



30 Tax Planning Moves

for W-2 Employees (possibly with stock compensation)

lower your lifetime tax bill

A series of white, wavy, horizontal lines that flow from the left side of the page towards the right, creating a sense of movement and design. The lines vary in frequency and amplitude, with some having more pronounced peaks and valleys than others.

15 Tax Planning Moves for You



The goal is to limit your *lifetime tax bill*. Try to limit taxes on a year-to-year basis, with an eye on the future as well.

Retirement Contributions & Tax-Advantaged Accounts

1. Maximize Pre-Tax 401(k) Contributions: Contribute up to the annual limit to reduce taxable income.
 2. Utilize Mega Backdoor Roth Strategy: If your plan allows, make after-tax contributions and convert them to a Roth IRA or Roth 401(k) for tax-free growth.
 3. Backdoor Roth IRA Contributions: High earners can contribute to a traditional IRA and then convert to a Roth IRA, bypassing income limits.
 4. Contribute to Health Savings Account (HSA): If enrolled in a high-deductible health plan, contribute to an HSA for triple tax benefits.
 5. Utilize Flexible Spending Accounts (FSA): Set aside pre-tax dollars for medical or dependent care expenses.
 6. Consider After-Tax 401(k) Contributions: Beyond the pre-tax limit, some plans allow after-tax contributions, which can be converted to Roth accounts.
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15 Tax Planning Moves for You



Charitable Giving & Gifting

7. Donate Appreciated Securities: Avoid capital gains taxes and receive a charitable deduction by donating stocks directly to charities.
 8. Establish a Donor-Advised Fund (DAF): Make a charitable contribution, receive an immediate tax deduction, and recommend grants over time.
 9. Bunch Charitable Contributions: Combine multiple years' worth of donations into one year to exceed the standard deduction threshold.
 10. Gift Annual Exclusion Amount: Gift up to the annual exclusion limit per recipient without incurring gift tax.
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Equity Compensation & Stock Strategies

11. Understand RSU Taxation: Restricted Stock Units are taxed as ordinary income upon vesting; plan for the tax impact.
12. Exercise Incentive Stock Options (ISOs) Strategically: Timing exercises can minimize Alternative Minimum Tax (AMT) exposure.
13. Diversify Concentrated Stock Positions: Use strategies like exchange funds to mitigate risk from large single-stock holdings.
14. Participate in Employee Stock Purchase Plans (ESPPs): Benefit from discounted stock purchases and potential tax advantages.



15 Tax Planning Moves for You

15. Monitor Vesting Schedules: Stay aware of vesting dates to plan for potential tax liabilities.

Income & Expense Management

16. Review Withholding Allowances: Ensure correct tax withholding to avoid underpayment penalties or large refunds.
17. Utilize Dependent Care FSA: Set aside pre-tax dollars for eligible dependent care expenses.
18. Track Unreimbursed Business Expenses: While not deductible for W-2 employees, tracking can be useful if transitioning to self-employment.
19. Plan for Bonuses and RSU Vesting: Consider the timing of income to manage tax brackets effectively.
20. Evaluate Tax Implications of Job Changes: Understand how signing bonuses, relocation expenses, or severance pay affect your tax situation.

Investment & Savings Strategies

21. Harvest Tax Losses: Offset capital gains by selling investments at a loss.
22. Invest in Tax-Efficient Funds: Choose index funds or ETFs that generate fewer taxable events.

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- 23. Utilize Asset Location Strategies: Place tax-inefficient investments in tax-advantaged accounts.
 - 24. Rebalance Portfolios Annually: Maintain desired asset allocation and manage capital gains.
 - 25. Consider Municipal Bonds: Earn interest income that's often exempt from federal (and sometimes state) taxes.
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Family & Education Planning

- 26. Contribute to 529 Plans: Save for education expenses with tax-free growth and potential state tax deductions.
- 27. Fund Custodial Accounts (UTMA/UGMA): Transfer assets to minors, potentially reducing overall family tax burden.
- 28. Plan for Education Credits: Explore eligibility for the American Opportunity or Lifetime Learning credits.
- 29. Utilize the Child Tax Credit: Ensure eligibility and understand phase-out thresholds.
- 30. Review Filing Status Annually: Changes in marital status or dependents can impact tax liabilities.

Book a free Discovery Call to see if we can help: [Click Here](#)