



2024 retirement & tax updates

By Jon Sevenker

Last November, we wrote about the new [retirement plan contribution limits for 2024](#). In this post, we'll expand our lens and highlight five additional retirement and tax-related changes taking effect in 2024.

Qualified Charitable Distribution (QCD) – If you're over the age of 70.5, the government allows you to make charitable donations out of your IRA. For many years, the maximum per year was \$100,000. The Secure Act 2.0 indexed this number to inflation, meaning for 2024, the max limit is \$105,000. Unlike other tax law provisions that allow you to take an action in the year you turn a certain age, with QCDs, you must be at least 70.5 years old to do a QCD. And since many people take the standard deduction rather than itemize on their income taxes, QCDs are a great way to stretch your charitable dollars. QCDs also count toward [required minimum distributions](#) (RMDs) for those of you of RMD age.

Unspent 529 dollars can now be rolled into a Roth IRA – When this provision was first rumored to be part of the Secure Act, interest was strong. Then the details were announced, and the limits were more restrictive than originally assumed. If you have unspent 529 account money due to your child earning a scholarship or not needing their full 529 balance, and the 529 account has been open for at least 15 years, a rollover is possible. But the lifetime limit for a 529 to Roth rollover is \$35,000, and this is capped at the annual Roth IRA contribution limit. For 2024, the amount is \$7,000. In effect, it would take five years at this level to reach the lifetime limit.

Gift and estate tax thresholds increase – For 2024, estate and gift tax lifetime exemptions increase to \$13.61 million per person, meaning married couples can shield over \$27 million in these taxes this year. Unfortunately, as legislated, this provision of the Tax Cuts & Jobs Act passed in 2017 will sunset at the end of 2025 to the levels in place before the TCJA went into effect. Those amounts are roughly \$7 million per person or \$14 million for joint filers. The annual gift tax exclusion amount also increased from the prior year to \$18,000 per person. Married couples can give \$36,000 to an individual in 2024 without incurring gift taxes.

Higher income tax brackets – Income and capital gains tax brackets increase slightly for 2024 with the top bracket of 37% applying to joint filers with income of \$731,200 or more versus \$693,750 for 2023. [Full 2024 income tax brackets can be found here](#). These adjusted income tax rates does give an investor more room within a given tax bracket to utilize Roth conversions, which can work well between your retirement date and your RMD age.

Higher capital gains tax brackets - Capital gains taxes are based on the income tax brackets, so a joint filer can earn up to \$94,050 and still be in the 0% capital gains tax rate. Single filers making \$47,025 or less also qualify for the 0% cap gains rate. The highest cap gains tax rate of 20% now applies to joint filers earning over \$583,750. [Full 2024 capital gains tax brackets can be found here](#). The 3.8% [net investment income tax](#) still applies to single filers earning over \$200,000 and joint filers making more than \$250,000.

As always, it's our goal to be your guide through the financial jungle. Please reach out to us with any questions about the implication of any tax changes on your financial picture.

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