2024 YEAR-END TAX PLANNING GUIDE

As one of the five key areas of financial planning, tax planning plays an essential role in shaping your financial future. Our advisors work with you throughout the year to build tax-smart strategies into your Cornerstone plan, so the coordinated pieces of your financial plan align seamlessly. We crafted this year-end guide with the tools and information to help you approach year-end planning with confidence.

Inside, you'll find actionable strategies to help reduce taxable income, along with practical tools like a comprehensive checklist for tax season. We address the upcoming 2025 Tax Sunset—a major shift that could impact your planning—while the Wealth Transfer Planning and Strategic Giving section offers approaches to benefit your loved ones and support the causes close to your heart.

Finally, our Top 8 Tax Time Reminders provide practical steps to help you close the year strong. With our advisors by your side, you can approach tax planning with clarity, knowing every part of your strategy works together to support your vision for the future.

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This report is not a substitute for using a qualified tax or legal professional. Personal circumstances vary widely, so it is critical to work with a professional who has knowledge of your specific goals and situation. In addition, this information in this guide is focused on federal tax law. Make sure you check with your tax preparer to see what tax rates and rules apply to you, as many states do not follow the same rules and computations as the federal income tax rules.

2024 income tax brackets

Tax Rate	Single	Married Taxpayer Filing Jointly/ Surviving Spouse	Married Filing Separately	Head of Household
10%	$0 - $11,600	$0 - $23,200	$0 - $11,600	$0 - $16,550
12%	$11,601 - $47,150	$23,201 – $94,300	$11,601 - $47,150	$16,551 - $63,100
22%	$47,151 - $100,525	$94,301 – $201,050	$47,151 - $100,525	$63,101 - $100,500
24%	$100,526 - $191,950	$201,051 - $383,900	$100,526 - $191,950	$100,501 - $191,950
32%	$191,951 - $243,725	$383,901 - $487,450	$191,951 - $243,725	$191,951 - $243,700
35%	$243,726 - $609,350	$487,451 - $731,200	$243,726 - $365,600	$243,701 - $609,350
37%	$609,351 or more	$731,201 or more	$365,601 or more	$609,351 or more

Tax-smart strategies to consider for year-end

Everyone's situation is unique, and choosing the appropriate tactics will depend on your income and several other personal circumstances. As you read through these items, take note of the strategies that may apply to your situation so you can discuss them with your tax preparer.

Maximize deductions if you're itemizing

2024 Standard Deductions

Single	$14,600
Married/Joint	$29,200
Married/Separate	$14,600
Head of Household	$21,900

In the past, you may have sought to realize deductions and take them as soon as possible. Since the Tax Cuts and Jobs Act (TCJA) roughly doubled the standard deduction, you may benefit from timing deductions and claiming the standard deduction in some years and then itemizing deductions in other years. For example, you may want to make a substantial charitable contribution during a tax year when itemizing instead of making regular, annual gifts. In addition, with the repeal of the "Pease rule," there are no phaseouts on itemized deductions at higher income levels.

The TCJA also eliminated or limited many of the previous laws concerning itemized deductions:

Deductible Medical Expenses. 7.5% of your 2024 adjusted gross income (AGI). You'll find a long list of expenses that qualify on IRS.gov. Keep track if you think you may qualify.

State and local income, sales, and real and personal property taxes (SALT). Limited to $10,000.

Alimony deductions. For divorce and separation instruments executed or modified after December 31, 2018, alimony and separate maintenance payments are not deductible by the payor-spouse, nor includible in the income of the payee-spouse.

Review home equity debt interest

All interest paid on **mortgages taken out before October 13, 1987** is fully deductible regardless of your mortgage amount (“grandfathered debt”).

Mortgage interest is fully deductible up to the first $1,000,000 of mortgage debt incurred to acquire or improve a qualified residence for **mortgages taken out after October 13, 1987, and before December 16, 2017.**

The TCJA lowered the threshold to $750,000 or $375,000 (married filing separately) for **homes purchased after December 15, 2017, but before January 1, 2026.**

Interest on home equity lines of credit (HELOCs) and cash-out refinancings may be deductible as well if the funds were used to improve the home that secures the loan (or if the proceeds were invested). Please share with your tax preparer how the proceeds of your home equity loan were used. If you used the cash to pay off credit cards or other personal debts, the interest is not deductible, but that may change when the TCJA sunsets at the end of 2025.

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Talk with your tax preparer about how you used the proceeds of your home equity loan. You can’t deduct personal debts, like paying off a credit card.

Utilize charitable giving strategies

You want to make the most of your money—and that includes making a meaningful impact. Charitable giving strategies can help you maximize contributions to the causes you care about while also reducing your tax burden.

Donate goods to a charitable organization: You can only write off donations if you itemize your deductions.

Make a cash donation: Must be done by December 31, 2024. Keep your canceled check or credit card receipt as proof of your donation. If you contribute $250 or more, you also need a written acknowledgment from the charity.

If you plan to make a significant gift, consider gifting appreciated stocks or other investments that you have owned for more than one year to boost the savings on your tax returns. Your charitable contribution deduction is the fair market value of the securities on the date of the gift, not the amount you paid for the asset and therefore you avoid having to pay taxes on the profit.

Don’t donate investments that have lost value. By selling the asset with the loss first, then donating the proceeds, you can take both the charitable contribution deduction and the capital loss.

Also, if you give appreciated property to charity, the unrealized gain must be long-term capital gains in order for the entire fair market value to be deductible. (The amount of the charitable deduction must be reduced by any unrealized ordinary income, depreciation recapture and/or short-term gain.)

Consider Bunching: Consolidate donations and other deductions into targeted years so the deduction amount exceeds your standard deduction.

Establish a Donor-advised fund (DAF): A DAF is a philanthropic vehicle established at a public charity. You can receive an immediate tax benefit for a charitable contribution and then recommend grants from the fund over time. Talk with your attorney, accountant, or tax advisor if you have questions about whether specific types of contributions are deductible. If you need guidance, please contact us and we can assist you.

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Contact us if you’d like to discuss this option. Donor advised funds are especially useful in two scenarios:

- A year where income will be higher than normal and you’re looking for a way to lower your taxes in that specific year.
- If you are not yet 70 ½ years old and you give a lot to charity each year but can’t write much off on your taxes.

Qualified Charitable Distribution (QCD)

If you're at least 70 ½ years old you can use QCDs to satisfy any RMD amount that you're required to withdraw. The funds must come out of your IRA by December 31.

- If you've already taken your RMD for the year, it's considered an irrevocable taxable distribution that can't be reclassified or reapplied as a QCD.
- A QCD is not available from a simplified employee pension (SEP) or SIMPLE IRA.
- A QCD can be done from a Roth IRA, but it's usually not advisable because there is no RMD requirement from Roth IRAs. Also, qualified distributions from Roth accounts are tax-free so there is no tax benefit to making a QCD.
- Normally, if you have made after-tax contributions to one or more IRAs, the pro-rata rule applies (meaning part of the distribution is taxable and part nontaxable). With a QCD, your taxable contributions are distributed first. The QCD avoids the pro-rata rule.

70 ½
MINIMUM AGE

$105K
ANNUAL MAXIMUM

DIRECT
FROM IRA - TO CHARITY

QUALIFIED
CHARITY

Like many of the other strategies, this is one that needs to be done properly, so please see us or your tax professional.

How to file taxes with a QCD

Your 1099-R form will show the distributed amount for the calendar year when your withdrawal is made with no code indicating a QCD. Therefore, when filing:

- List the QCD amount on the 1040 tax form on the line designated for IRA distributions.
- On the line for the taxable amount, enter zero if the full amount was a qualified charitable distribution.
- Enter "QCD" next to this line. See the Form 1040 instructions for additional information.

We recommend seeking guidance from your tax professional.

Contribute to your retirement plan

IF YOU HAVE EARNED INCOME OR ARE WORKING this is an ideal time to maximize for 2024 and start thinking about your strategy for 2025.

Retirement Contribution Planning Limits

IRA/ROTH IRA CONTRIBUTION LIMIT	$7,000
IRA/ROTH IRA "CATCH UP"	$1,000
ELECTIVE DEFERRAL	$23,000
ELECTIVE DEFERRAL "CATCH UP"	$7,500

SIMPLE IRA CONTRIBUTION LIMIT	$16,000
SIMPLE IRA "CATCH UP"	$3,500
SEP IRA EMPLOYEE PERCENTAGE MATCH LIMIT	25%
SEP IRA SELF-EMPLOYED PERCENTAGE MATCH LIMIT	25%

401(k) contribution limits increased. The elective deferral (contribution) limit for employees under the age of 50 who participate in 401(k), 403(b), most 457 plans, and the federal government's Thrift Savings Plan is $23,000. The catch-up contribution limit for employees aged 50 and over who participate in 401(k), 403(b), most 457 plans, and the federal government's Thrift Savings Plan remains $7,500 ($30,500 total). **As a reminder, these contributions must be made in 2024.**

IRA contribution limits increase. The limit on annual contributions to an Individual Retirement Account (IRA) are increased in 2024 to $7,000 for individuals. The additional catch-up contribution limit for individuals aged 50 and over is not subject to an annual cost-of-living adjustment and remains $1,000 (for a total of $8,000). **IRA contributions for 2024 can be made all the way up to the filing deadline on April 15, 2025.**

Higher IRA income limits. The deduction for taxpayers making contributions to a traditional IRA is phased out for singles and heads of household who are covered by a workplace retirement plan and have modified adjusted gross incomes (MAGI) of $77,000 to $87,000. For married couples filing jointly, in which the spouse who makes the IRA contribution is covered by a workplace retirement plan, the income phase-out range is $123,000 to $143,000. For an IRA contributor who is not covered by a workplace retirement plan and is married to someone who is covered, the deduction phase out begins when the couple's combined income reaches $230,000 and is completely phased out at $240,000. For a married individual filing a separate return, the phase-out range is $0 to $10,000 for 2024. **Please remember that if your earned income is less than your eligible contribution amount, your maximum contribution amount equals your earned income.**

Increased Roth IRA income cutoffs. The MAGI phase-out range for taxpayers making contributions to a Roth IRA is $230,000 - $240,000 for married couples filing jointly in 2024. For singles and heads of households, the income phase-out range is $146,000 - $161,000. For a married individual filing a separate return, the phase-out range remains at $0 to $10,000. **Please keep in mind that if your earned income is less than your eligible contribution amount, your maximum contribution amount equals your earned income.**

Larger saver's credit threshold. The MAGI limit for the saver's credit (also known as the Retirement Savings Contribution Credit) for low- and moderate-income workers is $76,500 for married couples filing jointly in 2024, $57,375 for heads of household and $38,250 for all other filers.

Be careful of the IRA one rollover rule. Investors are limited to only one rollover from all their IRAs to another in any 12-month period. A second IRA-to-IRA rollover in a single year could result in income tax becoming due on the rollover, a 10% early withdrawal penalty, and a 6% per year excess contributions tax if that rollover remains in the IRA. Individuals can only make one IRA rollover during any 1-year period, but there is no limit on trustee-to-trustee transfers. Multiple trustee-to-trustee transfers between IRAs and conversions from traditional IRAs to Roth IRAs are allowed in the same year. **If you are rolling over an IRA or have any questions on IRAs, please call us.**

Consider Roth IRA Conversions. Roth IRA conversions can be helpful, but they are not for everyone. It is best to run the numbers with a qualified financial professional and calculate the most appropriate strategy for your situation.

Benefits from Roth IRA Conversions:	Traditional IRA account owners have considerations to make before performing a Roth IRA conversion:
• Could lower your overall taxable income long-term. • Tax-free compounding. • No RMDs (at age 73). • Tax-free withdrawals for beneficiaries.	• Can create immediate income tax consequences on the converted amount in the year of conversion. • Withdrawal limitations. • Additional rules and potential penalties. For example, if you are required to take a required minimum distribution (RMD) in the year you convert, you must do so before converting to a Roth IRA. And, you'll encounter income limitations for future contributions to a Roth IRA. • Under the current laws, you can no longer unwind a Roth conversion by re-characterizing it.

Call us or your tax preparer if you would like to review your Roth IRA conversion options.

Unless certain criteria are met, Roth IRA owners must be 59½ or older and have held the IRA for five years before tax-free withdrawals are permitted. Additionally, each converted amount may be subject to its own five-year holding period. Converting a traditional IRA into a Roth IRA has tax implications. Investors should consult a tax advisor before deciding to do a conversion.

Capital gains and losses

Making tax-savvy choices around your investments can help you keep more of what you earn and build the future you envision.

Start by reviewing the various sales you have realized so far this year on stocks, bonds, and other investments. Then review what's left and determine whether these investments have an unrealized gain or loss. (Unrealized means you still own the investment, versus realized, which means you've actually sold the investment.)

Know your basis. To determine if you have unrealized gains or losses, you must know the tax basis of your investments, which is usually the cost of the investment when you bought it. However, it gets trickier with investments that allow you to reinvest your dividends and/or capital gain distributions. We will be glad to help you calculate your cost basis.

Loss harvesting. Selling certain investments that will generate a loss.

CFS GUIDANCE:

We review this for you and will discuss it during your review appointment if we think it will be beneficial for you.

- You can use an unlimited amount of capital losses to offset capital gains.
- You are limited to only $3,000 ($1,500 if married filing separately) of net capital losses that can offset other income, such as wages, interest and dividends. Any remaining unused capital losses can be carried forward into future years indefinitely.

Be aware of the "wash sale" rule. You must wait at least 30 days before buying back the same security to be able to claim the original loss as a deduction. The deduction is also disallowed if you bought the same security within 30 days before the sale. However, while you cannot immediately buy a substantially identical security to replace the one you sold, you can buy a similar security, perhaps a different stock, in the same sector. This strategy allows you to maintain your general market position while utilizing a tax break.

Always double-check brokerage firm reports. If you sold a security in 2024, the brokerage firm reports the basis on an IRS Form 1099-B in early 2025. Unfortunately, sometimes there could be problems when reporting your information, so we suggest you double-check these numbers to make sure that the basis is calculated correctly and does not result in a higher amount of tax than you need to pay.

Long-term capital gains tax rates

Long-term capital gains tax rates only apply to “capital assets” (such as marketable securities) held longer than one year. Anything held for one year or less is considered a “short-term capital gain” and those are taxed at ordinary income tax rates.

2024 Long-term Capital Gains Rate	Single Taxpayers	Married Filing Jointly	Married Filing Separately	Head of Household
0%	Up to $47,025	Up to $94,050	Up to $47,025	Up to $63,000
15%	$47,026 - $518,900	$94,051 - $583,750	$47,026 - $291,850	$63,001 - $551,350
20%	Over $518,900	Over $583,750	Over $291,850	Over $551,350

Source: irs.gov

In 2024, the 0% rate applies for individual taxpayers with taxable income up to $47,025 on single returns and married couples filing separately, $63,000 for head of household filers and $94,050 for joint returns. If this is the case, then the strategy is to figure out how much long-term capital gains you might be able to recognize to take advantage of this tax break.

There is a 3.8% surtax on net investment income. It starts for single people with modified AGI over $200,000 and for joint filers with modified AGI over $250,000.

Education

The student loan interest deduction, education credits, exclusion for savings bond interest, tuition waivers for graduate students, and the educational assistance fringe benefit are all still available in 2024.

529 plan funds can be used to pay for fees, books, supplies and equipment for certain apprenticeship programs. Qualified education expenses are tuition, books, fees, and related expenses, but not room and board. In addition, up to $10,000 in total (not annually) can now be withdrawn from 529 plans to pay off student loans.

Earnings in a 529 plan originally could be withdrawn tax-free only when used for qualified higher education at colleges, universities, vocational schools or other post-secondary schools. However, the TCJA changed that so 529 plans can now be used to pay for tuition at an elementary or secondary public, private or religious school, up to $10,000 per year.

There is also an option to make a larger tax-free 529 plan contribution if the contribution is treated as if it were spread evenly over a 5-year period. A lump sum contribution of up to $90,000 ($18,000 x 5) can be made to a 529 plan - front-end loading the gift allows for additional tax-free compounding. No other gifts can be made to the same beneficiary.

Contributions to a 529 plan are considered completed gifts for federal tax purposes.

Learn how a college savings plan such as a 529 plan can help set your children up for success and potentially safeguard your financial future in Jill’s blog at mycfsgroup.com/529-plans-parenting

The 2024 lifetime learning credit allows you to claim 20% of your out-of-pocket costs for tuition, fees and books, for a total of $2,000 as a tax credit. It phases out for couples filing jointly from $160,000 to $180,000 and from $80,000 to $90,000 for singles.

Gift Tax Exclusion - *$18,000 per donee or $36,000 per donee for gifts made by married couples. Contributions above $18,000 must be reported on IRS Form 709 and will count against the taxpayer’s lifetime estate and gift tax exemption amount ($13.61 million in 2024).*

A payment made directly to an educational institution to pay for the tuition of a student does not count as a gift to the student for gift tax purposes. Annual exclusion gifts do not reduce your lifetime gift tax exemption.

If you want to explore setting up a 529 plan, please reach out or ask about it at your next appointment.

Medical expenses

There are opportunities to give unlimited tax-free gifts when you pay the provider of the services directly.

Medical expenses must meet the definition of deductible medical expenses.

Find the detailed list of qualified “medical expenses” in IRS Publications 950 and the instructions for IRS Form 709 or at IRS.gov.

Payment made directly to a medical institution to pay for the medical bills of someone else does not count as a gift for gift tax purposes. Annual exclusion gifts do not reduce your lifetime gift tax exemption.

Maximize your qualified business income deduction

Current proposals want to change this deduction, found under Section 199A. But, if you are a taxpayer who owns interest in a sole proprietorship, partnership, LLC, or S corporation, you may be able to deduct up to 20% of your qualified business income. In 2024, limits on this deduction begin phasing in for taxpayers with income above $364,200 for those married filing jointly taxpayers (and $182,100 for all other filers).

One planning strategy business owners could consider is adjusting your business’s W-2 wages to maximize the deduction. Also, it may be beneficial to convert your independent contractors to employees where possible. Before doing so, please make sure the benefit of the deduction outweighs the increased payroll tax burden and cost of providing employee benefits.

Other planning strategies can include investing in short-lived depreciable assets, restructuring the business, and leasing or selling property between businesses. This piece of the tax code is complicated and would take an entire report to discuss, so we recommend that if you are a business owner, you should talk with a qualified tax professional about how this new Section 199A could potentially work for you.

2025 Tax Law Changes

Under current law, the seven-rate tax structure is scheduled to automatically phase out on January 1, 2026.

Unless changes are signed into law, here's how some key tax provisions could look, based on 2017 tax law prior to the Tax Cuts and Jobs Act:

Provision	In 2026 (Post-TCJA expiration)
Individual income tax rates	2017 tax rates adjusted for inflation
Standard deduction	Reduced roughly in half
State and local tax deduction (SALT). Current cap: $10,000 per year or $5,000 for a taxpayer filing separately.	No cap applies, deductions phase-out at higher income levels due to the Pease limitation (phase-out begins at $261,500 for individuals, $313,800 for couples)
Mortgage interest deduction	Limited to interest on $1,000,000 of qualified debt and an additional $100,000 of qualified home equity interest debt
Miscellaneous deductions	Applicable once deductions exceed 2% of AGI; examples include investment fees, job search expenses, uniforms, unreimbursed work-related expenses
Personal exemptions	$4,050 per taxpayer and qualified dependents; phase-out at higher income levels begins at $261,500 for individuals, $313,800 for couples
Child tax credit	$1000 per qualifying child with income phase-outs beginning at $75,000 for individuals, $110,000 for couples
Alternative Minimum Tax (AMT)	AMT would apply to significantly more taxpayers due to much lower exemption and income phase-out amounts
Deduction for Qualified Business Income (QBI)	Not available
Estate and gift tax Current maximum gift and estate tax rate: 40%	Rate increased to 45%. Unified lifetime exclusion amount reduced by roughly half
Estate and gift tax exclusions Current limits: $13.61m for individuals and $27.22m for couples	Revert to pre-2018 levels (adjusted for inflation) - approximately $6-7 million for individuals

Post-TCJA expiration figures are based on 2017 tax law prior to the TCJA and do not reflect annual inflation adjustments. QBI deduction is subject to income phase-outs if the business is considered a Specified Service Trade or Business (SSTB). Other limitations to the QBI deduction may apply to non SSTBs.

We are keeping a close eye on potential tax law changes and will keep you apprised.

If you'd like to discuss how these sunsetting rules or any tax law changes may affect your situation, please feel free to contact us for an appointment or be sure to ask at your next review appointment.

Not a Cornerstone client?

Most of the Tax Cuts and Jobs Act (TCJA) changes are scheduled to expire on December 31, 2025. Let us help you navigate what changes may affect you! Please contact our office to schedule a strategy session on these sunsetting tax laws.

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Checklist – getting organized for tax time

While not intended to be comprehensive, this checklist can help you get organized and prepared to meet with your tax preparer.

Documents you may need

- ❑ Copies of your 2022 and 2023 income tax returns
- ❑ W-2 from your employer
- ❑ Brokerage statements (1099-B) and any statements showing investment purchase/sale dates
- ❑ Dividend and interest statements (1099-DIV and 1099-INT and 1099-OID)
- ❑ Social Security statement (1099-SSA) and/or retirement distributions (1099-R), if applicable
- ❑ Statements reporting profits from partnerships, trusts and small businesses (K-1)
- ❑ Mortgage interest statements (1098)
- ❑ Student loan interest statements (1098-E)
- ❑ Receipts or proof of charitable gifts, medical/dental expenses, education expenses
- ❑ Moving expenses
- ❑ Daycare/childcare costs
- ❑ Other: ____

Income and taxes

Types of income you have during this year. (Different categories carry different tax rates.)

- ❑ Salary
- ❑ Interest
- ❑ Dividends
- ❑ Short-term investment gains
- ❑ Long-term investment gains
- ❑ Social Security: __________________
- ❑ IRA withdrawals
- ❑ Other income: __________________

How did you file last year's taxes? ❑ Joint ❑ Single ❑ Head of Household ❑ Surviving Spouse

How will you be filing this year's taxes? ❑ Joint ❑ Single ❑ Head of Household ❑ Surviving Spouse

Which did you use last year? ❑ Standard Deduction ❑ Itemized Deduction

Consider whether you:

- ❑ Should discuss tax bracket management with your tax preparer.
- ❑ Are subject to Medicare taxes resulting from healthcare reform.
- ❑ Could use tax-loss harvesting to offset gains.
- ❑ Can control income and deductions this year.
- ❑ Will be subject to taxes on distributions from investments.
- ❑ Could be subject to the alternative minimum tax (AMT).
- ❑ Have fully funded education savings accounts.
- ❑ Have fully funded health savings accounts.
- ❑ Are maxing out your retirement plan contributions and catch-up provisions, if eligible.
- ❑ Should convert to a Roth IRA during the tax year.
- ❑ Are using municipal bonds for federally tax-exempt income.
- ❑ Have maximized annual exclusion gifts.
- ❑ Have taken your RMD from all applicable accounts.
- ❑ Would benefit from doing a qualified charitable distribution.

Items to discuss with my tax professional:

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As a Cornerstone client, we review many of these items with you throughout the year during your strategic review appointments. And, as always, we're here to help if you have any questions or need assistance.

Checklist - year-end financial strategy

Life events happen every year that require you to update your tax planning and overall financial strategy. Use the information below to review, evaluate, and prioritize your actions. In addition to tax planning, year-end is the perfect time to:

Budget your holiday expenses (if you haven't already!)

Travel, presents, food, and decorations - holiday expenses can pile up quickly. Take time to budget exactly how much you want to spend on each holiday by determining what your needs will be well in advance.

- ❑ Look at last year's spending to figure out if there are ways to save or cut back.
- ❑ Determine your actual needs regarding holiday meals, decorations, gifts. For example, be sure to check that one box in the garage before buying yet another set of holiday lights.
- ❑ Set a specific spending limit for each expense.
- ❑ Decide exactly how you'll pay for each holiday expense.

Review your investment portfolio

- ❑ Is your asset allocation aligned with your investment objectives?
- ❑ Do you have concentrated equity positions that should be addressed?
- ❑ Has this year's market volatility necessitated any changes?

Review your insurance needs

November is Open Enrollment season in the U.S. That means it's a good time to review your current insurance coverage and determine if you have any gaps in coverage that need to be filled or if there are less expensive alternatives available. In addition to standard health insurance:

- ❑ Do you have adequate life insurance to provide for your family and/or provide liquidity for your estate?
- ❑ Do you have appropriate long-term care coverage or the ability to fund an event, should one occur?

Consider the impact of any life events on your coordinated financial plan

If you've:

- Been married, divorced, or remarried
- Began collecting Social Security benefits
- Retired
- Started a new job or been laid off
- Had a child get married or divorced
- Had a death in the family
- Experienced illness or received a diagnosis
- Received an inheritance or gift
- Moved, are moving, or sold a home
- Changed an IRA or plan custodian

You may want to:

- Review your estate planning objectives.
- Review beneficiary designation forms.
- Review estate plan documents and language in light of any legislative changes.
- Hold a family meeting or conversation with your beneficiaries.

Review this year's goals and plan for next year

Finish 2024 strong and hit the ground running in 2025.

- ❑ What goals are not on-track and need to be reprioritized?
- ❑ What new goals do you have?

Milestone ages

AGE 50
Catch-up contributions to retirement plans and IRAs

AGE 50 *(or 25 years of service, if earlier)*
Plan exception to 10% penalty for public safety employees

AGE 55
Plan exception to 10% penalty

AGE 59½
10% penalty free withdrawals

AGE 70½
Qualified charitable distributions from IRAs

AGE 73
RMDs and required beginning date

AGE 75
403(b) exception

save the dates

HURON OFFICE
December 10
3:00 - 6:00pm
Christmas Open House

HURON OFFICE
December 10
5:00pm
Gordon's Birthday Celebration

SIOUX FALLS OFFICE
December 12
3:00 - 6:00pm
Christmas Open House

SIOUX FALLS OFFICE
December 12
5:00pm
Gita's Retirement Celebration

SIOUX FALLS OFFICE
December 19
1:00 - 2:30pm
Gordon's Birthday Open House

Proactive wealth transfer planning

Stay Ahead of the Sunsetting Estate Tax Law

Wealth transfer planning is about passing on the assets you've worked so hard to build according to your wishes and minimizing stress for your loved ones. Whether your estate is modest or significant, taking proactive steps can help secure your legacy for future generations.

For those with larger estates, tax planning plays a particularly crucial role. While current federal estate tax laws are generous, that could change when the Tax Cuts and Jobs Act (TCJA) expires at the end of 2025. Without proper planning, you or your beneficiaries could be left with unintended tax burdens.

Before making any moves or decisions about your gifting strategy, please consult with us. It is critical to understand potential tax implications and ensure everyone involved in your estate plan, *including your heirs*, optimize and take advantage of the best strategies for your situation.

	Current	2026
Estate & Gift, Generation-Skipping Transfer Tax Exemption Amount	$13.61 million	SUNSET to approximately $7 million ($5.6 million adjusted for inflation)
Estate, Gift, and GST Tax Rate	40%	45%

There are two major ways to transfer wealth: leaving an inheritance after you pass, or gifting during your lifetime.

Under current law, many families have options for transferring wealth during someone's lifetime without incurring any federal gift or estate taxes. This is usually in addition to the annual exclusion for gifts, which in 2024 is $18,000 for individuals and $36,000 for couples.

The current lifetime estate and gift tax exemption is set to revert to pre-TCJA levels and will be cut in half and adjusted for inflation on January 1, 2026. With current inflation statistics, this could bring the amounts to around $7 million for individuals and $14 million for couples in 2026.

For example, John has an estate valued at $15 million and in 2024 transfers $10 million to a trust for his children. Under the current TCJA provisions, he can use the $13.61 million exclusion to make that $10 million transfer tax-free. However, if he waits until 2026, the exclusion amount is scheduled to be about $7 million after the TCJA sunset, meaning $3 million of the $10 million gift would be taxable. A relatively small difference in timing can result in a huge tax bill.

On November 26, 2019, the Treasury Department and the Internal Revenue Service issued final regulations under IR-2019-189 confirming that individuals who take advantage of the increased gift tax exclusion or portability amounts in effect from 2018 to 2025 will not be adversely impacted when this tax law change sunsets on January 1, 2026.

Wealth transfer and a bypass (family) trust

Another popular method of optimizing tax exemptions for married couples is a Bypass Trust. When one spouse dies, a portion of their assets can be placed into a trust which passes to their beneficiaries on the death of the surviving spouse. The assets placed into this trust, and any appreciation of those assets, are protected from estate taxes when the surviving spouse passes away. This strategy, like many others in estate planning, can be complicated. Discuss the tax ramifications and appropriateness with us and a qualified estate planning attorney prior to making any decisions.

Portability for Estate and Gift Tax

In very simple terms, portability is a way for spouses to combine their exemption from estate and gift tax. In most circumstances, it's a process where a surviving spouse can realize and use the unused estate tax exemption of a deceased. Then, the surviving spouse has both their own exemption from estate and gift tax and the unused exemption of the deceased spouse.

This can be a highly complicated process that requires filings.
Be sure to talk with us and your estate planning attorney if you think this might be an option for you.

Top 8 tax time reminders

1. Prepare a tax projection for the next year.
2. Write down expenses or keep all receipts you think are even possibly tax-deductible. Don't assume anything—give your tax preparer the chance to tell you whether something is or is not deductible.
3. Be careful not to overpay Social Security taxes.
4. Don't forget items carried over from prior years because you exceeded annual limits, such as capital losses, passive losses, charitable contributions, and alternative minimum tax credits.
5. Check last year's tax return to see if there was a refund applied to this year's estimated taxes.
6. Calculate your estimated tax payments carefully. Many computer tax programs will automatically assume that your income tax liability for the current year is the same as the prior year. This is done to avoid paying penalties for underpayment of estimated income taxes. However, in some cases this might not be a correct assumption, especially if the year was an unusual income tax year due to the sale of a business, unusual capital gains, the exercise of stock options, or even winning the lottery! A qualified tax professional should be able to help you with a tax projection.
7. Utilize resources such as IRS.gov for tax information.
8. Always double check your math where possible and remember it is always wise to consult a tax preparer before filing.

Our Wealth Advisors review client tax returns each year to help ensure your investments, financial planning, and tax-strategy are aligned. Not all people who call themselves financial planners do. Feel free to let your friends and family know it's a valuable service they should expect. Or have them call us for a complimentary, no-obligation financial check-up.

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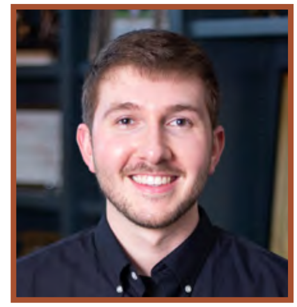

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CSP #645418 Exp. 11/7/2025