



# Tax-Efficient Investing Quick Reference

Essential strategies to minimize investment taxes



## 2024 Capital Gains Tax Rates

### Long-Term (>1 year)

Filing Status	0%	15%	20%
Single	≤\$44,625	\$44,626-\$492,300	\$492,301+
Married Joint	≤\$89,250	\$89,251-\$553,850	\$553,851+

### Short-Term (≤1 year)

- Taxed as ordinary income (10%-37%)
- Same rates as wages and salary
- **Key:** Hold >1 year for lower rates



## Tax-Advantaged Accounts

### Traditional IRA/401(k)

- Tax-deductible contributions
- Tax-deferred growth
- Taxed as ordinary income at withdrawal
- RMDs start at age 73
- 2024 Limit: \$7,000 IRA (\$8,000 if 50+), \$23,000 401(k) (\$30,500 if 50+)

### Roth IRA/401(k)

- After-tax contributions
- Tax-free growth
- Tax-free qualified withdrawals
- No RMDs (Roth IRA only)
- Same contribution limits

### HSA (Health Savings Account)

- Triple tax advantage: deductible, tax-free growth, tax-free medical withdrawals
- 2024 Limit: \$4,150 individual, \$8,300 family (+\$1,000 if 55+)

## Asset Location Strategy

Account Type	Best Investments
Taxable	<ul style="list-style-type: none"><li>• Municipal bonds</li><li>• Tax-efficient index funds</li><li>• Long-term stocks</li><li>• I Bonds</li></ul>
Tax-Deferred (Traditional)	<ul style="list-style-type: none"><li>• Corporate bonds</li><li>• REITs</li><li>• High-turnover funds</li><li>• Dividend stocks</li></ul>
Tax-Free (Roth)	<ul style="list-style-type: none"><li>• High-growth stocks</li><li>• Small-cap funds</li><li>• Emerging markets</li><li>• Anything with highest growth potential</li></ul>

## Tax-Loss Harvesting

### How It Works

- Sell investments at a loss
- Offset capital gains dollar-for-dollar
- Offset up to \$3,000 ordinary income
- Carry forward excess losses

### Wash Sale Rule

- Can't rebuy "substantially identical" security within 30 days (before or after sale)
- Applies to you, spouse, and controlled entities
- Violation: Loss disallowed, added to basis of new purchase
- **Workaround:** Buy similar (not identical) investment

### Example

- Sell losing Stock A: -\$5,000
- Sell winning Stock B: +\$8,000
- Net gain: \$3,000
- Tax at 15%: \$450 (vs. \$1,200 without harvesting)



## Dividend Tax Treatment

### Qualified Dividends

- Taxed at capital gains rates (0%, 15%, 20%)
- Must hold stock >60 days during 121-day period around ex-dividend date
- U.S. companies & qualified foreign corporations

### Ordinary (Non-Qualified) Dividends

- Taxed as ordinary income (10%-37%)
- REITs, MLPs, money market funds
- Short-term holdings



## Municipal Bonds

- **Federal Tax Exempt:** Interest not taxed by IRS
- **State Tax Exempt:** If issued in your state
- **Tax-Equivalent Yield:**  $\text{Muni Yield} / (1 - \text{Tax Rate})$
- **Example:** 3% muni = 4.17% taxable (28% bracket)
- **Best For:** High earners in taxable accounts



## Tax-Efficient Investments

### Most Tax-Efficient

- Index funds (low turnover)
- ETFs (in-kind redemptions)
- Tax-managed funds
- Individual stocks (control timing)
- Municipal bonds
- I Bonds & Treasury securities

### Least Tax-Efficient

- Actively managed funds (high turnover)
- Bond funds in taxable accounts
- REITs (ordinary dividend treatment)
- Commodities & precious metals



## Tax-Smart Charitable Giving

### Donate Appreciated Securities

- Avoid capital gains tax
- Deduct full fair market value
- Must itemize to benefit

### Qualified Charitable Distributions (QCDs)

- Direct IRA donation (age 70½+)
- Counts toward RMD
- Up to \$105,000 per year (2024)
- Excludes donation from taxable income

### Donor-Advised Funds

- Immediate tax deduction
- Distribute to charities over time
- Invest funds for growth



## Smart Withdrawal Strategies

### Order of Withdrawals

- **1. RMDs first** (avoid 50% penalty)
- **2. Taxable accounts** (most flexible)
- **3. Tax-deferred accounts** (control tax bracket)
- **4. Roth accounts last** (maximize tax-free growth)

### Roth Conversions

- Convert Traditional → Roth in low-income years
- Pay taxes now at lower rate
- Tax-free growth thereafter
- No RMDs on Roth IRAs
- **Best:** Early retirement, before Social Security



## State Tax Considerations

### States with NO Income Tax

- Alaska
- Florida
- Nevada
- South Dakota
- Tennessee
- Texas
- Washington
- Wyoming
- New Hampshire\*

\*Interest & dividends only

### Your State: {{STATE\_NAME}}

- Income Tax Rate: {{STATE\_INCOME\_TAX\_RATE}}%
- Capital Gains Tax: {{STATE\_CAPITAL\_GAINS\_TAX}}%



### Tax-Efficiency Action Plan

- Max out tax-advantaged accounts first
- Hold investments >1 year when possible
- Place tax-inefficient assets in tax-advantaged accounts
- Harvest losses annually (watch wash sales)
- Consider municipal bonds in taxable accounts (if high bracket)
- Donate appreciated securities instead of cash
- Review portfolio for tax optimization annually



### Important Reminders

- Tax tail shouldn't wag investment dog
- Investment returns matter more than tax savings
- Consult tax professional for complex situations
- Tax laws change—stay informed
- Document everything for tax time