



## Year's End Financial Strategies

### Things to do before December 31

By Kevin R. Bourke

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Dear Kevin,

The New Year is fast approaching. Is there anything I should do financially before January 1, 2008?

Melodee in Montecito

Dear Melodee,

You've taken the first step, which is to recognize that this is an important time of year to plan for your financial future.

Before the ball drops in Times Square, we have the opportunity to trim our taxes, boost our retirement savings, and, perhaps help others less fortunate than ourselves.

### Tax Harvesting

If you own any investments that are worth less today than when you purchased them, it makes sense to take advantage of those losses to offset any gains you might see this year.

Even if you have no gains to offset, you can take up to a \$3,000 loss against income this year and carry any remaining losses for use in future years.

If you think your “loser” investment will recover its value sometime in the future, you can buy the investment back with one caveat. You must wait more than 30 days after the sale to buy the investment back, or the tax loss will not be available to you. This is called the “wash sale” rule.

### **Retirement Plans**

If you have access to a 401(k) or a similar retirement plan at your job, think about boosting your contribution for the remainder of 2007. Now is the time!!! Call somebody, get online, do whatever you have to do to raise your contribution, but put as much as you can in your retirement plan this year.

Come April, you'll appreciate the tax savings, and come retirement, you might find you'll have more than you planned for.

If you are self-employed, there are many retirement plans available to you. Some of them allow you to start contributing in December for the next year, and some allow you to wait until you file your taxes. With help from your tax or financial advisor, figure out now which plan works best for you.

### **Holiday Presents that Last**

Buying the kids in your life new bikes and new clothes will always be appreciated, but how about spending some of your holiday gift money on your child's or grandchild's education?

College inflation runs about double (maybe more) the rate of inflation in the economy. Now is the time to start putting money away for tuition, room, and board. Check out the various options open to you, including 529 plans, education IRAs, state tuition plans, etc.

A small amount placed into one of these accounts today can make a significant difference in the years to come. The younger the child, the more impact you can have on the cost of their tuition.

### **Give and You Shall Receive**

Those aged 70 and one half and older have the opportunity to save money on taxes and support their favorite causes at the same time.

The IRS will allow you to take your RMD (Required Minimum Distribution) this year and have the IRA custodian send it directly to your favorite non-profit. It could be a little tricky, so you should consult your tax advisor first, but what a great way to avoid paying taxes on money that must be taken out of your IRA anyway, and help others simultaneously. Just do it before the end of the year.

If you just turned 70 and one half this year and are considering delaying your first RMD until April 1, 2008, please consider this carefully. The upside to delaying your distribution is you can delay the

tax due until April 15, 2009. The downside to this strategy is you will also have to take your 2008 RMD in 2008, giving you two distributions in one year.

Do you really want to pay taxes on both distributions in one year? Might that perhaps boost your tax rate up to the next notch in 2008? Only you and your tax advisor know the answer.

Most financial advisors are very busy this time of year calling their clients and discussing possible strategies on how to maximize their wealth. Take advantage of this small window of opportunity before the year is up to save on taxes, fund retirement, care for your family's future and help those less fortunate this holiday season.

*Kevin Bourke is a registered principal with and offers securities through Linsco/Private Ledger*