Fiscal Fitness: Exercising your Right to Tax Planning

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As 2024 is looming on the horizon, that means we are soon entering into tax season which can be a period of stress for people if they are not prepared and organized. Below are a few recommendations to prepare for tax season.

Review Tax Withholdings.

Annually update your tax withholdings to align with your financial circumstances, preventing underpayment or overpayment of taxes.

Review deductions and credits.

Ensure your tax preparer has all pertinent information to maximize deductions and credits. Keep records of any retirement plan contributions, gifts received or given, state and local taxes paid, mortgage or student loan interest, medical expenses, or property taxes.[1]

Not sharing information such as having or adopting a child, purchasing a first home, or having qualified education expenses can result in your available tax credits not being optimized.

Review any stock option information.

If you had an employer stock option vest or sale this year with tax implication, ensure the tax form you are given has an accurate tax basis to calculate taxable income from the event.

Establish a game plan for taxes owed.

If additional taxes are owed beyond what was withheld through the year, have a plan in place for sourcing the necessary funds.

Meet with your advisor.

Financial planning is using money to meet a client's goals over their lifetime. Investments, taxes, estate planning, and retirement planning all factor into financial planning. Meeting with your advisor and talking through any financial planning conversations that may have a taxable ramification is important to do proactively and periodically. Topics like Roth conversions[2], tax loss harvesting, or changing your investment portfolio can all affect your tax return.

Tax planning is a year-round conversation and one that should be continually discussed to optimize taxes and position clients for financial success in 2024. Take the initiative to organize your finances, stay informed, and consult a tax professional to help ensure a smooth tax filing process in this upcoming tax season. At MCF, we are here to partner with you in financial planning and tax preparation. Let us know how we can assist you on your journey to financial success in 2024.

[1]this is not an exhaustive list of deductions but provides a starting point.

[2] https://mcfadvisors.com/blog/are-roth-conversions-right-for-you

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