THE LAW OFFICE OF MATTHEW J. TULLER

Family Legacy Protection Planner

DON'T MISS OUT ON THESE YEAR-END TAX PLANNING STRATEGIES

Now is the ideal time to start year-end tax planning so that credits and deductions can be maximized before the December 31st deadline. Below you will find a variety of tax-saving strategies you should consider using immediately so that you can get your 2015 tax house in order well in advance of the fast-approaching holiday season.

Plan Now for a Bountiful Fall Harvest

The last thing you want to worry about during the holiday season is tax planning. Now is the perfect time to discuss the following tax-saving opportunities with your financial team so that you can implement them in the next few weeks:

- Check your portfolio to determine which dud stocks can be sold to harvest losses and offset gains – keep in mind that short term losses are the most effective for offsetting capital gains and you must wait at least 31 days to buy back that dud stock to avoid the IRS wash sale rule.

- Analyze your 2015 vs. 2016 projected tax liabilities and accelerate or decelerate income and capital gains accordingly.

- Maximize contributions to your 401(k) and IRAs – if you are age 50 and over, you should take advantage of the extra $1,000 (for an IRA) or $6,000 (for a 401(k)) you can contribute to your accounts in 2015.

- Wipe out that Flexible Spending Account by purchasing new glasses, contact lenses or incurring other medical expenses.

- Purchase an electric car.

- Install a renewable energy source in your home such as a solar-powered water heater.

- Refinance your mortgage.

- Make an extra mortgage payment or two.

- Pay estimated state and local taxes and property taxes.

- Review and adjust your withholding and estimated tax payments to ensure that you will avoid underpayment penalties.

- Determine if your traditional IRA should be converted to a Roth IRA – factors to consider include your current and future anticipated tax status, family situation, and the ability to pay the tax due from other sources. We can help you and your financial team determine if a conversion is right for you.

- If you are the Trustee of an irrevocable trust, you should consider whether it is appropriate under the discretionary terms of the trust agreement to disperse distributable net income (DNI) to beneficiaries in lower tax brackets.

Planning Tip: Tax planning is never one-size-fits all, or even most. In fact, what may be tax-advantageous for one taxpayer may be tax-detrimental for another. For example, the Alternative Minimum Tax (AMT) is snagging more and more taxpayers. Those who have substantial deductions, such as taxpayers who live in a state with a high personal income tax rate and high real estate taxes, are potential victims of the AMT, and reducing regular tax liability for these taxpayers through deductions will increase their AMT exposure. Thus, tax planning must be done on a case-by-case basis in view of your unique family and financial situations. Before making any year-end tax moves, you must consult with your financial team to ensure that the moves you make are the right ones.

Plan Now for an Early Gift-Giving Season

While traditionally the holiday season is the time for giving thanks and exchanging gifts, you should consider making gifts sooner rather than later to avoid the year-end rush. Below are some gifting ideas you can use now to benefit your family, friends, church, alma mater or those in need:

- Make cash gifts to family and friends – in 2015 the maximum amount that an individual can give without incurring a gift tax is $14,000; married couples can give $28,000.

- Make cash gifts to non-profit organizations.

- Donate appreciated assets, such as stock or real estate, to non-profit organizations.

- Set up a donor-advised fund – you should work with your financial advisor to select the right company or community foundation to set up your fund.

- Supercharge a 529 plan for your children or grandchildren – individuals can contribute $70,000 and affluent couples can contribute $140,000 to a plan without incurring any gift tax; in addition, some states offer tax deductions or credits against 529 contributions.

- In this low interest rate environment, inter-family loans are worth considering – intra-family loans allow you to lend money to family members at a lower interest rate than a bank or corporate lender and can be a powerful tool to transfer wealth without incurring any gift or estate tax.

- If you are considering any advanced gift planning, such as gifting through a grantor retained annuity trust (GRAT), family limited liability company or private foundation, then time is of the essence to get the trust or entity created, funded and initial gifts made before December 31st.

- If you have used up your entire lifetime gift tax exemption in prior years, note that you have gained an extra $90,000 (or $180,000 per married couple) to gift in 2015.

- If you have an IRA and are over age 70½, in need of deductions and charitably inclined, stay alert for year-end legislation that allows individuals to donate up to $100,000 from an IRA and exclude the donation from taxable income.

Planning Tip: Certain payments made for educational or medical expenses are not considered gifts at all:

- Payments for educational expenses are not taxable gifts if the payment (1) is made directly to the institution providing the education, not to the individual receiving the education, and (2) is for *tuition* only.

- Payments for medical expenses are not taxable gifts if the payment (1) is made directly to the institution that provides medical care to an individual or to the company that provides medical insurance to an individual, and (2) the medical expense is of the same type that is deductible for income tax purposes.

Thus, in 2015 you can pay for your granddaughter's emergency appendectomy ($20,000), the same granddaughter's tuition for her fall semester of college ($8,000), and still gift the same granddaughter $14,000 for Christmas without incurring any federal gift tax liability.

Begin Year-End Tax Planning Right Now

Ideally tax planning should be done throughout the year, but unfortunately most people do not even start thinking about their tax situation until late into the fall. Doing nothing at all will leave less in your pocket and planning done at the eleventh hour may end up sloppy and incomplete. As always, we are here to assist you and your financial team with your year-end tax planning. We encourage you to call us to discuss your questions so we can ensure that you are taking full advantage of all appropriate year-end tax saving opportunities.

ENSURE YOUR FAMILY IS PROTECTED

If you want to ensure that your family is protected, please schedule your complimentary Estate Planning Strategy Call with San Francisco's premier estate planning attorney, Matthew J. Tuller.

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With an emphasis on developing and maintaining relationships with our clients and allied professionals, our firm collaboratively provides comprehensive estate planning and administration solutions to every client. Our firm provides the full spectrum of estate planning solutions. This includes creating and implementing a comprehensive estate plan, maintaining that plan through life, and administering the plan in the most effective and efficient manner.