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## **Year End Tax Planning Tips for Your 1040**

Thankfully it's not too late to try and minimize your taxes for 2023. If you haven't scheduled a tax planning session, now is a great time to do so. Even in uneventful years, external forces like new tax laws can be managed if planned for in advance. Here's how a tax planning session can potentially help your situation:

- **It can make a difference.** This is especially true if you have a major event that occurs during the year. For example:
  - Selling a house? You can avoid taxes if primary residence requirements are met.
  - Starting a business? Choosing the correct entity can lower your taxes every year.
  - Getting ready to retire? Properly balancing the different revenue streams (part-time wages, Social Security benefits, IRA distributions and more) has a huge impact on your tax liability.
- **Put yourself in control.** Timing is important when it comes to minimizing taxes, and the timing is often in your control. For instance, bundling multiple years of charitable contributions into one year can create an opportunity to itemize deductions. Plus holding investments for longer than one year to get a lower tax rate, and making efficient retirement withdrawals are other examples of prudent tax strategies that you control.
- **There are tax planning opportunities for every level of income,** not just those at the top of the tax bracket. Tax deductions are available for student loan interest, IRA contributions and other situations even if you claim the standard deduction. Certain tax credits (called refundable credits) will increase your refund even if you don't owe taxes. Missing any of these tax breaks can unnecessarily increase your taxes.
- **The tax landscape is constantly changing.** New tax laws are passed almost every year. New laws may mean new tax deductions you can take advantage of. It can also mean that an existing deduction you had been used to taking is no longer available. A tax planning session can help you understand what deductions are and are not available for your particular situation.

**You have help.** Tax planning comes down to looking for ways to reduce taxable income, delay a tax bill, increase tax deductions, and take advantage of all available tax credits. The best place to start is to bolster your level of tax knowledge by picking up the phone and asking for assistance.

## **2024 Social Security Changes**

Social Security has announced its cost-of-living adjustment for 2024, which are included below as well as the basics on how Social Security works.

### **Average Retirement Benefits - Starting January 2024**

A 3.2% cost of living increase for Social Security retirement benefits and SSI payments begins with December 2023 benefits (payable in January 2024).

You increase your Social Security retirement benefits by 5-8% per year when you delay applying until you're age 70.

#### **Average Benefits - All Workers**

- 2024: \$1,907/mo (+\$80)
- 2023: \$1,827/mo

#### **Maximum Benefits for Workers Retiring at Full Retirement Age**

- 2024: \$3,822/mo (+\$195)
- 2023: \$3,627/mo

### **Social Security Revenues & Expenditures – a Breakdown**

Revenue Sources = \$1.22 trillion

- 3.9% - Taxation of benefits
- 5.4% - Interest
- 90.7% - Payroll taxes

Expenditures = \$1.24 trillion

- 0.6% - Administrative expenses
- 0.4% - Railroad Retirement financial interchange
- 99.0% - Benefit payments

### **How does Social Security work?**

- When you work, you pay taxes into Social Security.
- **182+ million** people work and pay Social Security taxes
- The Social Security Administration uses your tax money to pay benefits to people right now.
- Any unused money goes into Social Security trust funds and is borrowed by the government to pay for other programs.
- Later on when you retire, you receive benefits.

### **How to qualify for retirement benefits**

When you work and pay Social Security taxes, you earn **credits** toward benefits. The number of credits you need to earn retirement benefits depends on when you were born.

- Social Security has provided financial protection for Americans **since 1935**
- If you were born in **1929** or later, you need **40 credits** (10 years of work) to receive retirement benefits
- You receive one credit for each **\$1,730** of earnings in **2024**
- **4 credits** maximum per year

### **Did you know you can check your benefits status before you retire?**

- You can check online by creating a *my* Social Security account on the SSA website. If you don't have an account, you'll be mailed a paper Social Security statement 3 months before your 61st birthday.
- It shows your year-by-year earnings, and estimates of retirement, survivors and disability benefits you and your family may be able to receive now and in the future.
- If it doesn't show earnings from a state or local government employer, contact them. The work may not be covered within Social Security.

### **Year-End Tax Planning Tips for Your Business**

As 2023 winds down, here are some ideas to help you prepare for filing your upcoming tax return:

- **1099 annual informational returns.** Identify all vendors who require a 1099-MISC and a 1099-NEC. Obtain tax identification numbers (TINs) for each of these vendors if you have not already done so.
- **Shifting income and expenses.** Consider accelerating income, or deferring earnings, based on profit projections.
- **Be prepared to receive a Form 1099-K.** You may receive a Form 1099-K from each payment processor from whom you receive \$600 or more in payments. In addition to credit card companies and banks, payment processors can include Amazon, Etsy, PayPal, Venmo and Apple Pay. You'll need to include the 1099-K on your tax return.
- **Categorize income and expenses.** The best way to prepare for receiving a 1099-K is to organize your records by major categories of income, expenses and fixed asset purchases. If your accounting records are accurate, then any tax form, including a 1099-K, should be easy to tie out to your books.
- **Separation of expenses.** Review business accounts to ensure personal expenses are not present. Reimburse the business for any expenses discovered during this review.
- **Create expense reports.** Having expense reports with supporting invoices and business credit card statements with corresponding invoices will help substantiate your deductions in the event of an audit. Use an expense report to reimburse yourself for anything erroneously charged personally.
- **Fixed asset planning.** Section 179 or bonus depreciation expensing versus traditional depreciation is a great planning tool. If using Section 179, the qualified assets must be placed in service prior to year-end.
- **Leveraging business meals.** Business meals with clients or customers are 50% deductible (reduced from 100% in 2022). Retain the necessary receipts and documentation that note when the meal took place, who attended and the business purpose on each receipt. Entertainment is not deductible.
- **Charitable opportunities.** Consider any last-minute deductible charitable giving including long-term capital gain stocks.

- **Inventory review.** Review your inventory for proper counts and remove obsolete or worthless products. Keep track of the obsolete and worthless amounts for a potential deduction.
- **Review your receivables.** Focus on collection activities and review your uncollectible accounts for possible write-offs.

These great money tips can provide a financial boost to you and your family, regardless of the economy's ups and downs.

## **Spend Less with These 5 Money Tips**

Government data shows that record inflation from the last few years started to slow down throughout 2023, but much of the damage has already been done. Every bill we pay and purchase we make costs more now, from insurance to clothing, and groceries to household supplies. Here are some tips to spend less to help offset the effect from these now permanently higher prices.

- ✓ **Pay down high-interest debt.** You can start spending less money today by paying down high-interest debt. Data from the Federal Reserve shows people who don't pay off their credit card balance each month pay an average interest rate of 22.16%. For a monthly credit card payment of \$75, this interest expense costs you \$17 a month, or just over \$200 a year.
- ✓ **Revisit your subscriptions.** Write down how many monthly subscriptions you're paying for, then add up the monthly cost. Then ask yourself the following questions: Can you do without some of these subscriptions? Can you cut the cost of some of these subscriptions? Are there some with overlapping benefits? Maybe you'll discover a subscription you completely forgot about. You don't have to cancel all of them, but getting rid of just a few can help you spend less each month.
- ✓ **Shop around for insurance.** Loyalty to an insurance company doesn't always pay off. Consider shopping around and comparing rates for homeowners', auto, & umbrella insurance, along with other insurance coverage you may have.
- ✓ **Eat at home.** Limit how often you dine out or stop for take-out. Your wallet will thank you! According to data from the Bureau of Labor Statistics, overall food spending was up 12.7% in 2022, partly driven by a 20% increase in food spending away from home.
- ✓ **Start using a budget.** Finally, spend less by creating a written monthly budget and sticking to it. Find a budgeting app that you like the look and feel of, then create a budget within that app to help you decide how much to spend each month in various categories. Once the budget has been created, be sure to keep it updated throughout the month, instead of waiting until the last week to get it up-to-date.
- ✓ The cost of everything may have skyrocketed, but you still have at least some control over where your money goes each month. Consider these steps to cut your spending, and you may be surprised at how much you save.

## **The Power of Cultivating Gratitude**

It costs nothing to say thank you. Yet cultivating gratitude in your life may be one of the most rewarding moves you can make. Not only does it invoke warm fuzzies in everyone involved, expressing your appreciation may actually improve your health and well-being.

A landmark study by gratitude researcher Robert A. Emmons has shown that gratitude can reduce physical illness symptoms and toxic emotions. It can even help you sleep better and longer, according to a study published in *Applied Psychology: Health and Well-Being*. So what are some ways you can make gratitude part of your everyday life? Here are a few suggestions to help you get started:

- ❖ **Write it out.** Write out what you're thankful for in your life. This may mean making a nightly habit of writing in a journal or jotting down a message to a loved one and giving it to them. You could also make some sticky note reminders of what you're grateful for and hang them on your mirror to read each morning.
- ❖ **Share a good memory.** Reminiscing often stirs up feelings of gratitude. For instance, think about the time you first met a close friend in grade school. Contact them and tell them how grateful you are that it happened. Send a photo of that family vacation when you all shared a common experience like learning to water ski. When you think about it, you will quickly discover happy memories to share with loved ones.
- ❖ **Offer your service.** Show your gratitude through your actions. If you appreciate your community, join a group to clean up the park and streets. Provide a positive online review for your favorite local café. Or volunteer at a Veterans Affairs hospital.
- ❖ **Lend an ear.** Some of the most meaningful moments involve simply being heard. Return the favor. If your sister is usually the one who lets you ramble on about work grievances and family drama, it's time to give her a turn. Let her know you're there and ready to listen. Maybe you avoid your chatty (albeit helpful) coworker. When you see them next, give them 5 minutes of your time.
- ❖ **Pay it forward.** Did your neighbor share a gutter-cleaning hack with you? Next time you see someone on your street cleaning their gutters, offer to lend a hand. See a mom digging for spare change at a check out register? Pay it for her. Let the appreciation of your good deed change someone else's outlook for the day. When they offer to pay you back, just tell them to pay it forward.

There are opportunities to cultivate gratitude all around us. Refocusing on what you appreciate on regular basis can help you live a healthier, more satisfying life.

As always, should you have any questions or concerns regarding your tax situation please feel free to call.

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