

RARE AIR INSIGHTS

FINANCIAL WELLNESS FOR WOMEN

Tax Tips for Women: Smart Year-End Moves to Save Money

As the year draws to a close, it's the perfect time to review your financial situation and identify tax strategies that can save you money. Whether you're a working professional, a business owner, or managing a household, these tax tips are designed to help women make smart financial moves and maximize tax benefits before December 31st.

Maximize Tax-Advantaged Accounts

Tax-smart investments are one of the most effective ways to reduce taxable income while building wealth:

- ◆ **401(k) Contributions:** If you have access to a workplace retirement plan, contribute as much as you can before the end of the year. The contribution limit for 2024 is \$23,000 if you're under 50. If you've already maxed out your contributions, consider contributing to a traditional or Roth IRA.
- ◆ **Health Savings Accounts (HSAs):** If you're enrolled in a high-deductible health plan, contributions to an HSA are tax-deductible, grow tax-free, and can be withdrawn tax-free for qualified medical expenses. The 2024 contribution limit is \$4,150 for individuals and \$8,300 for families.
- ◆ **529 College Savings Plans:** Contributions to a 529 plan may qualify for state tax deductions, depending on where you live. These accounts grow tax-free when used for qualified education expenses.

Explore Opportunities for Roth Conversions

Year-end is an excellent time to evaluate whether a Roth conversion makes sense for you. A Roth conversion involves transferring funds from a traditional IRA or 401(k) into a Roth IRA. While you'll pay taxes on the converted amount now, future withdrawals (including earnings) will be tax-free. Roth conversions can be particularly advantageous if:

- ◆ You're in a lower tax bracket now than you anticipate being in retirement.
- ◆ You expect tax rates to increase in the future.
- ◆ You have cash available to cover the tax liability generated by the conversion.

Consider timing your conversions to take full advantage of your current tax bracket. For instance, if you're on the cusp of moving into a higher tax bracket, convert only the amount that keeps you within your current bracket. Working with a financial advisor or tax professional can help you determine the optimal conversion amount and strategy.

Take Advantage of Tax Deductions and Credits

Certain deductions and credits can significantly reduce your tax liability. Review these opportunities to ensure you're not leaving money on the table:

- ◆ **Charitable Contributions:** Donations to qualified charities are tax-deductible if you itemize. Consider donating cash, appreciated securities, or even household goods. Keep receipts and documentation for your records.



- ◆ **Home Office Deduction:** If you're self-employed or run a side hustle from home, you may qualify for a home office deduction. This allows you to deduct a portion of your rent, utilities, and other home-related expenses.
- ◆ **Child and Dependent Care Credit:** If you've paid for childcare or care for a dependent, this credit can help offset those expenses. The maximum credit amount for 2024 is \$3,000 for one dependent and \$6,000 for two or more.

Harvest Tax Losses

If you have investments in a taxable account, consider tax-loss harvesting to offset capital gains or reduce taxable income. Selling investments that have declined in value can help you realize a loss, which can be used to offset up to \$3,000 of ordinary income or any amount of capital gains. Just be mindful of the wash-sale rule, which prohibits repurchasing the same or substantially identical security within 30 days.

Review Your Filing Status

Your tax filing status affects your tax brackets and eligibility for certain deductions. If you've experienced a major life change, such as marriage, divorce, or becoming a single parent, consider how these changes impact your filing status and plan accordingly. For example, filing as "Head of Household" instead of "Single" can result in more favorable tax brackets and higher standard deductions.

Defer Income and Accelerate Deductions

If you anticipate being in a lower tax bracket next year, consider deferring income into 2025. For example, you could ask your employer to delay a year-end bonus or hold off on invoicing clients until January. Conversely, accelerate deductions into the current year by paying state taxes, medical bills, or property taxes early.

Use Resources to Stay Informed

Navigating tax laws can be overwhelming, but there are plenty of resources to help you make informed decisions:

- ◆ **IRS Website:** The IRS provides up-to-date information on deductions, credits, and contribution limits.
- ◆ **Tax Preparation Software:** Tools like TurboTax, H&R Block, or TaxSlayer can help you identify deductions and credits specific to your situation.
- ◆ **Financial Advisors:** Consider consulting a financial planner or tax professional for personalized advice tailored to your income, investments, and goals.

Final Thoughts

December is the perfect time to take charge of your taxes and set yourself up for financial success. By leveraging tax-smart investments, deductions, and strategic planning, you can minimize your tax liability and keep more of your hard-earned money. Small steps today can lead to significant savings come tax season, empowering you to achieve your financial goals with confidence.



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