FIRST MANHATTAN

2024 YEAR-END PLANNING CONSIDERATIONS

As 2025 approaches, we would like to highlight several year-end planning opportunities for you to consider, many of which could help you with your longer-term goals. We encourage you to speak with us as well as your tax professionals to determine how we can be helpful. In the coming weeks, we plan to share an overview of how the presidential electoral results may result in policy shifts that impact future planning.

GIFTING & ESTATE TAX CONSIDERATIONS

GIFTING OPTIONS

- In 2024, the federal lifetime gift and estate tax exemption increased to $13.61M for individuals or $27.22M for married couples. If in previous years you used all your exemption, you could still make additional gifts up to this amount in 2024. With the federal lifetime gift and estate tax exemption currently at an all-time high and scheduled to be reduced at the end of 2025, now could be a great time to maximize your next generation gifting. *Learn more: Maximize Your Next Generation Gifting.*
- For 2024, the annual gift tax exclusion amount increased to $18K for individuals or $36K for married couples who opt to split-gift. Annual gift tax exclusion gifts do not reduce your lifetime gift and estate tax exemption.
- To qualify for a 2024 tax deduction, gifts must be made by 12/31/2024. Cash gifts must clear in the recipient's account on or before this date.

CHARITABLE DONATIONS

- "Bunching" charitable donations into a single tax year provides an opportunity to use your itemized deductions to offset higher-than-usual income, such as capital gains from a home or equity sale. For all but the smallest charitable donations, we recommend using appreciated stock rather than cash, as you avoid capital gains taxes on gifted shares.

DONOR-ADVISED FUND

- Gifting to a donor-advised fund (DAF)—a popular vehicle for making charitable donations—provides several benefits, including the ability to reduce taxes in a year in which taxable income is unusually high and "prefunding" charitable giving that you anticipate continuing when you retire.
- You receive a tax deduction in the year in which contributions are made but you can make gifts from the DAF to your preferred charities later.
- We can help you establish your DAF, partnering with organizations such as American Endowment Foundation, Jewish Communal Fund, or other third-party sponsors.

QUALIFIED CHARITABLE DISTRIBUTION

- If you have not satisfied your required minimum distribution (RMD), making a qualified charitable donation (QCD) from your IRA is a tax efficient means of making charitable gifts.
- To make a QCD, you must be age 70½ or older, and the contribution must be made directly from the IRA to the charitable institution(s). Beginning in 2024, the maximum QCD limit is $105K, which is an increase from the previous $100K due to the annual adjustment for inflation that began this year.
- If you are eligible to make a QCD, your tax professional can help you assess whether to implement it or to donate appreciated stock from a taxable account. For some individuals, donating appreciated stock and receiving the tax deduction will be the most tax-efficient approach. For others, the QCD will be optimal. The best approach may even vary from one year to the next, depending on the particulars of your situation.

RETIREMENT

RETIREMENT PLAN CONTRIBUTION LIMITS

- **401(k) and 403(b) plans:** $23K ($30.5K if age 50 or older) by 12/31/2024
- **SIMPLE 401(k) plans:** $16K ($19K if age 50 or older) by 12/31/2024
- **Traditional and Roth IRAs:** $7K ($8K if age 50 or older) by 4/15/2025
- **SEP-IRAs:** Capped at the lesser of 25% of net earnings or $69K by 4/15/2025

ROTH IRA CONVERSIONS

- A Roth IRA conversion may be beneficial for IRA owners who have cash on hand for the tax payment, do not need their retirement funds in the immediate future, want to add to their tax-exempt assets, and are focused on leaving an efficient legacy. *Learn more: Should You Consider A Roth IRA Conversion?*

REQUIRED MINIMUM DISTRIBUTION

- If you have an RMD, it must be satisfied by 12/31/2024.
- Beginning in 2023, the SECURE 2.0 Act raised the age at which original retirement plan owners (with certain exemptions) must begin taking RMDs to age 73.
- Those taking distributions for the first time can defer doing so until 4/1/2025 but will be mandated to take two RMDs that year—the first by 4/1/2025, which satisfies your required withdrawal for 2024, and the second by 12/31/2025, which satisfies your required withdrawal for 2025.
- For those who inherited IRAs after 12/31/2019, understanding if you are considered an eligible designated beneficiary[1] or a non-eligible designated beneficiary[2] will be helpful in determining if you are exempt from the 10-year rule or subject to both the 10-year rule and RMDs.

TAXES

TAX-LOSS HARVESTING

- Tax-loss harvesting, or selling an investment at a loss, can help minimize capital gains and reduce federal taxable income for the year if you have no net capital gain (up to a $3K offset).
- Realized losses that cannot be used in 2024 may be carried forward indefinitely into future tax years at the federal level. (State rules vary.)

[1]Eligible designated beneficiaries include the spouse or minor child of the deceased account holder, a disabled or chronically ill individual, and an individual who is not more than 10 years younger than the IRA owner or plan participant.

[2]Non-eligible designated beneficiaries include non-spouses and certain trusts.

CORPORATE TRANSPARENCY ACT

FILING DEADLINES FOR CERTAIN BUSINESS ENTITIES

- The Corporate Transparency Act (CTA) was enacted on 1/1/2024, to help prevent financial crimes. It requires certain business entities that were formed in the United States (and owners and individuals who exercise control over the entity) to file information on their "beneficial owners" with the Financial Crimes Enforcement Network of the US Department of the Treasury.
- The CTA imposes time-sensitive filing deadlines that are dependent on the date that the entity was formed. For entities in existence prior to 1/1/2024, the deadline is 1/1/2025. However, if the entity was created in 2024, the filing is due within 90 days of creation.
- We encourage you to check with your accountant and attorney to see if the CTA applies to you and if a filing is necessary. For more information, please visit https://fincen.gov/boi.

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CELEBRATING 60 YEARS

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