



December 14, 2020

The importance of tax planning goes beyond keeping cash out of Uncle Sam's hands. You're also preparing yourself for a secure retirement. While we do not draft tax returns at Pacific Capital, our comprehensive financial advice and services includes paying attention to the tax impact of your financial decisions.

Here are 5 strategies to consider with your tax professional this month:

- 1. Defer any remaining income to 2021 (year-end bonus, collection of business debts, rent, and payments for services) in order to postpone payment of tax on the income until next year.**
- 2. Accelerate deductions into the current tax year. If you itemize deductions, making payments for deductible expenses such as medical expenses, qualifying interest, and state taxes before the end of the year (instead of paying them in early 2021) could make a difference on your 2020 return.**
- 3. Make deductible charitable contributions. If you itemize deductions on your federal income tax return, you can generally deduct charitable contributions, but the deduction is limited to 60%, 30%, or 20% of your adjusted gross income (AGI), depending on the type of property that you give and the type of organization to which you contribute. (Excess amounts can be carried over for up to five years.) For 2020 charitable gifts, the normal rules have been enhanced: The limit is increased to 100% of AGI for direct cash gifts to public charities.**
- 4. Maximize retirement savings. Deductible contributions to a traditional IRA and pre-tax contributions to 401(k)s can reduce your 2020 taxable income. If you haven't already contributed up to the maximum amount allowed, consider doing so. The window to make 2020 contributions to an employer plan generally closes at the end of the year, while you have until April 15, 2021, to make 2020 IRA contributions. (Roth contributions are not deductible, but Roth qualified distributions are not taxable.)**
- 5. Avoid RMDs in 2020. Recent laws passed by congress waived RMDs from IRAs and most employer retirement plans for 2020 so you don't have to take distributions this year. If you have already taken a distribution for 2020 that is not required, you may be able to roll it over to an eligible retirement plan.**

Of course, consult with your tax advisor before making any decision regarding your taxes. If you want to schedule time to talk with our team about ideas to reduce your taxes, click the blue button below and pick a time that works!

P.S. Every year we send out a Tax Reference Guide for you and your tax professional. If you'd like a copy, please reply to this newsletter and simply say "TAX GUIDE."

P.P.S. Thank you again for your support in buying my new book ["Stress Free Money"](#) (available on Amazon). 94 of you have already left a book review on Amazon. If you already read the book, will you please go to amazon and leave a review? THANK YOU!! Also, the AUDIO BOOK version came out this month as well (on amazon and audible.com).

Sincerely,

CHAD WILLARDSON
HEALTH ADVISOR FOR ENTREPRENEURS

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