There are several strategies to help you take advantage of any remaining opportunities to enhance your flexibility to manage your future tax liabilities as we get closer to year-end. (UBS)

Year-end priorities and a preview of 2025

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Regardless of whether you have decades left to save for retirement, are transitioning into retirement, or are already enjoying your retirement years, it's always a good idea to have an end-of-year check-in with your retirement plan. As we head into year-end, here are some action items that you should consider:

1. Enhance your tax diversification

There's no way to perfectly plan for future tax rates, but there are several strategies that investors can use to manage their tax liabilities. As we get closer to year-end, you can use these strategies to help you take advantage of any remaining opportunities to enhance your flexibility to manage your future tax liabilities.

Tax diversification is one key strategy for managing the impact of changing tax rates. Building a diverse mix of taxable, tax-deferred, and tax-exempt assets will allow you to draw from each account type strategically and dynamically, allowing you to manage your taxable income—and thus your tax burden—on a year-to-year basis.

During your working years, we recommend using our **Savings waterfall worksheet** and our report on **Traditional versus Roth accounts** to direct your hard-earned savings toward the **account types that are likely to give you the highest after-tax growth potential**.

During your retirement years—especially in early retirement, in the "gap years" before you collect Social Security income and need to take required minimum distributions (RMDs)—you may want to consider partial Roth conversions as a strategy for increasing your tax diversification.

Roth conversions allow you to move some of your wealth from tax-deferred accounts—such as a Traditional IRA/401(k)—into a Roth IRA/401(k).[1] Although you will need to pay income tax on any Roth conversion, Roth IRAs and 401(k)s offer the potential to provide you with tax-free growth and income in retirement.

For an overview of how we recommend deciding how much to convert in a given year, please see our report, **Beyond RMDs: Strategies for IRA owners and beneficiaries**. We recommend discussing this decision with your financial advisor and tax advisor, who are best positioned to help you make this decision in light of your family's unique circumstances and objectives.

2. Accelerate lifetime gifting

Under current law, an individual can give away $13.61 million ($27.22 million for married couples) to others during their lifetime or at death without being subject to gift or estate taxes (which have a top tax rate of 40% for amounts over $1 million). Without congressional action, these amounts are set to continue to increase with inflation through 2025, after which they'll decrease back to about $6.5-7.0 million per individual.

There are a number of gifting strategies that can help you take advantage of the historically high lifetime gift and estate tax exemption that exists today:

- Annual gift tax exclusion
- Medical and education gifts
- Lifetime exemption gifts
- Tax-efficient trusts (e.g., irrevocable trusts and charitable trusts)
- Outright charitable gifts
- Donor advised funds

3. Give to others, not the IRS

In our recent report, **Give to others, not the IRS**, we outline several strategies that can help you enhance the after-tax impact of your hard-earned savings.

One such strategy—which may be appropriate if you need to take an RMD from your IRA and you are at least age 70½—is a qualified charitable distribution (QCD). Each year, you and your spouse may each donate up to $105,000 from your respective IRAs toward your RMD, and it won't be subject to federal income tax. This strategy effectively allows you to make a tax-deductible distribution from your IRA, without needing to itemize your taxes.

It's important to note that this gift must be made directly from a Traditional IRA to the charitable organization, and it must be completed by year-end.

While QCDs cannot be made to donor-advised funds or private foundations, you are allowed to make a onetime election of up to $53,000 (indexed for inflation) in 2024 per individual to a transfer via a QCD to a charitable gift annuity (CGA), charitable remainder unitrust (CRUT), or a charitable remainder annuity trust (CRAT). But there are restrictions on the type of CRUTs and CRATs that can receive a QCD. For instance, they must be funded exclusively by the QCD.

If you are charitably minded, and you also want more of your investment assets into tax-exempt accounts for noncharitable objectives, we recommend pairing QCDs and Roth conversions in the same year. But keep in mind that RMDs aren't allowed to be converted to a Roth IRA, so make sure you satisfy that year's RMD first (your RMD dollars have to go to a taxable account, not a Roth IRA). For more information on QCDs, please see **Beyond RMDs: Strategies for IRA owners and beneficiaries.**

4. Harvest capital losses

Investments in your taxable accounts (your savings outside your IRA, 401[k], and other tax-advantaged accounts) will accumulate significant capital gains. When you transition from your working years into retirement and begin to tap into your portfolio growth to finance your spending, it will likely trigger capital gains taxes.

Tax loss harvesting—which involves realizing capital losses while staying fully invested—can help you to reduce this tax burden, and it can help add to the after-tax return potential of your taxable assets.

It may seem counterintuitive to sell investments after they've experienced a drawdown—after all, this goes against the adage "buy low, sell high"—but there are three good reasons tax loss harvesting can be an effective strategy:

- To lower your taxes this year
- To keep your "tax dollars" growing
- To (possibly) avoid capital gains taxes altogether

We recommend implementing tax loss harvesting throughout the year as opportunities present themselves. If you are invested in a well-diversified portfolio, it's likely that there will be a few opportunities each year. Importantly, we don't see any reasons *not* to harvest capital losses in your taxable accounts, as long as you are able to implement loss harvesting without taking on extra risk. But make sure you're watching out for the "wash sale" rule: You cannot have both "buy" and "sell" trades in the same security (or any investment that the IRS considers "substantially identical," including warrants and call options) within 30 days of one another.

To learn more about tax loss harvesting see our report **Tax loss harvesting: 3 reasons, 3 tips, and 3 strategies to help improve after-tax returns**. You may also refer to "Exchange-traded funds: ETF tax swaps," which outlines replacement securities to consider when implementing a tax loss harvesting strategy.

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Read the original report **Modern Retirement Monthly: Year-end priorities and a preview of 2025**, which was published on 25 September 20234 and visit **ubs.com/retirementguidebook** for the UBS Chief Investment Office's one-stop shop of retirement planning advice whether you are saving for, transitioning to, or already in retirement.

Watch this short video on how to prepare for the expiration of the Tax Cuts and Jobs Act of 2017.

[1] Not all 401(k) providers allow participants to implement an in-plan Roth conversion. If they do not, you may need to consider rolling your 401(k) into an IRA (if you're eligible) to implement the Roth conversion. Please refer to the UBS IRA Rollover Guide, available here, for key considerations prior to deciding whether to roll your 401(k) to an IRA.