

Is Tax Planning Worth It?

If you feel that with more money come more tax problems but don't know what to do about it, here are some tax strategies that you should consider:



A tax drag is the **reduction of income due to taxes**, so ideal tax strategies aim to reduce the tax drag as much as possible to ensure your money has more power to grow.



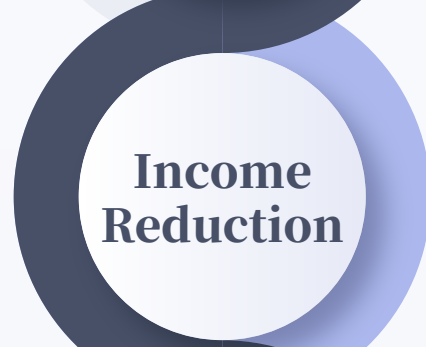
Donating appreciated stock can help you **avoid capital gains taxes** and claim a deduction.



If you are currently employed, **you should be saving in your 401k or 403b**. If you're self-employed, you can set up a SEP IRA, SIMPLE IRA, or a solo 401k.



The most advantageous strategy is to use a **Health Savings Account (HSA)**. HSAs have three strong advantages: 1. Savings with pre-tax dollars, 2. Growing tax deferral, and 3. Tax-free qualified distributions.



Your employer may offer a **deferred compensation plan** that allows you to postpone, say 10% of your salary or bonus until a later date. The benefit of this is that you don't actually receive this income, so you don't have to pay taxes yet.



A tax credit is a value you are able to **subtract from the taxes you owe**, rather than reducing your taxable income. There are many types of tax credits you could qualify for, especially if you have children, are going to college, or buy an electric vehicle.



If you make money from selling an investment, you will need to pay a tax from those gains, also referred to as the capital gains tax (CGT). Two ways to take advantage of these capital gains are **long-term capital gains and gain and loss offset**.

Having a strategy is by no means a way to avoid paying taxes. Proper tax planning can help lower your tax bill and increase your portfolio value.