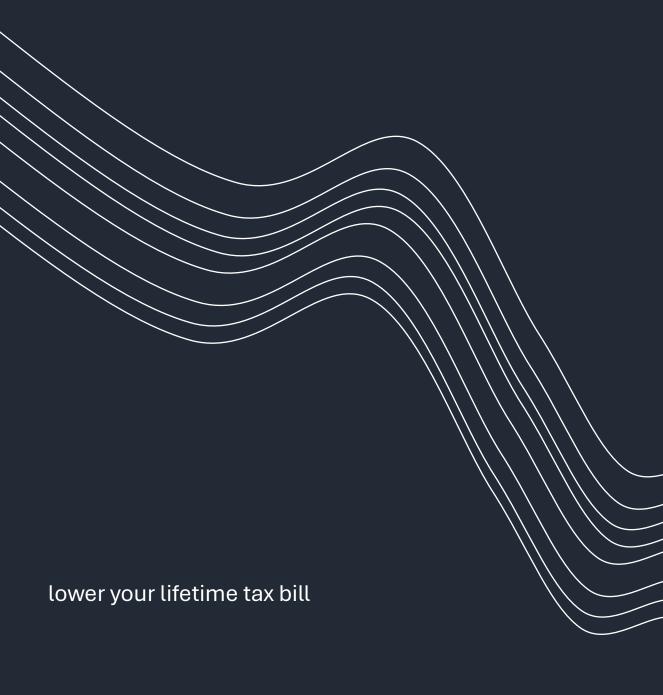


# 30 Tax Planning Moves

for W-2 Employees (possibly with stock compensation)



# 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.

# 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.

#### **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.

# 15 Tax Planning Moves for You



- 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.

#### **Family & Education Planning**

- 26. Contribute to 529 Plans: Save for education expenses with taxfree 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