Make Your List, Check It Twice

1. Schedule a meeting with your financial advisor and accountant. The end of 2015 or beginning of 2016 is a good time for a "financial checkup." Schedule a meeting with your financial advisor. If you use a tax advisor, consider checking in before December 31 as there may be time-sensitive strategies worth considering, i.e. deferring income, which we'll get to in a moment.

2. Donate to charity. December 31 is the deadline for charitable contributions you plan to deduct from your 2015 tax return. You can donate cash – or you can donate appreciated securities, such as low-basis stocks or mutual funds, to avoid capital gains taxes.

If you aren't certain where you want your charitable contributions to go, contact **Molly Dean Bittner** at **The Community Foundation** *Serving Richmond and Central Virginia* (MDBittner@tcfrichmond.org) to learn more about setting up a donor-advised fund (DAF). A DAF allows you to gift money and get a tax deduction this year, but distribute funds to charities of your choice in the future, while the assets are invested.

3. Max out retirement contributions. Contributions to 401(k), 403(b) and other profit sharing plans are only deductible for 2015 if made by year-end. The 2015 contribution limits were recently increased to $18,000 per year, with a catch-up contribution for those 50 and older of $6,000.

Contributions to both Traditional and Roth IRAs can be made until April 15, 2016, with a maximum contribution of $5,500 and catch-up contribution for those 50 and older of $1,000. Of note:

- *Traditional IRA:* While you can contribute to an IRA regardless of your income-level, the tax-deductibility of these contributions may be affected.
- *Spousal IRA:* Many forget that even if only one member of the couple is working, you can still fund an IRA for the non-working member at the contribution limits referenced above.
- *Roth IRA:* Your modified adjusted gross income may affect if you are able to contribute to a Roth.

In all instances, your tax professional should be able to guide you on tax deductibility and contribution levels.

4. Make contributions to college savings plans. Contributions to 529 plans must be made by December 31 to be deductible in 2015. Contributions made to a state-sponsored 529 College Savings may be eligible for a state income tax deduction or credit.

Virginia 529 contributions are tax deductible up to $4,000. Contributions grow federal and state-tax deferred and are excluded from income taxes on distribution if used for qualified education expenses. Additionally, contributions may be treated as "a gift" by the account owner to the beneficiary, which means that contributions up to $14,000 per year or $28,000 if married and filing jointly are free of gift tax. Go to www.Virginia529.com for details.

5. Check your FSA deadline. If you still have money set aside in an employer Flexible Spending Account (FSA) for health care expenses, check with your Human Resources department regarding the deadline for using these funds. In most instances, companies are now required to offer a grace period after year-end. However, it's important to check the provisions because the grace period does not change the "use-it-or-lose-it" component. Contributions are made pre-tax, and if applied to qualified medical expenses are not taxable.

6. Fund your HSA. A Health Savings Account (HSA) is different than a FSA. While both can be used to pay for healthcare expenses, you can carry over your HSA from year-to-year, providing another tax-deferred savings vehicle. Contribution limits are $3,350 and $6,650 for a family, with a catch up contribution for those 55 or older of $1,000. Contributions must be made by December 31 to be deductible in 2015.

7. Check your beneficiaries. You can check the beneficiaries on your retirement accounts or insurance policies at any time, but it's a good idea to do this at least annually, particularly if you have gone through a significant life event (birth of a child, death of a loved one, divorce, etc.) And remember – beneficiary designations trump what's in your will, so double checking these is doubly important!

8. Review your will and estate documents. If you have gone through a significant life event (birth of a child, death of a loved one, divorce, etc.) during the course of the year, it's very important to update your estate documents. Otherwise, reviewing these every five years is typically a good rule-of thumb.

Here are some additional steps that apply in certain circumstances:

1. Take your required minimum distribution. In the year following the year you reach age 70 ½, you must take the required minimum distribution (RMD) from your IRA by April 1. The penalty for failing to take your RMD is a 50% tax on what should have been withdrawn. (Clients will receive notification of RMD amounts required over the coming months.) (Note: Legislation is pending regarding RMDs made directly to a qualified charity would not be taxable. If passed, **The Community Foundation** would be a great resource for channeling RMDs into an endowed fund that could make grants in perpetuity to your favorite organization(s) – for example, a local non-profit, your church or your alma mater. If the legislation passes, you would most likely only have a few weeks to make this charitable distribution to meet the December 31 deadline. Congress may extend the deadline, but this too uncertain.)

2. Defer income and accelerate expenses. Income that arrives in 2015 is taxable in 2015, so in some instances, it might make sense to delay income in order to delay the tax bill. The bulk of these strategies are appropriate for small business owners, but it may be worth asking your employer if they are willing to pay your bonus on the first of the year, if such a strategy would assist in your tax planning.

On the other side of the equation, those who want to reduce their 2015 tax liability may want to accelerate tax-deductible expenses (i.e., if your medical costs exceed 10 percent of your adjusted gross income in a single year) or prepay recurring expenses (i.e., property taxes) before the end of the year.

Please contact us at **804.625.3290** or **info@alexisadvisors.com** if you have questions regarding the above.
If we can't answer a question because it's outside of our core competency (for example, tax-related questions), we have resources who can.

Be informed.