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NEWS

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Year-End Financial Planning and Tax Reduction Tips Can Help You Make the Most of the Money You've Got

Local Financial Advisor Offers Tips for Making Smarter Money-Related Decisions

(Oklahoma City, OK) – With the hectic holiday season approaching, now is the time to consider year-end tax reduction and financial planning strategies. At holiday time, most people tend to have gift-giving on their minds. This can also be factored into a year-end financial strategy. Local financial planner, Brian Puckett, JD, CPA/PFS, offers seven strategies you should consider for reducing taxes and making the most of the money you've got – which is, in a way, a gift to one's family and oneself.

Here are some ideas for tax-advantaged saving and gifts for friends and family members (more meaningful than cash, clothes or video games!), compliments of Brian Puckett Retirement Advisors, LLC.

YEAR-END TAX-ADVANTAGED SAVING STRATEGIES

1. **Open a new retirement plan.** Small businesses should consider a solo 401(k) or a Safe Harbor 401(k). New rules make small 401(k)'s more cost effective and less cumbersome than ever. Participants can now shelter up to $41,000 in 2004. This far exceeds limits on alternatives such as SIMPLE or SEP plans. And, if you're looking for even greater tax savings, Defined

Benefit plans allow s*ignificantly larger* pretax contributions than any of these afore-mentioned plans.

2. Begin required IRA distributions. If you turned 70½ this year, you must start minimum IRA distributions by December 31st. Technically, you may delay your initial distribution until April 1 of next year, but that would result in two required distributions for 2005 (your 2004 distribution and your 2005 distribution would both be taxed on your 2005 return). That could push you into a higher tax bracket and also subject more of your Social Security income to taxation.

3. Pay attention to mutual fund distributions. Don't get caught having to pay tax on capital gains declared by a fund that lost money. If you plan to replace the fund anyway, sell it before the "ex-dividend" date (usually November/December). Moreover, don't buy into a fund just prior to its "ex-dividend" date. You could wind up paying taxes on gains you never earned.

4. Review investment gains/losses. It's time to consider selling investment losers to offset your investment winners. Also, consider selling winners and sheltering their gains with losses previously realized (and perhaps re-purchasing those winners later). If you don't have investment profits to offset, you can use investment losses to shelter $3,000 of ordinary income and carry surplus losses into the future.

5. Bunch deductions. A time-honored tax strategy is to bunch deductions into a single tax year. For example, you might prepay next year's property taxes or next January's mortgage payment. Bunching elective medical expenses also might push you over the 7.5% deductibility threshold.

6. Consider charitable deductions. Consider increasing charitable contributions in higher income years and/or delaying your donation of investments until they regain value — so you'll get a larger tax deduction. It is better to donate appreciated assets than to sell them and donate the cash proceeds.

7. Purchase business assets by year-end. Small businesses can write off up to $100,000 for qualifying equipment purchases. For brand new equipment, there is a special 50% bonus depreciation (on top of expensing) with the remaining 50% deducted under the regular depreciation rules. Also, automobiles and light trucks can benefit if used for business. The maximum first year write-off has been increased from $4,600 to $7,650 ($22,950 for a new electric vehicle). Heavy vehicles used for business can do even better. SUVs and vans weighing over 6,000 pounds can be immediately deducted as part of the $100,000 equipment deduction.

Because some of these strategies are complicated and may even conflict with each other, it is recommended that you consult a qualified advisor prior to implementation

LEVERAGED GIFT-GIVING OPPORTUNITIES

For people who want to make shrewd income tax and estate planning moves, gifting assets may be an appropriate strategy. Here are some things to consider:

Be generous. You can give up to $11,000 annually to anyone without paying gift tax ($22,000 for married couples giving jointly). However, you might not want to stop there if you don't need the money. Each of us has a $1,000,000 lifetime gift tax credit available. If you give someone more than the $11,000 annual exclusion, then your credit eliminates gift tax until your lifetime "excess" gifts reach $1,000,000. For many, gifting the $1,000,000 early is better than using it to shelter estate taxes at death.

Suppose you own stock worth $1 million. If you keep the stock and it appreciates at 8% annually for 10 years, it will be worth over $2 million and will result in a much larger tax bill. If you give the stock now, then the stock plus all future appreciation is transferred to your loved ones - free of estate and gift tax. Moreover, you can put the stock into a trust containing appropriate restrictions, if you do not want to give your heirs complete control now.

Give property, not cash. While cash tends to get spent, property may appreciate or generate income which can help your heirs achieve financial independence. Giving property also enables you to pass along the tax bill to one whose tax rate may be lower than yours. When you sell an asset at a gain, you owe capital gains taxes. If you give the property, the recipient takes over your tax basis. When the recipient sells, she is taxed at her tax rate. This strategy works very nicely with grandkids, whose tax bracket is usually lower than yours.

Don't give losers. If you have property that has declined in value, sell it instead of giving it away. This will enable you to take the loss deduction on your own tax return. Then, if you want, you can give the cash proceeds. You'll benefit from the tax deduction and your heirs will enjoy the gift.

Give education and medical care. The tax law allows unlimited tax-free gifts for qualified educational and medical expenses. Any amount you pay on behalf of someone else, either as tuition to an educational institution or to pay medical expenses to a medical care provider can qualify. This is a great way to help your children or grandchildren through college or to help your elderly parents get proper medical care.

Report your gifts. When you report and properly disclose gifts on a gift tax return, the 3-year statute of limitations starts running. This can prevent the IRS from coming back years later to claim taxes on gifts previously made. If you don't adequately disclose the gift, then the statute of limitations will not start.

ABOUT PUCKETT RETIREMENT ADVISORS

Puckett Retirement Advisors welcomes inquiries about the about estate planning, financial planning and tax-planning issues. For more information about all aspects of personal financial planning , contact Brian Puckett, JD, CPA/PFS, at info@puckettadvisors.com or call (405) 607-4820. An assortment of calculators and timely articles on personal financial planning may be found at www.puckettadvisors.com.

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