

TAX PLANNING FOR 2024

It's never too early in the year to proactively assess your tax situation and explore planning opportunities, with the aim of optimizing your financial strategy and minimizing tax liabilities. Here are some considerations to keep top of mind — including recent and upcoming changes to US tax laws.

1. Income tax considerations

Today's top marginal tax rate is 37%, but is scheduled to return to 39.6% on January 1, 2026. With this in mind, you may want to increase your taxable income before the change takes place. You can do so by taking a larger required minimum distribution (RMD) or converting your IRA to a Roth IRA while you are in a lower bracket.

2. Wealth transfers

Annual Gifting

There are several ways to transfer wealth and reduce your taxable estate without incurring a gift tax liability or using your lifetime exemption.*

For 2024, the annual exclusion amount is \$18,000. This is the amount every individual may gift to an unlimited number of recipients each year. A married couple could transfer \$36,000 to multiple people resulting in a substantial transfer of wealth each year.

When gifting to minors

Annual exclusion gifts can be made to Uniform Gifts to Minors Act (UGMA) and Uniform Transfers to Minors Act (UTMA) accounts. These accounts become the property of the minor once they become adults (as defined by the state they live in).

Contributions to a 529 plan also qualify for the annual exclusion. You can frontload up to 5 years of annual exclusion gifts to a 529 plan, but you will not be able to make additional annual exclusion gifts in those years, unless the allowable amount increases.

Direct payments of tuition and medical expenses on behalf of another person can be made in addition to the annual exclusion and without using your exemption.



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It is important to note that these gifts, along with any appreciation, will not be subject to gift or income taxation by the recipient and will remain outside of your estate.

Lifetime exemption

Beyond annual gifting, Federal law provides taxpayers with a lifetime exemption, which is indexed for inflation. This is the total amount that can be transferred without being subject to federal estate tax up to 40%.** For 2024, the exemption amount is \$13.6 million per person. On January 1, 2026, the exemption is set to sunset back to \$5 million, adjusted for inflation (approximately \$7 million). It is possible to use the current exemption amount with no “clawback” when it is reduced.

3. Charitable contributions

Donor Advised Funds (DAFs) continue to increase in popularity for several reasons. They are less expensive to maintain than private foundations, have low contribution minimums, and can be managed by your heirs after your death. Additionally, they provide an immediate income tax deduction for your donation of cash, stocks, or other assets, allow the assets to grow tax-free, and permit distributions to charitable organizations in the future. If your retirement is in the foreseeable future, it may be advantageous to make a sizable contribution to a DAF in order to maximize the deduction while you are still working.

On January 1, 2026, the deductibility of cash donations to public contributions is expected to be reduced to 50% from the current 60% of a donor’s adjusted annual gross income. If you are charitably inclined, it may be beneficial to make your gifts before the changes take effect. You can make gifts directly to charitable organizations, set up a private foundation, or establish a DAF.

4. Changes to retirement plans under the Secure Act 2.0

As of January 1, 2023, the required minimum distribution (RMD) age became 73. In 2033, the age will further extend to 75.

The penalty for failing to take an RMD is decreased to 25% from 50% of the RMD amount, and 10% if corrected in a timely manner, as defined by the IRS.

529 Plan Roth rollovers

Effective January 2024, after 15 years from inception, 529 plan assets may be rolled over into a Roth IRA for the beneficiary, subject to the annual contribution limits and a lifetime aggregate of \$35,000. With this in mind, you may consider paying tuition directly and leaving these assets for the beneficiary to use at a later date. It is important to note that contributions (along with earnings on those contributions) within the last 5 years do not qualify for the rollover and the owner of the Roth IRA must be the beneficiary of the 529 plan.

5. Review or create your estate plan

There are 4 essential estate planning documents that every adult should have. These documents can help prepare for unforeseen circumstances, avoid probate, transfer assets in an efficient manner, reduce expenses and fees, and provide stability for your loved ones.

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1. **Will** — this document sets out terms for whom you want to inherit items that are outside of your trust, such as your car, jewelry, art work, furniture, etc.
2. **Revocable trust** — this document sets out the terms in which your assets are to be governed during and after your life.
3. **Health care proxy** — this document allows you to appoint one or more people to make medical decisions on your behalf should you not be able to do so.
4. **Power of attorney** — this document allows you to appoint one or more agents to act on your behalf about financial decisions if you are not able to do so.

Your estate plan should be reviewed annually or when there is a significant change in circumstance, such as a marriage, divorce, birth, death, or change in domicile. It is important to evaluate whom you have chosen to serve as executor, personal representative, guardians, agents, and trustees, and make changes as necessary. You should also check the terms of each document to make sure they still align with your intent. Finally, it is important to properly [title assets](#) and review beneficiary designation forms.

*Transfers to US spouses are not taxable under the marital exclusion.

**Several states impose a separate estate tax in addition to the federal state tax.

GW&K'S PRIVATE WEALTH MANAGEMENT TEAM

Our team of private wealth advisors can help you manage your assets and plan for the future. Our Private Wealth services include guidance on wealth transfer planning, lifestyle, and overall asset allocation. We encourage you to get in touch with us for more information about how we can help. [Please visit our website.](#)

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