



## Five key 'To-Do's' before year end

Dear P&A Client,

You hired us for a reason, or two...maybe even three. One should be so that you don't have to make financial decisions as if you're stranded alone on a desert island. We see our job not only to effectively manage your investment portfolio, but also to be provocative with ideas that will improve your financial life. So here are a few year-end action items for you to consider. If one, or a few, pique your interest, let's chat.

### 1. Bunching

*Ideal for clients who:*

- *Anticipate the next few years to be higher income tax years*
- *Have appreciated stocks in an after-tax brokerage account*
- *Are charitably inclined and give \$5,000 or more per year*

We have brought this up before, but with the (still) relatively new tax code, there are advantages to be had in 'bunching' your charitable gifts by using a Donor Advised Fund. There can be significant tax savings, both on income tax deductions and in the avoidance of capital gains taxes. In addition, using a DAF can streamline your charitable giving efforts. [Here is a more detailed article on DAFs.](#)

### 2. Make sure you are contributing the desired amount to your qualified retirement plan

*Ideal for clients who:*

- *Contribute to a 401k plan (or other qualified plan)*
- *Want to make sure they receive the full employer 'match' amount*
- *Are in the 24%+ marginal tax bracket (\$168k+ taxable income)*

Although most qualified plans now have automatic enrollment, which means that a participant must 'opt out', that doesn't necessarily mean that the default enrollment will ensure that you are taking full advantage of the employer match available to you. Without doing so, you may be leaving free money on the table.

### 3. Accelerating Capital Gains

*Ideal for clients who:*

- *Have an after-tax brokerage account*
- *Have stocks with long term capital gains*
- *Have less than \$488,850 in taxable income*

The equity markets have been strong in 2019, which means you likely have healthy unrealized capital gains as a positive consequence. Capital Gains rates are low (historically speaking) so it may make sense to realize some of those capital gains before year end. If your taxable income is less than \$488,850, you will only pay 15% upon realizing those capital gains (+3.8% for those >\$250,000 income). Even at >\$488,850 in taxable income, the cap gains rate is still low at 20%.

#### 4. Determine a specific amount to hold in cash, and invest the rest

*Ideal for clients who:*

- *Want to bunch in the future*
- *Want to accelerate capital gains in the future*
- *Understand the long-term power of the equity markets*

Having an investment account with long-term holdings (held 12 months or longer) allows you take advantage of many of the strategic 'to-do's we have mentioned in this article. Adhere to the popular Chinese proverb: "The best time to plant a tree was 20 years ago. The second-best time is now." Basically, if you want success and growth in the future, the best time to act is now.

#### 5. Be generous

*Ideal for:*

- *Everyone reading this article*

Give of your time, talents and treasures. Researchers have found a direct connection between happiness and the performance of selfless acts. [Giving to others](#) can activate an area of the brain linked with contentment and the reward cycle. Furthermore, being generous has a way of breaking the power that money can have on you.

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