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WEALTH ADVISORS

PRIVATE
WEALTH MANAGEMENT

Annual Tax Planning Checklist

As we approach the end of the year, consider this comprehensive checklist of potential tax planning strategies. While not all of them apply to your situation right now, it's worth discussing with your Old National wealth advisor and your personal tax professional which ones might fit within your financial plan now and in the years ahead.

Retirement Savings Strategies

- ☐ Maximize retirement plan contributions for 2023 ($22,500 plus another $7,500 for age 50+).
- ☐ Make Spousal IRA contributions for a non-working spouse (subject to certain rules).
- ☐ Contribute to a Roth savings vehicle for potentially tax-free withdrawals during retirement.
- ☐ Contribute after-tax savings to a non-qualified investment portfolio to receive more favorable tax treatment on growth and earnings.
- ☐ In lower income years, convert traditional pre-tax retirement accounts to Roth accounts. Future tax benefits may outweigh the upfront tax bill.

More Ways to Save

- ☐ Contribute pre-tax dollars to Flexible Spending Accounts (FSAs) or Health Savings Accounts (HSAs) at work. Distributions for qualified medical expenses are not taxable.
- ☐ Review taxable investment accounts for tax losses to realize. Such losses can offset current year gains and up to $3,000 of ordinary income. Remaining losses can be carried forward to offset future gains.
- ☐ Hold investments longer than one year for preferential long-term capital gains treatment.
- ☐ "Bunch" charitable contributions by contributing multiple years' worth of your donations in one year to surpass the standard deduction threshold. In off-years, you could take the standard deduction.
- ☐ Consider a Donor Advised Fund (DAF) to make a tax-deductible charitable gift and let the DAF administrator manage the distribution to your favorite charities over several years.
- ☐ Donate highly appreciated stock. Besides claiming the charitable deduction, you also avoid paying capital gains taxes.
- ☐ If you are 70½ or older, make a Qualified Charitable Distributions (QCDs) from your IRA to a qualified charity to satisfy your RMDs and receive favorable tax treatment (subject to certain rules).
- ☐ If itemizing, make an extra mortgage payment in December to get more interest deduction. Check to see if you can use the same strategy for other deductions, like big medical expenses.

More Ways to Save continued

- ☐ Establish 529 accounts for potential tax benefits if used for qualified education expenses. 529 balances over $10,000 reduce financial aid by 5.64% but it's still one of the best ways to save for education due to the tax advantages. Your 529 beneficiary can be anyone, both family and non-family members. 529 accounts owned by grandparents or others are not included on the FAFSA.
- ☐ Hold assets in either taxable or tax-deferred/tax-free accounts to achieve maximum tax efficiency.
- ☐ Depending on your situation, research the benefits of a residency change to low- or no-income tax states.

This list is not comprehensive and is not meant to be tax advice. Consult your tax professional and Old National wealth advisor for advice appropriate to your individual situation.

Resources: https://www.letsmakeaplan.org/financial-topics/articles/tax-planning/tax-planning-strategies-to-lower-your-2023-tax-bill; Internal Revenue Service (irs.gov); kitches.com; Wall Street Journal Tax Guide 2023; Savingforcollege.com: "Can You Contribute to a Non-Family Member's 529 Plan?".

Traditional IRA account owners have considerations to make before performing a Roth IRA conversion. These primarily include income tax consequences on the converted amount in the year of conversion, withdrawal limitations from a Roth IRA, and income limitations for future contributions to a Roth IRA. In addition, if you are required to take a required minimum distribution (RMD) in the year you convert, you must do so before converting to a Roth IRA.

A Roth IRA offers tax deferral on any earnings in the account. Qualified withdrawals of earnings from the account are tax-free. Withdrawals of earnings prior to age 59½ or prior to the account being opened for 5 years, whichever is later, may result in a 10% IRS penalty tax. Limitations and restrictions may apply.

Prior to investing in a 529 Plan investors should consider whether the investor's or designated beneficiary's home state offers any state tax or other state benefits such as financial aid, scholarship funds, and protection from creditors that are only available for investments in such state's qualified tuition program. Withdrawals used for qualified expenses are federally tax free. Tax treatment at the state level may vary. Please consult with your tax advisor before investing.

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