First Republic Private Wealth Management
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2021 Year-End Tax Checklist

With the end of the year quickly approaching, now is the time to review and assess your existing year-end planning and turn your focus to some of the tax provisions that may affect you. This year, the Consolidated Appropriations Act temporarily extended certain provisions from the SECURE Act and the CARES Act, which provided both long-term and temporary relief. The following is a checklist to help plan and organize the different aspects of your year-end finances.

Though this piece highlights important considerations, we recommend reaching out to your tax advisors to review the full impact of this Act on your current and future tax situation.

Retirement

- Consider maximizing your 401(k), 403(b) or other company plan contributions. If you are 50 years or older, catch-up contributions are allowed.
- Maximize your IRA contributions.
- Consider converting traditional IRAs to Roth IRAs, especially if you are in a low tax bracket and can pay the taxes with other funds available.
- If you are 72, make sure you take your required minimum distribution.
- If you are self-employed, consider opening and funding a SEP IRA.
- Check beneficiary designations on all retirement plans (or check to make sure that primary and contingent beneficiary designations are current on all retirement plans).
- Consider making a 2021 charitable donation directly from your IRA using a qualified charitable distribution (QCD) if you are 70½ or older.

HSA

- Contribute to (or fully fund) your health savings account (HSA).

Gifting

- Consider using your annual gift tax exclusion amount ($15,000 per donee) for cash gifts.
- Consider using your annual gift tax exclusion to fund 529 plans.
- Consider using appreciated assets to fund your charitable gifts.
- Evaluate which charitable vehicle is right for you: donor advised fund, private foundation, charitable trust, etc.
- Consider using all or a portion of your lifetime federal estate, gift and GST exemption amount of $11,700,000 by creating and funding an irrevocable trust.
- Before gifting any asset, know the cost basis and the tax consequences to the donee.
- Revisit your gifting strategies and your estate planning documents.

Income Taxes

- Work with your tax advisor to prepare an income tax projection for 2021 and 2022.
- Consider "bunching" your deductions. Given how substantial the standard deductions are currently, a "bunching" strategy may allow you to aggregate or delay discretionary medical expenses and/or charitable deductions to a tax year when you could potentially benefit the most.

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Income Taxes (continued)

- Remember that you can deduct up to 100% of Adjusted Gross Income (AGI) for cash donations in 2021.
- Consult with your tax advisor about the benefits of either accelerating income in the current year or deferring income to the following year.
- Check your withholding to avoid interest and penalties.
- Consider working with your tax advisor to determine if you will be subject to the alternative minimum tax (AMT) this year and to evaluate ways to minimize exposure.
- Consider ways to minimize the 3.8% net investment income tax (NIIT) by reducing modified adjusted gross income (MAGI) and net investment income.

Insurance

- Review your current insurance policies.
- If you have a material change in life, revisit the amount of life insurance coverage you have.
- Check the beneficiary designation forms for all insurance coverage (to ensure that those named are current).
- Request an in-force ledger for all permanent life insurance policies.
- Consider transferring your life insurance into an irrevocable life insurance trust (ILIT).
- If your life insurance is owned by an ILIT, make sure you are providing Crummey letters to the beneficiaries.

Investments

- Review asset allocation for rebalancing.
- Check to make sure your investments are in line with your risk tolerance and investment objectives.
- Address concentrated equity positions.
- Consider selling some positions with a loss to offset gains. You can deduct up to $3,000 of capital losses against ordinary income and carry forward excess capital losses to future years.
- If you plan to purchase a mutual fund toward year-end, check to see if the fund is making a sizable capital gains distribution.

Authored by Advanced Planning Team, First Republic Investment Management, in October 2021.

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