the sale. However, you can buy a similar security, perhaps a different stock in the same sector, that will allow you to maintain your general market position while enjoying a tax break.

Always Double-Check Brokerage Firm Reports

The cost-basis for stock sold in 2024 will be reported by the brokerage firm on IRS Form 1099-B in early 2025. Discrepancies sometimes happen so we suggest you double-check these numbers to make sure that the cost-basis is calculated correctly and does not result in a higher amount of tax than you need to pay.

CHANGES IN LONG-TERM CAPITAL GAINS TAX RATES

Tax rates on long-term capital gains and qualified dividends changed for 2024. You may qualify for a 0% capital gains tax rate for some, or all your long-term capital gains realized in 2024. This year, the 0% rate applies for individual taxpayers with taxable income up to $47,025 on single returns, $63,000 for head-of-household filers and $94,050 for joint returns. If this is the case, then the strategy is to figure out how much long-term capital gains you might be able to recognize to take advantage of this tax break.

The 3.8% surtax on net investment income stays the same for 2024. It starts for single people with modified AGI over $200,000 and for joint filers with modified AGI over $250,000.

NOTE: The 0%, 15% and 20% long-term capital gains tax rates only apply to "capital assets" (such as marketable securities) held longer than one year. Anything held one year or less is considered a "short-term capital gain" and are taxed at ordinary income tax rates.

Tax Bracket/Rate	Single	Married Filing Jointly	Head of Household
0%	$0 - $47,025	$0 - $94,050	$0 - $63,000
15%	$47,026 - $518,900	$94,051 - $583,750	$63,001 - $551,350
20%	$518,900 +	$583,750 +	$551,350 +

Tax Changes Looming?
Plan Ahead for the TCJA Sunset.

2025 is currently scheduled to bring major tax policy expirations regardless of which administration controls Congress or the White House. One of the biggest unanswered questions is what policymakers will propose or do after the 2024 elections. The Tax Cuts and Jobs Act (TCJA) enacted in 2017 brought many changes to the tax code, many of which are set to expire after December 31, 2025. Without extensions or new changes signed into law, here are a few key provisions that are set to revert to their 2017 status.

1. **INDIVIDUAL INCOME TAX RATES:** The tax rates passed under the Tax Cuts & Jobs Act in 2017 are temporary. If no action is taken before January 1, 2026, these tax rates will expire at the end of 2025, and we will revert to 2017 tax rates (* to be adjusted for inflation in 2026). In comparison to 2017, today's tax rates are lower and much wider (more income is taxed at lower rates). For planning purposes and given the same level of income, many taxpayers may find themselves paying more in taxes in 2026 than they did in 2024. For illustration purposes, here are the tax brackets in 2024 and 2017 (not including inflation adjustments).

2024: Married Filing Jointly Tax Brackets		2017: Married Filing Jointly Tax Brackets *	
Tax Bracket	Taxable Income	Tax Bracket	Taxable Income
10%	$0 – 23,200	10%	$0 – 18650
12%	$23,201 – 94,300	15%	$18651 – 75,900
22%	$94,301 – 201,050	25%	$75,901 – 153,100
24%	$201,051 – 383,900	28%	$153,101 – 233,350
32%	$383,901 – 487,450	33%	$233,351 – 416,700
35%	$487,451 – 731,200	35%	$416,701 – 470,700
37%	$731,201 +	39.6%	$470,701+

2. **SALT CAP IS SCHEDULED TO DISAPPEAR:** The TCJA eliminated or limited many of the previous laws concerning itemized deductions. One example is the State and Local Tax deduction (SALT), which is currently capped at $10,000 per year, or $5,000 for a taxpayer filing separately. This cap is set to end after 2025.

3. **CHANGES TO ESTATE TAX EXCLUSIONS:** Barring any changes before 2026, the estate tax exclusion is due to revert to pre-2018 levels (adjusted for inflation) which will be approximately $7 million for individuals. Currently, there is a 40% maximum federal gift and estate tax rate.

Our goal is to keep our clients updated when tax laws change so we can plan in a proactive manner. If you would like to review how these sunsetting rules or tax laws may impact your personal situation, please reach out to us and we'd be happy to address your questions and concerns.

Estate, Gift and Generation-Skipping Taxes

For 2024, the estate, gift and generation-skipping tax limits are $13.61 million ($27.22 million for married couples). Any amount over that is subject to 40% Federal taxes. Additionally, the income tax basis step up/down to fair market value at death continues, providing high net worth individuals a significant planning window to make gifts and set up irrevocable trusts.

As a reminder, the estate tax exclusion is due to revert to pre-2018 levels (adjusted for inflation, which we project will be $7 million) in 2026.

In 2019, the Treasury Department and the IRS issued final regulations under IR-2019-189 confirming that individuals who take advantage of the increased gift tax exclusion or portability amounts in effect from 2018 to 2025 will generally not be adversely impacted when the TCJA sunsets on January 1, 2026. The best planning practices before the "double" exemption sunsets year-end 2025 are critical to understand as many families face a use-it-or-lose-it problem. For those who have larger estates, please call us to discuss your situation.

Make Use of the Annual Gift Tax Exclusion

In 2024, you may gift up to $18,000 tax-free per beneficiary. These annual exclusion gifts do not reduce your $13.61 million lifetime gift tax exemption. The annual exclusion gift doubles to $36,000 per beneficiary for gifts made by married couples of jointly held property or when one spouse consents to "gift-splitting" for gifts made by the other spouse.

Make Gifts to Trusts

If direct and immediate, gifts to trusts often qualify as annual exclusion gifts ($18,000 in 2024) and upon meeting certain requirements, removes the property from your estate. The annual exclusion gift can be contributed for each beneficiary of a trust.

Help With Medical or Education Expenses

There are opportunities to give unlimited tax-free gifts when you pay the medical or education provider directly. Qualified expenses can be found in IRS Publications 950 and instructions for IRS Form 709 at www.irs.gov.

CHARITABLE GIVING

- Donating items to charity? You can only write off these donations to a charitable organization if you itemize your deductions.
- Send cash donations by December 31, 2024. Keep your cancelled checks or credit card receipts as proof of your donation. If you contribute $250 or more, you will need written acknowledgement from the charity.
- If you plan to make a significant gift to charity, consider gifting appreciated stocks or other investments you've owned for more than one year to boost the savings on your tax returns. Your contribution deduction is the fair market value of the securities on the date of the gift, not the amount you paid for the asset, and so you avoid having to pay taxes on the profit!
- Do not donate investments that have lost value. It is best to sell the asset with the loss first and donate the proceeds so you can take both the charitable contribution deduction and the capital loss. Also, if you give appreciated property to charity, the unrealized gain must be a long-term capital gain for the entire fair market value to be deductible. (The amount of the deduction must be reduced by any unrealized ordinary income, depreciation recapture and/or short-term gain.)
- **The law allowing taxpayers age 70½ and older to make a Qualified Charitable Distribution (QCD) in the form of a direct transfer of up to $105,000 directly from their IRA to a charity (including all or part of the Required Minimum Distribution) was made permanent in 2015.** If you meet the qualifications to use this strategy, the funds must come out of your IRA by December 31, 2024.

TAX TIME 2024

Deductible Medical Expenses

The 2024 floor for deducting medical expenses on Schedule A remains at 7.5% of your 2024 Adjusted Gross Income (AGI). IRS.gov provides an extensive list of qualifying medical expenses so it can be a good idea to keep track of yours if you think you may qualify.

SALT

State and local income, sales, and real and personal property taxes are still limited to $10,000.

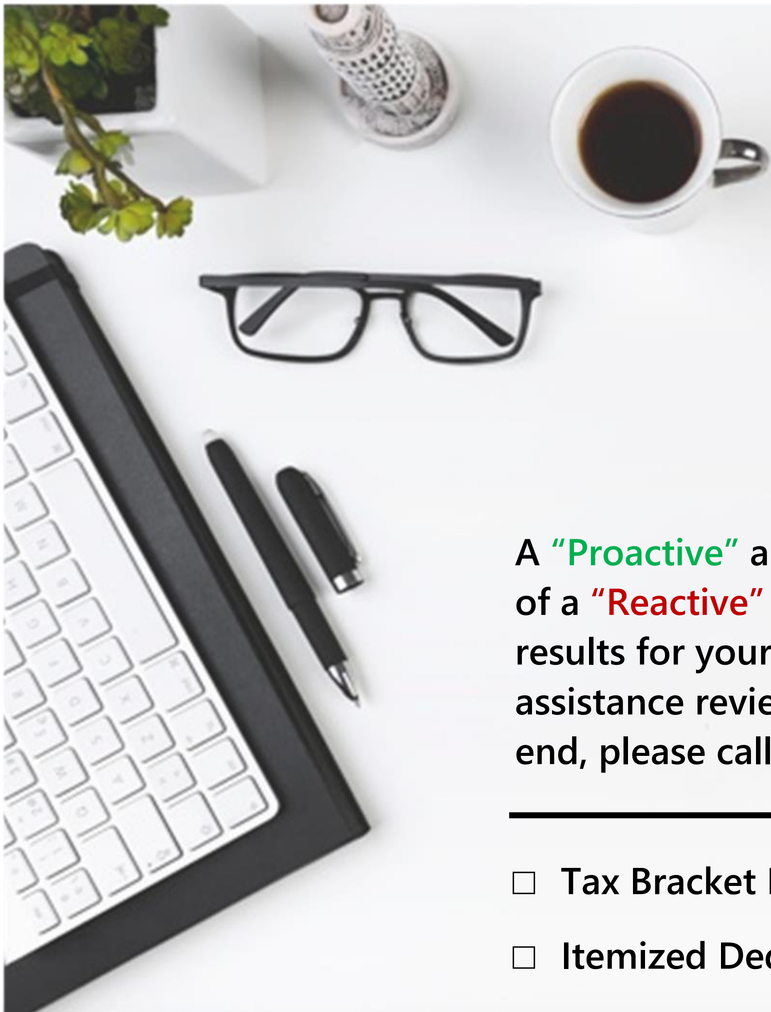
Alimony Deductions

For divorce and separation instruments executed or modified after December 31, 2018, alimony and separate maintenance payments are not deductible by the payor-spouse, nor included as income for the payee-spouse.

Education Benefits

The student loan interest deduction, education credits, exclusion for savings bond interest, tuition waivers for graduate students, and the educational assistance fringe benefit are all still available in 2024. Funds from 529 plans can be used to pay for fees, books, supplies and equipment for certain apprenticeship programs as well as up to $10,000 in total (not annually) can be withdrawn from 529 plans to pay off student loans.

The 2024 lifetime learning credit allows you to claim 20% of your out-of-pocket costs for tuition, fees and books, for a total of $2,000 as a tax credit. It phases out for couples from $160,000 to $180,000 and from $80,000 to $90,000 for singles.



HUGHES FINANCIAL SERVICES, LLC

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2024 YEAR-END TAX PLANNING CHECKLIST

A "Proactive" approach to your tax planning instead of a "Reactive" approach could produce better results for your financial situation. If you need assistance reviewing any of these items prior to year-end, please call us and we'd be happy to help you!

- ☐ Tax Bracket Management
- ☐ Itemized Deduction Timing
- ☐ Gains & Loss Harvesting
- ☐ Retirement Planning
- ☐ Education Planning
- ☐ Charitable Planning
- ☐ Gifting Strategies
- ☐ Estate Tax Planning
- ☐ Planning for Major Financial and/or Life Events Next Year/Future
- ☐ Planning for Any Other Personal Situations/Concerns

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