Consider Some Year-end Investment Tax Moves

It may be hard to believe, but we're getting close to wrapping up 2019. And if you have a year-end to-do list, here's one more item you might want to add: *Lower your investment-related taxes.* To help meet this goal, consider these moves you could make before year-end:

• *Increase your 401(k) contributions.* If your employer allows it, add some money to your 401(k) before the year is out. (You can put up to $19,000 in your 401(k) or similar plan for 2019, or $25,000 if you're 50 or older.) If you fund your 401(k) with pre-tax dollars, the more you put in, the lower your taxable income. After-tax contributions, such as those for a Roth 401(k), won't result in tax savings for 2019 (but should reduce taxes in future years).

• *Add to your IRA.* You've got until the April tax filing deadline to contribute to your IRA for 2019, but why wait until the last minute? You can put up to $6,000 in your IRA for the year, or $7,000 if you're 50 or older. With a traditional IRA, your contributions may be deductible, depending on your income; with a Roth IRA, contributions aren't deductible, but your earnings can grow tax-free, provided you meet certain conditions.

• *Donate some investments.* Recent tax law changes have resulted in far fewer people itemizing their deductions. However, if itemizing still makes sense in your situation, you might want to consider donating an investment that has gained value since you purchased it to one of the charitable groups you support. You will generally be able to deduct the fair market value of the investment, and you can avoid paying capital gains taxes on the appreciation.

• *Consider selling investments to realize capital losses.* You may have taxable capital gains, either from selling investments that have increased in value or simply from owning mutual funds (mutual fund managers constantly buy and sell individual investments within the funds). These capital gains could increase the amount of taxes you owe. If you own some investments that have lost value since you purchased them, selling them would generate capital losses that could be used to offset capital gains. Further, if you have more losses than gains, you can use up to $3,000 of your losses to offset ordinary income.

Keep in mind that selling an investment may change the allocation and performance of your portfolio. Also, just because an investment is down in value is not necessarily a reason to sell. And once you sell an investment to generate a capital loss, you need to wait at least 31 days to repurchase it to avoid incurring what's known as a "wash sale." Your financial professional can help you determine if selling any investments makes sense for your situation.

Before making any of these moves, you'll also want to consult with your tax professional. And remember that while taxes are a consideration, they should not necessarily drive your investment decisions. When investing, you need to build a portfolio that's appropriate for your risk tolerance and time horizon and that can help you achieve your goals, such as a comfortable retirement.

Still, if you can make some tax-smart investment moves before the year is out, you may well reap the benefits next April.

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