

Keep Calm and Plan On

Seven action items to consider before year end



With the impact of the election and potential change on the horizon, it's important to review your wealth plan before the end of the year to position yourself for today and what may come.

1. Maximize annual contributions/gifts

- Make annual exclusion gifts of \$18,000 (\$36,000 for married couples).
- Create and fund 529 Plan accounts for children and grandchildren and consider front loading the accounts with five years' worth of annual exclusion gifts, taking into account any other gifts made during the year.
- Maximize contributions to tax-advantaged retirement accounts and Health Savings Accounts.
- Take advantage of the high lifetime gift tax exemption (see below).

2. Evaluate your plan in light of changing legislation

- The sunset of the 2017 Tax Cuts and Jobs Act (TCJA) is coming at the end of 2025, which will increase federal income tax rates and decrease the federal estate and gift tax exemption by 50%, unless further legislation is enacted.

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- Consider implementing gifting strategies to take advantage of the higher lifetime gift tax exemption amounts before they are potentially cut in half at the end of 2025. Executing these strategies and the related documents can be complicated and time consuming. There may be additional benefits to funding gifts over two tax years, which requires the first gift(s) to occur in 2024.
- Retirement plans that were inherited after 2019 may need to begin taking required distributions next year. Consider if you should proactively take a distribution this year to spread out the income tax impact.

3. Review your income tax picture

- If a higher tax bracket is anticipated next year, take advantage of being in a lower tax bracket this year by accelerating taxable income through proactively taking retirement plan distributions, realizing capital gains, and executing Roth IRA conversions.
- If your income is higher this year than usual, consider making charitable contributions to gain a deduction on income or harvesting losses from ill-performing holdings within your portfolio to offset some or all capital gains from your well-performing holdings.

4. Review your investment portfolio

- The run-up in the market this year may provide opportunity to harvest capital gains and reallocate your portfolio back to its target allocation.
- Re-examine your investment positions with your advisor to determine how potential interest rate changes could impact your portfolio's income and performance expectations.

5. Prepare for potential interest rate changes

- Review any outstanding debts for possible refinancing opportunities to free up cash flow.
- Consider establishing a line of credit for liquidity.
- Explore opportunities to enhance your estate plan by implementing strategies that are designed to be more beneficial in a lower interest rate environment.

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6. Review your beneficiary designations

- Confirm that your beneficiary designations for retirement accounts, life insurance policies, and transfer-on-death accounts are up to date and align with your overall estate planning goals.
- Consider how the SECURE Act's distribution rules may impact the beneficiaries of your retirement accounts.
- Retain tax advantages of a Health Savings Account by naming the surviving spouse as the beneficiary.

7. Assess your estate plan

- Review your foundational estate planning documents like wills and trusts to make sure your dispositive strategies still reflect your wishes, and that the fiduciaries and agents you have selected are still the right choices to act on your behalf.
- Make sure the ownership and titling of your assets aligns with your broader estate plan.

We are here to help. Please reach out to your Wilmington Trust advisor if you would like to discuss these or any other planning strategies. And remember, December 31 is approaching quickly; some of these considerations take time to implement, so it may be prudent to act soon.

For more 2024 year-end planning resources, visit www.wilmingtontrust.com.

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