

Taxes and Investments: Tax Tips for Investors

by Annie Fischer

At Kaup's Financial Advisors, we take great pride in helping our clients coordinate their taxes with investments to help provide them with tax saving opportunities. Here are a few tips all investors should be aware of:

1. Holding Investments More Than One Year

- a. By holding your investments for more than one year you can save in taxes. When you sell your stocks that are held less than one year, any gains are taxed at the same rates as ordinary income which could be up to 37%. When you hold them for more than one year, any gains are taxed at long-term capital gains rates at a maximum of 20%.

2. Use Losses to Offset Gains

- a. You can use capital losses to offset capital gains which can lower your taxes. If you know you are going to have some type of capital gain (not just investments but could be real estate, equipment, etc.) in the tax year, consult with your financial advisor to see if you have some losses in your portfolio you can take.
 - i. If you do not have capital gains to offset capital losses, you can still use up to \$3,000/year (married filing jointly) of capital losses to offset ordinary income. The remaining is carried over to future years.

3. Maximize Contributions to Retirement Accounts

- a. Whether you use Traditional or Roth IRAs, the money in the account grows tax-free. This means that any gains on sales of holdings within the accounts are not counted as capital gains. It is all tax-deferred. You get a deduction at tax time for Traditional IRA contributions and you only pay tax on withdrawals from Traditional IRAs. You do not get a deduction at tax time on Roth IRA contributions, but all withdrawals from Roth IRAs are tax-free.

4. Health Savings Accounts (HSAs)

- a. If you are covered by a high-deductible health insurance plan and your plan is eligible for an HSA, you can make contributions to the plan that are deductible on your taxes plus the money in the account grows tax-free. Distributions from the HSA, as long as used for qualified medical expenses, are tax-free. There are some restrictions on what type of medical expenses can be run through an HSA if you also have a cafeteria plan through your employer. Check with your tax advisor and your insurance agent on what options you may have.

We are committed to helping you achieve the best tax saving strategies. Call us any time you have questions.

Thanks,

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