PRIVATE WEALTH MANAGEMENT

2024 Year-End Planning Guide

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There are numerous strategies to consider which may prove pivotal in strengthening your wealth plan. The 2024 Year-End Planning Guide provides ideas to consider which may lead to further opportunity for the end of this year and beyond. Prepared by the Regions Private Wealth Management team, take a glance at the main topics discussed below and dive deeper into each section using the Table of Contents on pages 2-3.

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Wealth Transfer & Legacy Planning

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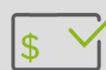

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Key Dates

2024	
October 15	2023 extended individual and trust income tax returns due (Disaster relief for Alabama, Georgia, North Carolina, South Carolina, parts of Florida, Tennessee and Virginia has extended the time to file (not the time to pay) to May 1, 2025)
November 29	Last day to purchase the same or substantially identical securities and avoid violating the wash-sale rules (Note that as the day after Thanksgiving, the Market closes at 1:00 p.m. ET). Please see the Investment Portfolio Planning section for more information on this strategy.
December 31	Last day to: • Sell stock to realize a gain or loss • Make gifts of long-term capital gain securities to charity • Make charitable contributions • Make qualified charitable distributions • Take required minimum distributions from qualified retirement accounts • Complete Roth IRA/401(k) conversions • Complete a 529 plan contribution • Make annual exclusion gifts • For companies created or registered to do business in the United States before January 1, 2024, beneficial ownership information reports are due to FinCEN

2025 key dates listed on page 5.

2025	
January 15	4th quarter 2024 estimated income tax payment due (Disaster relief for Alabama, Georgia, North Carolina, South Carolina, parts of Florida, Tennessee and Virginia has extended the time to file and pay to May 1, 2025)
January 31	First day to buy the same or substantially identical securities as a security sold on December 31, 2024, without running afoul the wash-sale rules
March 5	Last day to make a distribution from a trust and have it treated as having been made on the last day of the preceding tax year (65-day rule)
March 17	• File 2024 passthrough entity (including limited partnerships, limited liability companies, and S Corporations) income tax returns (or file extension) (Disaster relief for Alabama, Georgia, North Carolina, South Carolina, parts of Florida, Tennessee and Virginia has extended the time to file and pay to May 1, 2025) • Last day to use remaining funds in Flexible Spending Account (FSA) from 2024 if employer adopted grace period • Last day to file conversion to (or between) corporate entities and have it applicable as of January 1, 2025
April 1	1st year required minimum distributions (RMDs) that were deferred are due
April 15	• File 2024 individual and trust income tax returns (or file extension) (Disaster relief for Alabama, Georgia, North Carolina, South Carolina, parts of Florida, Tennessee and Virginia has extended the time to file and pay to May 1, 2025) • 1st quarter 2025 estimated income tax payment due (Disaster relief for Alabama, Georgia, North Carolina, South Carolina, parts of Florida, Tennessee and Virginia has extended the time to file and pay to May 1, 2025) • Last day to contribute to a traditional IRA, Roth IRA, and Health Savings Account (HSA) and have it apply as a contribution made in 2024
May 1	Deadline to file disaster relief deferred tax filings for Alabama, Georgia, North Carolina, South Carolina, parts of Florida, Tennessee and Virginia
June 16	2nd quarter estimated income tax payment due
September 15	• 3rd quarter estimated income tax payment due • 2024 extended passthrough entity income tax returns due
October 15	2024 extended individual and trust income tax returns due

Income Tax

What's new for 2024?

i. Employer Matching for Student Loan Payments - Effective for plan years beginning in 2024, the amount of certain student loan payments may be treated as qualified plan contributions so that the employee may receive an employer matching contribution. [1]

ii. Indexing IRA Catch-Up Limit – Beginning in 2024, the additional IRA catch-up contribution limit of $1,000 applicable to individuals who have attained age 50 will be indexed for inflation.[2]

iii. 529 Education Plan Rollovers - Individuals will be permitted to rollover no more than $35,000 (lifetime limit) from a 529 plan into a Roth IRA. Each rollover must be made by a direct trustee-to-trustee transfer from a 529 plan that has been in existence for at least 15 years to a Roth IRA. Rollover amounts are subject to annual Roth IRA contribution limits.[3]

iv. Phasedown of Bonus Depreciation for Aircrafts – Generally, prior to 2023, bonus depreciation was allowed for 100% of the cost of new or used aircrafts placed in service (subject to certain limitations).[4] Beginning in 2023, the applicable percentage for bonus depreciation will be reduced by 20% each year.[5] Therefore, under the general rule, an aircraft placed in service in 2024 will be eligible for 60% bonus depreciation.

v. Corporate Transparency Act ("CTA") – The CTA officially went into effect on January 1, 2024. Certain businesses created or registered to do business in the United States before January 1, 2024, must file beneficial ownership information reports to the U.S. Department of the Treasury's Financial Crimes Enforcement Network (FinCEN) by January 1, 2025. Reporting companies created or registered to do business in the United States after January 1, 2024, have 90 calendar days to file after receiving notice that their company's registration is effective. [6]

[1] See IRC §401(m)(4)(A)(iii); §401(m)(4)(D); §401(m)(13); §408(p)(2)(F); §403(b)(12); §457(b); SECURE 2.0 §110
[2] See IRC §219(b)(5)(C)(iii); SECURE 2.0 §108
[3] See IRC §529(c)(3)€; §408A(e)(1); §408A(c)(5)(B); SECURE 2.0 §126
[4] See IRC §168
[5] See IRC §168(k)(6)
[6] See H.R. 6395-1217

Coming in 2025

i. Increase in Workplace Retirement Plan Catchup Limits - Effective for plan years beginning in 2025, employees who are 60, 61, 62, and 63 years old are eligible to contribute $10,000 annually, or 150% of the regular age 50 catch-up limit (whichever is higher), as a catch up contribution to their workplace retirement plans.[7]

ii. Inherited IRA RMDs Penalties to Apply – The SECURE Act, passed in 2019, eliminated the option for beneficiaries of inherited IRAs to "stretch" RMDs over the course of their lifetime and replaced it with a 10-year rule. For those who inherited from an original owner that had already begun taking RMDs, the beneficiary must take RMDs over the first 9 years and fully distribute the remaining assets in year 10. From 2020-2024, the IRS has waived penalties for failure to take RMDs. This grace period will come to an end in 2025, and penalties will be applied to beneficiaries who fail to take their RMDs. Note that the rules have not change for spouses of the original owner as well as for IRA beneficiaries who inherited prior to 2020.[8]

iii. Sunset of Many Tax Cuts and Jobs Act of 2017 ("TCJA") Provisions – A selection of changes affecting businesses, individuals, and families, which were enacted as part of the TCJA are either set to expire or change starting on December 31, 2025.[9] Congress may choose to extend and/or enact other changes to the tax law.

iv. Digital Asset Reporting – On June 28, 2024, the Treasury and IRS issued final regulations generally applying to all acquisitions and dispositions of digital assets on or after January 1, 2025. For transactions that occur on or after January 1, 2025, if a taxpayer sells, disposes of, or transfers less than all the units of the same digital asset, the basis and holding period of the units sold or transferred are determined by specifically identifying those units from one wallet or account. If a taxpayer does not identify specific units sold or transferred, the units are deemed to have been sold on a first-in, first-out basis.[10]

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[7] SECURE 2.0 §109

[8] See IRS Notice 2024-35

[9] Tax Cuts and Jobs Act of 2017 (Pub. L. No. 115-97)

[10] See Reg §1.1012-1(j); IRS FAQs 39-41; Rev. Proc. 2024-28

Getting Started

i. Estimate Income for this Year and Future Years – To begin year-end planning for income tax purposes, it is necessary to estimate the current year's and approximate future years' income. These values help identify which tax bracket/rate a taxpayer is in and drives the decision-making process. To make the estimates as accurate as possible, it is often beneficial to use the prior year's income as a baseline and adjust accordingly for one off events, updated investment performance, and projected increases or decreases in earnings/compensation packages.

ii. Review Withholding and Estimated Payments to Avoid Underpayment Penalties – Underpayment penalties may apply to those that do not pay enough estimated tax on their income or if it is paid late during any of the four payment periods. Most individuals make their payments via withholding and/or estimated payments each quarter. How much is enough? The IRS provides taxpayers with a safe harbor to avoid the penalty: If an individual pays at least 90% of their current tax liability or 100% of their prior year's tax liability (whichever amount is less), they will avoid an underpayment penalty. Note, however, if an individual's prior year adjusted gross income exceeded $150,000 ($75,000 if married filing separate), then they must pay 110% of the prior year's tax liability to avoid an underpayment penalty.[11] Year-end is a good time to review any actual withholding and estimated payments made to determine if additional payments are necessary to avoid or minimize any underpayment penalties.

[11] See IRS Publication 505

For Taxpayers Currently in High Tax Brackets or Rates but Expect to be in the Same or Lower Brackets or Rates in Future Years

For taxpayers who expect to have more income (and therefore be in a higher tax bracket or rate) in the current year than in future years, it may be beneficial to defer additional income into future years while accelerating deductions into the current year.

i. Delay Closing on Capital Gains Transactions or Structure to Defer Gains – Taxpayers desiring to defer income should consider extending the closing of capital gains transactions such as the sale of a closely held business, real estate, or stock positions, into the following year. Moreover, additional tax deferral structures can be explored to defer the liability beyond the following year or spread the tax liability over multiple years. Installment sales, Charitable Remainder Trusts (CRT), and IRC §1031 Like-kind Exchanges are just a few such strategies.

  1. Installment Sales – In general, the installment method of accounting allows a taxpayer to defer the recognition of gain on a sale to when the installments are received, rather than being taxed in the year of sale.[12] In order to qualify for installment sale treatment, the seller must receive at least one payment in a taxable year after the year of sale.[13]
  2. Charitable Remainder Trusts (CRT) – A properly implemented CRT will provide both the deferral of income as well as a charitable deduction in the year of creation. A taxpayer creates a CRT by funding an irrevocable trust with property while retaining an annual payment for a term of years (up to 20) or life. Following the term of years or lifetime payments, the trust's remainder is then distributed to charity.[14] As the trust is a tax-exempt entity, any appreciated assets can be sold without recognizing an immediate tax liability.[15] Tax is recognized when annual payments are made to the taxpayer.[16] Further, as the trust's remainder is to be distributed to charity, an immediate charitable deduction is provided for the value of the remainder interest.[17]
  3. IRC §1031 Like-kind Exchanges – Under §1031(a), no gain or loss is recognized if real estate held for productive use in a trade or business or for investment is exchanged solely for other real estate to be held for productive use in a trade or business or for investment. The gain is deferred until the "exchange property" is sold in a taxable transaction. If an individual holds exchanged property until

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[12] See IRC §453(a)
[13] See IRC §453(b)(1)
[14] See IRC §664
[15] See IRC §664(c)
[16] See IRC §664(b)
[17] See IRC §170(f)(2)(A)

their passing and the property receives a step-up in basis, they can eliminate capital gains taxes entirely.[18]

ii. Defer Commissions and/or Bonuses – For taxpayers with some flexibility in their compensation timing, shifting commissions and/or bonuses into a subsequent, lower tax year is another option to reduce income.

iii. Deferred Compensation – IRC Section 409A requires that deferral elections be made by the end of the taxable year before the year in which deferrals are made. As such, electing to defer compensation for the current tax year is not possible. However, taxpayers who anticipate being in a higher tax bracket or rate next year than they will be in subsequent years should consider electing to defer income through their company's nonqualified deferred compensation plan. Taxpayers who participate in their employer's nonqualified deferred compensation plans become unsecured creditors of the company and should therefore compare the overall pros and cons of deferred compensation to receiving cash in the current year.[19]

iv. Contribute to Traditional Qualified Retirement Accounts – Generally, contributions to employer sponsored traditional qualified plans (such as 401(k), 403(b), 457(b)) are excluded from income. The tax is deferred until distributions are taken at a later date. Similarly, contributions to traditional IRAs may be deductible. The deduction is typically available in full if an individual (and their spouse, if married) does not have an employer sponsored retirement plan. The deduction may be limited if they or their spouse participate in an employer sponsored retirement plan and their income exceeds certain levels.[20] (Retirement accounts are discussed in more detail on page 17)

v. Postpone Retirement Account Distributions (Except for Required Minimum Distributions (RMDs) – While RMDs must be made each year, additional distributions can be postponed into future years when tax rates may be lower. Taxpayers should consider alternate sources of funds already subject to tax or taxed at a lower rate (such as investment accounts) to supplement their income.

vi. Make Qualified Charitable Distributions (QCDs) to Satisfy RMD – Charitably inclined taxpayers subject to RMDs, should consider making qualified charitable distributions (QCDs). Distributions (up to $105,000) from an IRA directly to a charitable organization, count toward an individual's RMD and are excluded from income.[21] (Charitable contributions are explored in more detail on page 13)

vii. Tax Loss Harvesting – Taxpayers with capital gains can reduce their income by recognizing capital losses to offset them. Losses arising under certain circumstances (such as losses from the sale to a related party, the sale of gifted assets with built-in losses, or a wash-sale) are disallowed.[22] Therefore, it is important to work with a

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[18] See IRC §1014
[19] See IRC §409A; Rev. Rul. 60-31
[20] See IRC 219(c)
[21] See IRC §408(d)(8)(B)
[22] See IRC §267(a); IRC §1015(a); Treas. Reg §1.1015-1; IRC §1091

professional familiar with the applicable code sections. (Tax loss harvesting is explored in greater detail on page 15.)

viii. "Bunching" Deductions – The Tax Cuts and Jobs Act of 2017, increased the standard deduction, suspended miscellaneous itemized deductions, and limited mortgage interest and state or local tax deductions.[23] Consequently, for taxpayers whose itemized deductions are close to the standard deduction amount, little or no benefit will be gained from itemizing deductions each year. In order to maximize the benefits of itemizing deductions, consider adjusting the timing of deductible expenses, i.e. "bunching" them into the same year so that they will exceed the standard deduction. (See page 13 for planning opportunities with charitable giving.)

For Taxpayers Currently in Lower Tax Brackets or Rates but Expect to be in Higher Tax Brackets or Rates in Future Years

For taxpayers who expect to have less income (and therefore be in a lower tax bracket/rate) in the current year than in future years, it may be beneficial to accelerate income into the current year while deferring deductions to subsequent years. This may be particularly applicable over the next year prior to the sunset of the Tax Cuts and Jobs Act's reduced tax rates on December 31, 2025. Additionally, it may also make sense to accelerate recognition of income into the current year to take advantage of an offsetting deduction or credit that may not be available in future tax years.

i. Opting Out of Installment Method or Accelerating Gain Recognition – While the installment method is the default tax treatment for qualifying installment sales of property, the seller may elect out of the installment method.[24] Generally, a taxpayer must make an election out of the installment method on or before the due date (including extensions) for filing the taxpayer's return for the year in which the installment sale occurred.[25] Taxpayers who sold property in prior years and are currently reporting gain under the installment method typically can accelerate recognition of the capital gain by either pledging the note as security for a bank loan or by selling, gifting, or exchanging the note.[26] For example, taxpayers may consider gifting or selling the notes to a non-grantor trust, which would cause the gain to be recognized.

ii. Electing Out of Deferred Compensation Plans – IRC Section 409A requires that deferral elections be made by the end of the taxable year before the year in which deferrals are made. As such, electing out for the current tax year is not possible. However, taxpayers who anticipate being in a lower tax bracket/rate next year than they will be in

[23] See IRC §63(c)(7); IRC §67(g); IRC §163(h); IRC §164(b)
[24] See IRC §453(d)(1); PLR 9412008
[25] See Temp. Reg. §15a.453-1(d)(3)(i)
[26] See IRC §453A(d)(1); IRC §453B(a); Rev. Rul. 76-530; Rev. Rul. 79-371

subsequent years should consider electing out of their company's nonqualified deferred compensation plan.

iii. Converting to a Roth Account – The conversion of traditional qualified retirement account assets to a Roth account results in the converted amount being includable as ordinary income in the year of conversion.[27] There are many considerations that should be reviewed prior to deciding on a conversion such as the availability of nonretirement assets to pay the tax liability. A conversion may be less advantageous if the converted assets are reduced to pay the taxes caused by the conversion.

iv. Exercising Nonqualified Stock Options – Taxpayers seeking to accelerate income recognition who own nonqualified stock options may want to explore whether it is beneficial to exercise a portion or all of them. Further, if an individual has vested options nearing their expiration date and the value of the share exceeds the exercise price, the individual should consider exercising those options to retain their economic value. Generally, taxpayers include the spread between the exercise price and the shares' fair market value as ordinary income on their return.[28]

Planning for the Alternative Minimum Tax

Historically, the Alternative Minimum Tax (AMT) was designed to prevent high net worth taxpayers from avoiding increased tax rates by utilizing excessive itemized deductions to lower their tax bracket. The AMT is an adjusted calculation of an individual's tax return that eliminates most deductions, adds in certain items of income, provides an exemption, and then applies a flat 28% tax rate. AMT calculations run parallel to the standard tax calculation and the taxpayer pays whichever is greater.

When making year-end planning decisions, it is important to apply an AMT analysis to any contemplated strategies. The following are examples of items that can lead to or increase an AMT liability:

- Significant long-term capital gains and/or qualified dividends
- Incentive stock options (ISOs)
- Schedules K-1 with depreciation adjustments
- Tax-exempt interest from private activity bonds

Taxpayers that are or will likely be subject to AMT this year but not in future years, may choose to accelerate recognition of ordinary income. Doing so, could tax the income at AMT's 28% rate rather than at its traditional ordinary income tax rate of up to 37%. Conversely, if year-end projections determine that AMT exposure is unlikely in the current year but may be applicable in future years, taxpayers can bunch deductions or exercise incentive stock options in the non-AMT year to maximize the tax benefits.

[27] See IRC §408A(d)(3)
[28] See IRC §83(e)(3)

AMT status may also impact broader investment planning strategies. For example, taxpayers subject to AMT may choose to invest in more taxable investments if they yield higher after-tax returns. Similarly, taxpayers that are safely out of AMT may choose to invest in private activity bonds that are tax free for regular income tax purposes (but included in AMT calculations) and offer higher rates than other tax-exempt bonds.

Charitable Giving

Charitable giving can be an effective way of both fulfilling an individual's philanthropic goals and generating a tax deduction. For those looking to maximize their charitable deductions in 2024, contributions should be made by December 31, 2024. [29] Generally, contributions made by check and mailed via the US Postal Service are considered made in the year they are postmarked regardless of when the check is cashed.[30] Those contemplating making charitable contributions prior to year-end should plan for sufficient time to establish any necessary accounts and/or process any paperwork.

i. Timing Flexibility and Donor Advised Funds – The amount of charitable deduction available for use in a particular year is limited to a certain percentage of the individual's adjusted gross income (AGI) based on the type of assets contribution (cash, long-term capital gain property) and the type of charitable organization (private, public).[31] To the extent a taxpayer's charitable deduction is not fully utilized in a year, it can be carried forward for up to 5 years before expiring.[32] This can present a problem for taxpayers interested in making charitable contributions in future years, but anticipate a reduction of their AGI and are concerned about their ability to utilize the charitable deductions.

   A donor advised fund (DAF) is a fund or account sponsored by a Parent Organization, which is a public charity.[33] The Parent Organization commits to act as the conduit, connecting the donor with the charitable organizations that they wish to benefit. During the tenure of the DAF, the donor and/or their designee makes ongoing grant recommendations to the Parent Organization with respect to how, when, and to which public charities grants from the account should be made.[34] The donor receives a charitable income tax deduction at the time contributions are made to the DAF, even though actual charitable grants may not be made immediately.[35] As such, a taxpayer can make a significant, upfront contribution to a DAF while their AGI is large enough to absorb the deduction, and then distribute the proceeds to the charities of their choice in future years when their AGI would otherwise be insufficient to fully utilize the charitable deduction.

[29] See IRC §170(a)(1)
[30] See Treas. Reg §1.170A-1(b)
[31] See IRC §170(b)(1)
[32] See IRC §170(d)(1)
[33] See IRC §4966(d)(2)
[34] Id.
[35] See IRC §170(f)(18)

ii. Contributing Long-Term Capital Gain Assets – Contributions of long-term capital gain property receive a charitable deduction based on the fair market value of the asset.[36] Therefore, taxpayers contributing long-term capital gain property are able to avoid paying capital gains tax on the asset, make a larger contribution to the charity (the full fair market value of the asset rather than the net proceeds), and in turn receive a larger charitable deduction. It is important to note that the value of the deduction from contributions of short-term capital gain property are limited to the individual's basis in the property.[37]

iii. Qualified Charitable Distributions – Generally, taxpayers 70 ½ years or older may make charitable contributions of up to $105,000 (indexed for inflation) per calendar year directly from their IRA to a qualified charitable organization (DAFs do not qualify).[38] As of 2023, individuals can elect to make a qualified charitable distribution of up to $50,000 from an IRA to a charitable remainder trust or a charitable gift annuity but only if such vehicle has been funded exclusively by qualified charitable distributions.[39] Such IRA distributions count towards the individual's RMD and are not included as income on their tax return.[40]

iv. Substantiating Charitable Gifts – For gifts in excess of $250, donors must obtain a written receipt stating the amount donated and indicate the value of any goods or services provided by the charity as consideration for the gift.[41] For non-cash gifts (other than publicly traded securities) in excess of $5,000, the donor must obtain a qualified appraisal to support the value of the deduction claimed.[42]

[36] See Treas. Reg §1.170A-1(c); Long-term capital gain property is property that the taxpayer has held for more than 1 year.

[37] See IRC §170(e)(1)

[38] See IRC §408(d)(8)

[39] Id.; SECURE 2.0 §307

[40] Id.

[41] See IRC §170(f)(8)

[42] See IRC §170(f)(11)(C)

Investment Portfolio Planning

i. Harvest Capital Gains/Losses – Strategically selling capital assets that are either at a gain or loss (depending on the situation) can help mitigate taxes. For those individuals who have realized large capital losses, this may be the opportunity to sell capital gain assets with little to no tax ramification. For those with realized capital gains, it may be prudent to sell capital assets with losses that will offset the gains. It is important to note that losses may be disallowed from certain transactions such as sales to related parties, sales of gifted assets with built in losses, and when transactions violate the wash-sale rules.[43]

ii. Navigating the Wash-Sale Rules – A wash sale is the sale of stock or a security at a loss where the taxpayer acquires a "substantially identical" share or security within 30 days before or after the date of the sale, leaving the taxpayer's investment position substantially unaltered. In this situation, the taxpayer may not deduct the loss and instead takes a carryover basis in the newly acquired stock or security.[44] Generally, the term "substantially identical" has required a close economic similarity. Relatively minor differences have classified stocks or securities as not substantially identical.[45]

   1. Doubling Up on a Security – For those interested in harvesting losses but reluctant to divest themselves of the stock position, it is possible to double up on the stock or security 30 days prior to the anticipated sale of the originally held stock or security. It is important to note that while doubling up allows the individual to continue to participate in any gains during the 30-day holding period after the sale, it also doubles the individual's exposure to loss for the 30-day holding period prior to the sale.

iii. Rebalance Portfolios – Over time, market performance distorts an individual's target asset allocation. For portfolios that are not actively managed and/or automatically rebalanced, it is advisable to selectively purchase and dispose of assets to help maintain the right level of investment risk. Alternatively, additional cash contributions can be used to bring the portfolio back in line with the target allocation. When rebalancing, taxpayers should be mindful of the following:

   1. Utilize Tax-Advantaged Accounts – To minimize potential taxes, taxpayers should consider rebalancing within their tax-advantaged accounts such as their IRAs, 401(k)s, 403(b)s, etc.
   2. Redirecting Cash Flow – Taxpayers can redirect dividends and interest into their underweighted asset classes. Further distributions/withdrawals can be funded with liquidations from overweighted asset classes. In addition, taxpayers

[43] See IRC §267(a); §1015(a); §1091

[44] See IRC §1091

[45] See Rev. Rul. 58-211; Hanlin v. Commissioner 108 F.2d 429 (3d Cir. 1939); PLR 6906200550A; Treas. Reg. §1.1233-1(d)(1)

receiving RMDs can redirect those funds to facilitate in balancing their portfolios.

3. Beware of Mutual Fund Capital Gain Distributions – Investors in mutual funds are taxed not only when they sell the fund, but also when the fund itself passes on any net gains it is realized annually.[46] Many mutual funds pass on those taxes toward the end of the year. This can be problematic for investors looking to rebalance their portfolios with the purchase of additional mutual funds. Typically, an investor does not want to buy into capital gains distributions. As such, investors should pay attention to the date of the mutual fund's annual capital gains distribution to avoid any unexpected tax consequences.

[46] See IRC §852(b)(3)(D)

Retirement Planning

i. Maximize Contributions – Traditional qualified retirement accounts can provide individuals the ability to contribute pre-tax dollars which grow tax deferred.[47] Generally, an individual does not pay taxes on any investment earning until withdrawals or distributions are made from the account.[48] Generally, qualified Roth retirement accounts allow for post-tax contributions which grow and are distributed tax free.[49] Individuals should take note of what type of retirement accounts are available to them and their contribution limits.

Contribution Limits (Employees/Individuals)[50]

Elective Deferral Limits	2024
401(k) plans, 403(b) plans, 457(b) plans, and SAR-SEPs^ [Includes Roth 401(k) and Roth 403(b) contributions]	Lesser of $23,000 or 100% of participant's compensation
SIMPLE 401(k) plans and SIMPLE IRA plans^	Lesser of $16,000 or 100% of participant's compensation

^Note: Employees/individuals must aggregate employee contributions to all 401(k), 403(b), SAR-SEP, and SIMPLE plans of all employers. 457(b) plan contributions are not aggregated. For SAR-SEPs, the percentage limit is 25% of compensation reduced by elective deferrals (effectively, a 20% maximum contribution).

[47] See IRC §408(d)

[48] Id. Typically, withdrawals/distributions from traditional qualified retirement accounts are taxed as ordinary income. A 10% additional tax may apply if withdrawals/distributions are made prior to the owner reaching 59 ½.

[49] See IRC §408A; Distributions are tax-free provided the account has been open for more than 5 years and the owner has reached age 59 ½, or disabled, or using the first-time homebuyer exception, or taken by their beneficiaries due to their death. Distributions that do not meet these criteria may be subject to a 10% additional tax.

[50] See IRS Notice 2022-55

Contribution Limits (Employees/Individuals)[51] Cont.

IRA Contribution Limits	2024
Traditional IRAs	Lesser of $7,000 or 100% of earned income
Roth IRAs	Lesser of $7,000 or 100% of earned income

Additional "catch-up" limits (individuals age 50 or older)	2024
401(k) plans, 403(b) plans, 457(b) plans, and SAR-SEPs^	$7,500
SIMPLE 401(k) plans and SIMPLE IRA plans	$3,500
IRAs (traditional and Roth)	$1,000

^*Note:* Special catch-up limits may also apply to 403(b) and 457(b) plan participants.

[51] See IRS Notice 2022-55

Modified Adjusted Gross Income Phase Out Limits[52]

Traditional deductible IRA income limits — Income phase-out range for determining deductibility of traditional IRA contributions for taxpayers covered by an employer-sponsored plan and filing as:	2024
Single	$77,000 - $87,000
Married filing jointly	$123,000 - $143,000
Married filing separately	$0 - $10,000

Traditional deductible IRA income limits — Income phase-out range for determining deductibility of traditional IRA contributions for taxpayers not covered by an employer-sponsored retirement plan but filing a:	2024
Joint return with a spouse who is covered by an employer-sponsored retirement plan	$230,000 - $240,000

[52] Id.

Modified Adjusted Gross Income Phase Out Limits[53] Cont.

Roth IRA compensation limits — Income phase-out range for determining ability to fund Roth IRA for taxpayers filing as:	2024
Single	$146,000 - $161,000
Married filing jointly	$230,000 - $240,000
Married filing separately	$0 - $10,000

ii. Funding a Backdoor Roth – Individuals interested in making contributions to qualified Roth accounts but ineligible to do so because of modified adjusted gross income limitations can consider executing a "backdoor Roth." Rather than contributing directly to a Roth IRA, high-income earners contribute to a traditional IRA and then convert it to a Roth IRA.[54] Because pre-tax funds were contributed, there is typically tax due on the conversion.[55]

Similarly, an individual who participates in a 401(k) may be able to convert after-tax contributions to a Roth 401(k) or roll them out to a Roth IRA.[56] This is possible if the employer plan permits after-tax contributions and either in-plan conversions or in-service distributions.

iii. Qualified Charitable Distributions – As discussed above, generally, taxpayers 70 ½ years or older may make charitable contributions of up to $105,000 per calendar year directly from their IRA to a qualified charitable organization (DAFs do not qualify).[57] As of 2023, individuals can elect to make a qualified charitable distribution of up to $50,000 from an IRA to a charitable remainder trust or a charitable gift annuity, but only if such vehicle has been funded exclusively by qualified charitable distributions.[58] Such IRA distributions count towards the individual's RMD and are not included as income on their tax return.[59]

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[53] Id.

[54] See Treas. Reg §1.408A-4

[55] This may be the case even in situations where the IRA contribution was not deductible if the account owner has other IRA balances. See IRC §408A(d)

[56] IRS Notice 2014-54

[57] See IRC §408(d)(8)

[58] Id.; SECURE 2.0 §307

[59] Id.

Wealth Transfer and Legacy Planning

i. Annual exclusion gifts – Congress allows for individuals to make an unlimited amount of annual gifts of up to $18,000 per recipient for 2024 without having to file a gift tax return or pay any transfer tax.[60]

For example, Mom and Dad can each give $18,000 to their child, in-law, and 3 grandchildren for gifts totaling $180,000 in 2024 (Mom's gifts: to child, in-law, 3 grandchildren - $18,000 x 5 = $90,000; Dad's gifts: to child, in-law, 3 grandchildren - $18,000 x 5 = $90,000) without filing a gift tax return or paying any transfer taxes. These gifts can be made each year, but are not cumulative (e.g. if only $5,000 of the annual exclusion is used this year, the remaining $13,000 cannot be added to next year's gift.)[61] In order for the annual exclusion rules to apply for the calendar year, the recipient must receive the gift by December 31.[62] Checks delivered, but not cashed by December 31, do **not** qualify as completed gifts.[63] For those who find themselves in a last minute bind, cash or cashier's checks are best.

The following offer some strategic gifting opportunities to leverage the annual exclusion:

1. Contributing to a Traditional or Roth IRA – Annual exclusion gifts can be made directly to traditional or Roth IRAs for the benefit of another. Combining the gift tax benefits of the annual exclusion with the income tax benefits of a traditional or Roth IRA can provide children and/or grandchildren with exponential growth benefits they might otherwise have been unable to obtain. The contribution amount is limited by the traditional and Roth IRA rules including:
    a. General contribution limits for traditional and Roth IRAs (i.e., the lesser of (a) $7,000 ($8,000 if the recipient is 50 years or older), or (b) the recipient's taxable compensation for the year.[64]
    b. Deductibility of contributions to traditional IRAs being limited if the gift recipient or their spouse is covered by an employer plan and their income exceeds certain levels.[65]

[60] See IRC §2503(b)(1)

[61] Id.

[62] See Treas. Reg. §25.2503-3(b); Special considerations are necessary for gifts made to trusts. Please speak with your tax advisor to see if the gift is of a present interest and annual exclusion rules still apply.

[63] Estate of Mary R. Rosano v. United States, 245 F.3d 212 (2d Cir. 2001)

[64] See IRC §219(b)(5); §408A(c)(2); and IRS Notice 2022-55

[65] See IRC §219(c)

c. Roth IRA contribution phase out if gift recipient income exceeds certain levels.[66]

2. Frontloading 529 plans – 529 plans are qualified educational investment accounts that provide tax-free growth and distributions when made for qualified educational purposes.[67] Contributions to 529 plans are considered present interest gifts that qualify for the annual exclusion.[68] Moreover, extended rules apply to the annual exclusion, permitting an individual to contribute up to five years of annual exclusion gifts in a single year. [69] This essentially accelerates the income tax benefits by "frontloading" the account.

3. Annual Exclusion Gifts to Non-Citizen Spouses – While US citizen spouses enjoy the benefits of an unlimited marital deduction for transfers to each other, gifts to a non-citizen spouse do not qualify for the unlimited marital deduction and may be subject to gift tax.[70] Generally, gifts up to $185,000 (for 2024) to a non-citizen spouse qualifies as an annual exclusion gift.[71] Additional planning strategies can be utilized to enhance the benefits of such a gift. For more information, please speak with your tax advisor.

ii. Use of the Lifetime Exemption – In addition to the annual exclusion, individuals are permitted to transfer up to $13, 610 ,000 (for 2024) during life and/or at death without being subject to transfer taxes.[72] This amount is known as their "lifetime exemption."The lifetime exemption amount applies to gifts that would otherwise be taxable because they are not covered by the annual exclusion or other exceptions. The lifetime exemption indexes annually for inflation but is expected to decrease by approximately 50% beginning in 2026.[73] The IRS has clarified that individuals taking advantage of the increased lifetime exemption amount currently in effect will not be adversely impacted after 2025 when the exemption is scheduled to be reduced.[74] In other words, individuals are in a "use it or lose it" situation. As the end of 2025 approaches, estate planning attorneys, qualified appraisers, and other professionals may reach their capacity to take on new clients. Therefore, it is advisable to prepare for the reduction in lifetime exemption early to ensure the plan is implemented timely.

[66] See IRC §408A(c)(3)
[67] See IRC §529
[68] See IRC 529(c)(2)(A)
[69] See IRC §529(c)(2)(B)
[70] See IRC §2523
[71] See IRC §2523(i) and Rev. Proc. 2022-38
[72] See IRC §2010; §2505; and §2631
[73] Id. and Pub. L. 115-97, §11061 (2017) (also known as the Tax Cuts and Jobs Act)
[74] See 84 FR 64995

There are many options available to utilize the lifetime exemption amount. Please contact a Regions Wealth Advisor to explore all possibilities.

iii. Review Appointed Agents and Designated Beneficiaries – Most estate planning documents require an agent be named to fulfill the document's purpose. It is important to review the appointed agents regularly to ensure that the people and/or entities named are still appropriate. In addition, various types of accounts allow for a designated beneficiary to be assigned. Changes in circumstances (such as a marriage, divorce, death, or addition of a child) may make it necessary to review and/or amend the designated beneficiary. In certain circumstances, some state laws may override the designated beneficiary and distribute assets to someone else.[75] Consequently, it is important to speak with an advisor regarding naming a designated beneficiary. The follow are a list of agents and beneficiary designations that should be reviewed:

Agents		Designated Beneficiaries
Document	Appointment	
Trust	Trustee, Trust Committee/ Advisor/Protector	Qualified Retirement Accounts (401(k), IRA, Roth accounts)
Will	Executor, Guardian for Minors	Life Insurance/Annuities
Power of Attorney for Financial Matters	Agent	Transfer/Payable on Death (TOD/POD) Accounts
Healthcare Power of Attorney	Healthcare Agent	529 Plans
Guardianship/ Conservatorship	Guardian / Conservator	Donor Advised Funds (DAFs)

[75] If married and living in a community property state, the state law may recognize the spouse as the beneficiary of some or all of a qualified retirement account regardless of who is designated as the beneficiary. Accordingly, an individual would need to get their spouse's written consent to name a non-spouse beneficiary. See The Employee Retirement Income Security Act (ERISA); the Retirement Equity Act (REA); Internal Revenue Manuals 25.18.1 "Basic Principles of Community Property Law"

Financial Planning

i. Review/Update Personal Net Worth Statement – Updating a detailed net worth statement at least annually provides a reference point by which to measure progress towards a person's wealth plan. In addition, it ensures that should an agent be required to act on that person's behalf, they have an accurate list of all assets and their locations.

ii. Review Credit/Debt – Leveraging debt can be a valuable tool in a financial plan. However, it is important to ensure the products originally implemented are still meeting current goals. Year-end is a suitable time to review loan terms and interest rates. Planning for debt payoffs, prioritizing paying down higher interest rate debt, and potentially consolidating or refinancing debt should be considered. Credit card debt should also be reviewed paying particular attention to maximizing rewards such as cash back, points, and travel rewards while balancing annual fees and interest rates.

iii. Review Budget – Updating a budget annually to establish parameters and reflect realistic expenses is crucial to creating an accurate financial/retirement plan. By reconciling the budget with actual expenses, a person can identify and trim out any overages and frivolous spending. This is particularly applicable for bills on autopay or subscription services where promotional pricing silently expired.

Conclusion

While 2024 has been a challenging year regarding inflation and the financial markets, as we approach year end and the new year, there are numerous strategies available to help you achieve personal and financial objectives by enhancing your overall wealth plan. Our local Private Wealth Management teams look forward to discussing these and other ideas to achieve your financial goals.

Regions.com/privatewealth

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