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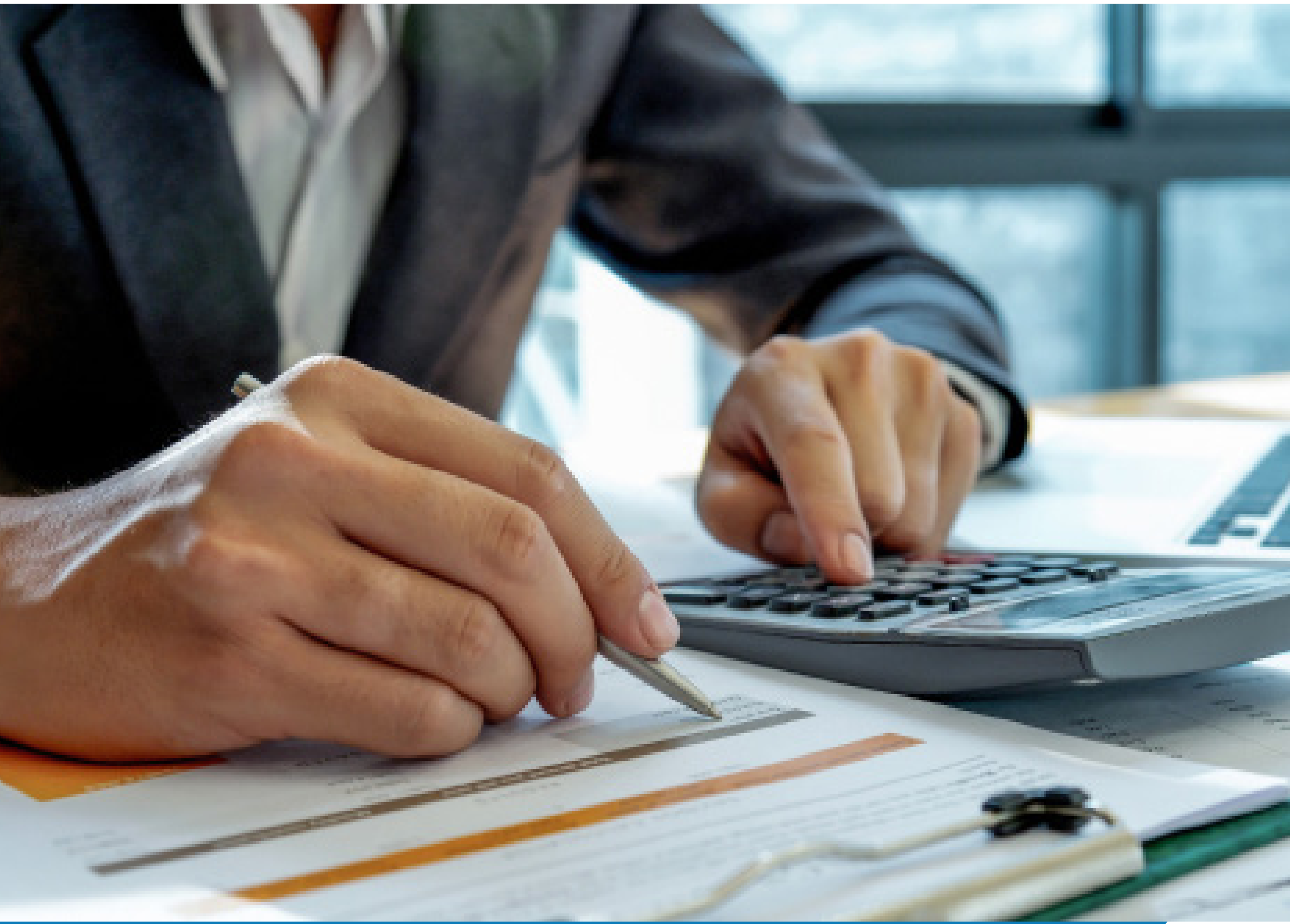
Beyond the Numbers...



7 Tax Minimization Strategies for Investing

Everyone invests as a way to build wealth. Whether that means that you're looking for long-term income or funds that drop into your account regularly, the last thing you want to do is to divert some of your earnings into taxes. Consider the following strategies to minimize your taxes.

#1 Capital Gains Should be Long-Term

Avoid taxes by taking a long view on the stocks you're holding. If you hold a stock for a year or less, any gains you realize on it are taxed at the same ordinary income rates. However, hold onto a stock for longer than a year and you'll be taxed at the long-term capital gains rate. As of this writing, that rate is 15 percent for most investors with the highest earners being taxed at 20 percent.

#2 Use Tax Loss Harvesting

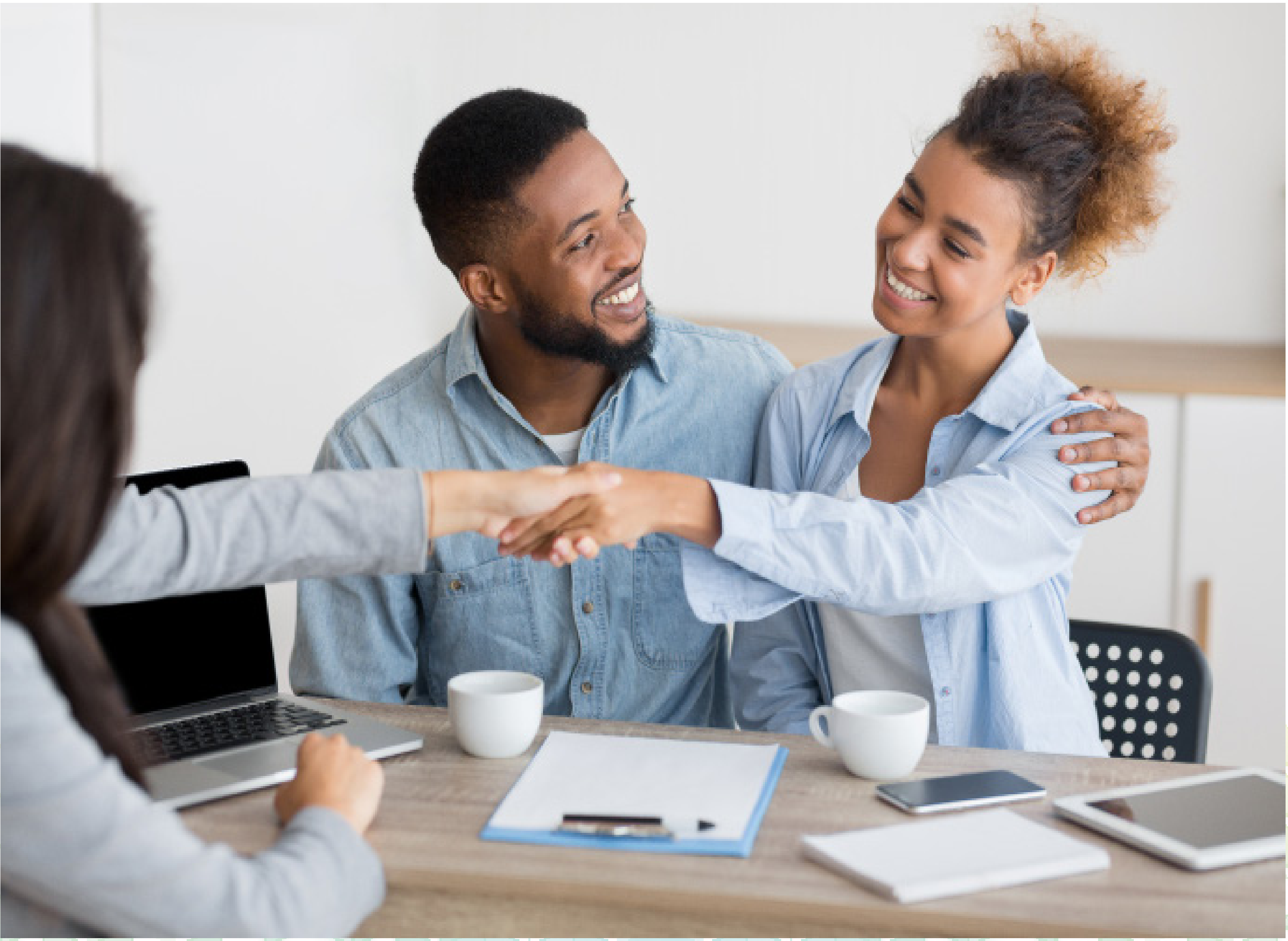
Tax loss harvesting is an income tax strategy that allows you to offset any gains you have during the year by using investment losses. As long as your losses are greater than your gain, you can use them to offset up to $3,000 every year and reduce your tax liability. You can also carry additional losses forward to future tax years.

However, the IRS does have limitations on Tax Loss Harvesting. Per the Wash-Sale rule, the IRS will not allow losses if the same or substantially identical security is purchased within 30 days of the transaction that resulted in the loss. So, you can't sell a stock and repurchase it right away just to generate tax losses.

Also be aware of how losses are applied. Long Term losses are first applied to long-term gains and thereafter to short term gains. Short term losses are first applied to short term gains and thereafter to long-term gains. The IRS does this because long term gains are taxed at a lower rate than short term gains.

#3 Take Full Advantage of Retirement Accounts

Choose your retirement accounts wisely and take full advantage of what they have to offer. Depending on whether you fund them with pre-tax dollars or post-tax dollars. For 401(k) plans, make sure that you're contributing up to the maximum limit -- $19,000 for 2019 with a catch-up option of $6,000 if you're aged 50 or above. If you have an IRA, be sure that you contribute up to the 2019 limit of $6,000 along with the $1,000 catch-up if you qualify. Regardless of which plan your employer offers, you should be contributing up to the maximum limits if they match it.



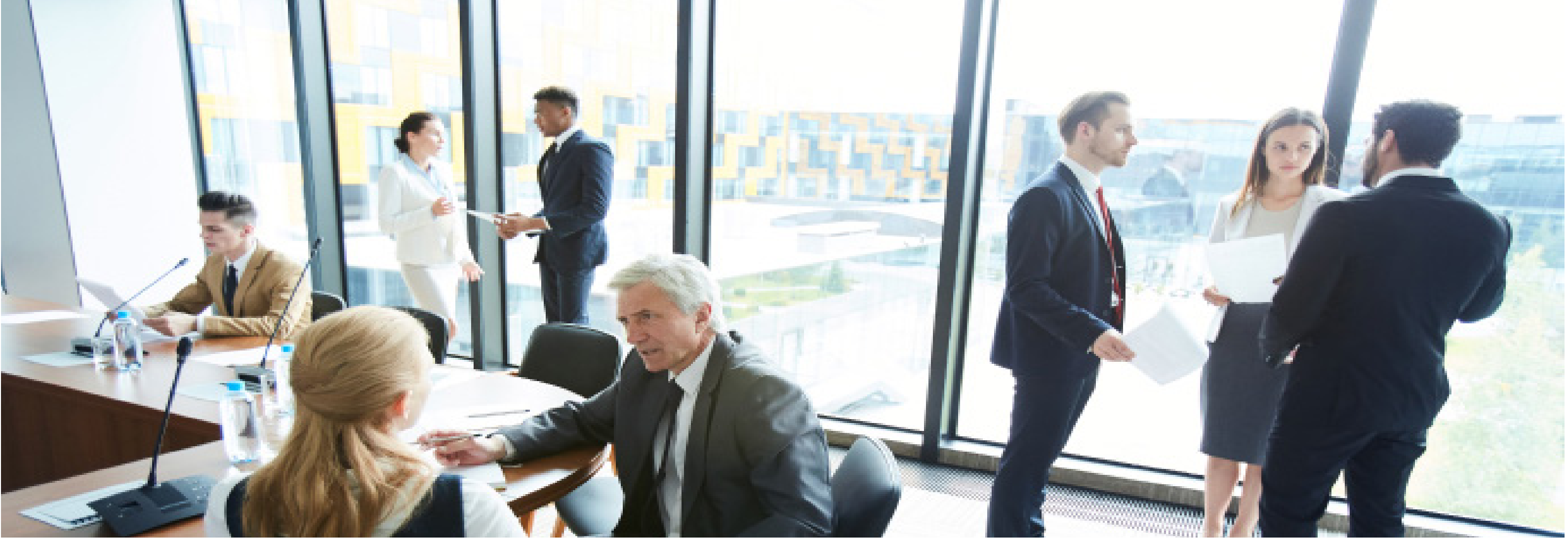
#4 Choose Tax-Efficient Investments

Do some research and learn about the tax-efficient accounts that you're eligible for now so you can minimize your taxes -- now and/or in the future. Consider:

Municipal Bonds
The interest earned from investing in municipal bonds is likely to be exempt from each level of taxation: state, local and federal. Holding municipal bonds allows you to boost your tax savings on that part of your investment portfolio that is already lower in risk.

Tax-managed mutual funds
Tax-managed mutual funds are spearheaded by managers who constantly and actively look for ways to increase their tax efficiency.

Index Funds
Index funds, as well as exchange-traded funds (ETFs), are passive investments that track to a target index over the long term.



#5 Match Investments with the right account type

Tax-efficient investments only work their best if they are held in the appropriate accounts. Knowing the right tax treatment is the key in taking full advantage of these investments.

- A taxable brokerage account or another account that is not tax deferred is the best vehicle for investments that are neutral in taxation. Some examples include municipal bonds and tax-managed mutual funds. Because these types of investments don't typically have high taxes, you probably won't need to defer them. Having them in a taxable brokerage account gives you easy access to them should you need it.

- For your investments that DO generate taxable income, though, it makes better sense to hold them in an account where you can defer the taxes. As an example, if you hold high-turnover stock funds or taxable bonds, keeping them in a traditional IRA is likely to net you the best tax benefits.

#6 Consider Real Estate Investments

There's plenty to like about real estate investments. First, they offer you the potential for current income while also tapping into the capital appreciation that comes from rising property values. While real estate isn't particularly liquid, it does offer significant tax benefits including the fact that the positive cash flow it brings you is often offset by depreciation when it comes to your income taxes.

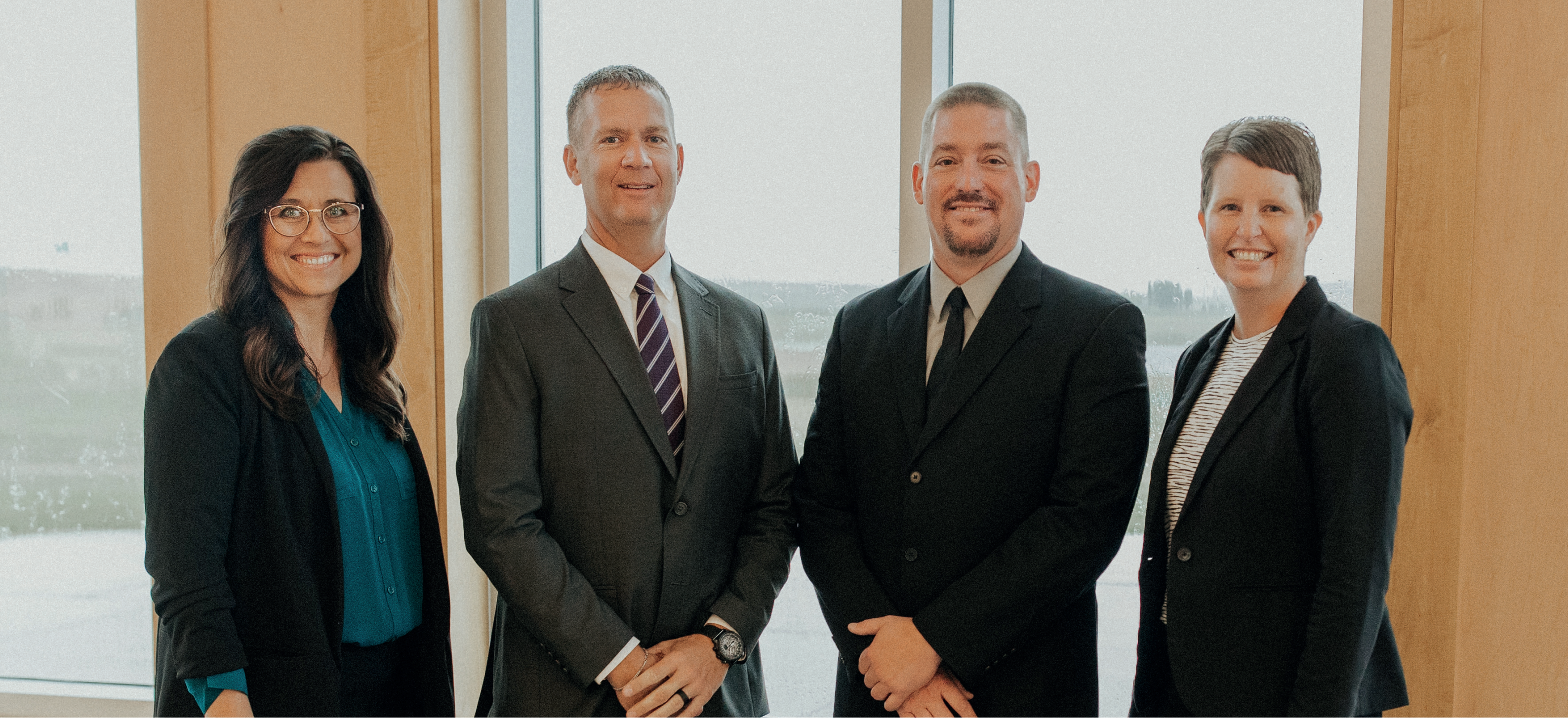
Other tax-efficient advantages to keep in mind include the fact that it's likely that the property will continue to increase in value. You won't have to pay any income taxes on it when or if you decide to sell. Even then, the sale of the property will qualify it as a long-term capital gain with its related lower income taxes.

#7 Make Charitable Stock Donations

Most charitable donations are made in an effort to gain tax advantages. Choosing to donate your appreciated stock to a qualifying charity of your choosing means that you can deduct the stock's full market value. You also won't have to pay capital gains taxes regardless of how much it appreciated while you were holding it.

Final Thoughts

Are you unsure how to take advantage of the tax-saving strategies outlined here? Our office is here to help you save on taxes and keep more of your investments for yourself. Contact one of our tax experts today and we'll be happy to take a look at your current investment portfolio.



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Cain Ellsworth is not all things to all people. Instead, we specialize in serving small to medium businesses in banking, manufacturing, property and casualty insurance, plus a variety of other industries. And we dedicate significant resources to assure that we are well-informed in each of them.

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