End-of-the-Year Money Moves

Here are some things you might consider before saying goodbye to 2020.

Presented by Greg B. Thomas

What has changed for you in 2020? For many, this year has been as complicated as learning a new dance. Did you start a new job or leave a job behind? That's one step. Did you retire? There's another step. Did you start a family? That's practically a pirouette. If notable changes occurred in your personal or professional life, then you may want to review your finances before this year ends and 2021 begins. Proving that you have all of the right moves in 2020 might put you in a better position to tango with 2021.

Even if your 2020 has been relatively uneventful, the end of the year is still a good time to get cracking and see where you can manage your overall personal finances.

Keep in mind this article is for informational purposes only and is not a replacement for real-life advice. Please consult your tax, legal, and accounting professionals before modifying your tax strategy.

Do you engage in tax-loss harvesting? That's the practice of taking capital losses (selling securities worth less than what you first paid for them) to manage capital gains. You might want to consider this move, but it should be made with the guidance of a financial professional you trust.[1]

In fact, you could even take it a step further. Consider that up to $3,000 of capital losses in excess of capital gains can be deducted from ordinary income, and any remaining capital losses above that amount can be carried forward to offset capital gains in upcoming years.[1]

Do you want to itemize deductions? You may just want to take the standard deduction for the 2020 tax year, which has risen to $12,400 for single filers and $24,800 for joint. If you do think it might be better for you to itemize, now would be a good time to get the receipts and assorted paperwork together.[2,3]

Could you ramp up your retirement plan contributions? Contribution to these retirement plans may lower your yearly gross income. If you lower your gross income enough, you might be able to qualify for other tax credits or breaks available to those under certain income limits.[4]

Are you thinking of gifting? How about donating to a qualified charity or non-profit organization before 2020 ends? Your gift may qualify as a tax deduction. For some gifts, you may be required to itemize deductions using Schedule A.[4]

While we're on the topic of year-end moves, why not take a moment to review a portion of your estate strategy. Specifically, take a look at your beneficiary designations. If you haven't reviewed them for some time, double-check to see that these assets are structured to go where you want them to go, should you pass away. Lastly, look at your will to see that it remains valid and up-to-date.

Check on the amount you have withheld. If you discover that you have withheld too little on your W-4 form so far, you may need to adjust your withholding before the year ends.

What can you do before ringing in the New Year? New Year's Eve may put you in a dancing move, eager to say goodbye to the old year and welcome 2021. Before you put on your dancing shoes, consider speaking with a financial or tax professional. Do it now, rather than in February or March. Little year-end moves might help you improve your short-term and long-term financial situation.

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Citations

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2. NerdWallet.com, July 17, 2020
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