A best practice for implementing a tax swap without missing out on a recovery rally—and without running afoul of the wash sale rule—is to use a replacement investment in the same asset class as your original investment. (UBS)

Time to focus on last-minute planning items

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As the year-end approaches, it's time to focus on key financial planning actions.

Here's a summary of the top action items we've been discussing this year:

#1) Add more Roth assets to your balance sheet to enhance your tax diversification. During your working years, we recommend using our Savings waterfall worksheet to direct your hard-earned savings toward the account types that are likely to give you the highest after-tax growth potential. And our report on **Traditional versus Roth accounts** can help you find more ways to add Roth assets to your balance sheet, like the mega backdoor Roth conversion strategy.

If you haven't yet, determine whether you can afford to max out your yearly contributions. Some contributions must be made by year-end, such as contributions to a Traditional 401(k) or Roth 401(k). However, the deadline for making Health Savings Account (HSA) and IRA contributions for 2024 is 15 April 2025. If you plan to make prior year contributions, don't forget about any catch-up contributions that you may be eligible for. See our **2024 Tax fact sheet** for more details on these contribution limits.

During retirement—especially in early retirement, in the "gap years" before you collect Social Security income and need to take required minimum distributions (RMDs)—you want to consider partial Roth conversions as a strategy for increasing your tax diversification. For more details on this strategy, please see **Roth conversions to defuse your "tax bomb."**

#2) Give while you live. With the Tax Cuts and Jobs Act scheduled to expire at the end of 2025, accelerating lifetime gifting can help you take advantage of the historically high lifetime gift and estate tax exemption that currently exists.

Even if an extension of the 2017 tax cuts may be likely, giving while living can still be beneficial, as it allows investment gains to grow in your beneficiaries' accounts, potentially at lower tax rates. By gifting securities now, you ensure that both the funds and their growth are not subject to estate tax. Additionally, a smaller, well-timed gift can have a greater impact than a larger, delayed one, such as helping with a down payment early in life. Lastly, you can enjoy seeing the positive effects of your gifts on your family and charitable organizations during your lifetime.

You and your spouse can each take advantage of your "annual exclusion" to gift up to $18,000 per recipient in 2024 before tapping into your lifetime gift and estate tax exemption limit. For more information, please see **Give to others, not the IRS.**

#3) Use QCDs to donate efficiently. Qualified charitable distributions (QCDs) are another way that you can give to chairities on a tax-efficient basis. If you are at least age 70½, you and your spouse (if they are also at least age 70½) may each donate up to $105,000 (in 2024) from your respective IRAs to one or more charitable organizations via a qualified charitable distribution (QCD).

QCDs count toward your RMD, and they won't be subject to federal income tax. This strategy effectively allows you to make a tax-deductible distribution from your IRA, without needing to itemize your taxes. But, this gift must be made directly from an IRA to the charitable organization, and it must be completed by year-end.1 For more information, please see our report "**Beyond RMDs: Strategies for IRA owners and beneficiaries**."

#4) Harvest capital losses. Tax loss harvesting can improve your after-tax growth potential. We generally recommend tax loss harvesting throughout the year to capture opportunities as they arise, rather than waiting to make a few large trades at year-end. If you haven't automated your tax loss harvesting yet, consider discussing options with your financial advisor before year-end. This way, you'll gain the benefits of automatically harvesting losses throughout the year next year and beyond, without increasing your decision-making workload.

If you're looking for opportunities now, you might not have many losses to harvest in your portfolio this year. However, there may be opportunities to implement a tax-loss swap in your bond holdings, given bonds' recent losses. A best practice for implementing a tax swap without missing out on a recovery rally—and without running afoul of the wash sale rule—is to use a replacement investment in the same asset class as your original investment. For help identifying potential tax loss opportunities, see our report, "Exchange-traded funds: ETF tax swaps" published on 5 November 2024.

To learn more about tax loss harvesting, see our report "**Tax loss harvesting: 3 reasons, 3 tips, and 3 strategies to help improve after-tax returns**."

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