PROFIT PULSE: STAY INFORMED, INVEST INGELLIGENTLY

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TRUST & WEALTH MANAGEMENT

BACKDATING CONTRIBUTIONS & TAX FILING DEADLINES

As tax season approaches, many people are looking for ways to maximize their savings and reduce their taxable income. One powerful tool to consider is backdating contributions to tax-advantaged accounts, such as a Roth IRA, before the tax filing deadline. This strategy can offer significant benefits for individuals looking to boost their retirement savings while taking advantage of tax perks. Here's how backdating works and other contributions you can make before the April 15 deadline.

Backdating Roth IRA Contributions

Roth IRA contributions can be made up until the tax filing deadline for the previous tax year. For example, contributions for the 2024 tax year can be made until April 15, 2025. This means if you haven't yet maxed out your Roth IRA contribution limit, you can make a contribution to your Roth IRA as late as the filing deadline, and it will count for the previous tax year. For 2024, the contribution limit for Roth IRAs is $7,000 for individuals under 50 and $8,000 for those 50 or older. Making these contributions before the deadline helps grow your retirement savings and can offer tax-free growth on your investments, as long as you meet certain requirements (such as waiting five years to withdraw earnings tax-free).

Other Contributions You Can Make Before the Tax Filing Deadline

- **Traditional IRA Contributions:** Like Roth IRAs, you can also make contributions to a Traditional IRA for the previous tax year up until the filing deadline. Contributions to a Traditional IRA may be tax-deductible depending on your income and whether you have access to a workplace retirement plan. This could lower your taxable income for the year, potentially resulting in a smaller tax bill.

- **Health Savings Account (HSA):** If you're enrolled in a high-deductible health plan (HDHP), you can contribute to an HSA for the prior year before the tax filing deadline. The HSA allows you to save for medical expenses with tax-free growth and withdrawals. For 2024, the contribution limit is $4,150 for individuals and $8,300 for families, with an additional $1,000 catch-up contribution available for those 55 and older. Contributions made before the filing deadline can be deducted from your 2024 taxable income.

- **SEP IRA (Self-Employed Individuals):** If you're self-employed, you can make contributions to a SEP IRA for the prior year up until your tax filing deadline, including extensions. This is particularly beneficial if you're looking to reduce your taxable income significantly. The contribution limit for SEP IRAs is much higher than for traditional or Roth IRAs, up to 25% of your net earnings or $69,000 for 2024, whichever is lower.

- **401(k) Contributions (For Self-Employed or Solo 401(k)):** While regular 401(k) contributions must be made by the end of the calendar year, self-employed individuals using a Solo 401(k) can make contributions for the previous year up until their tax filing deadline, including extensions. The contribution limits are similar to SEP IRAs, with higher maximum amounts possible for individuals who are both the employee and employer.

- **Flexible Spending Accounts (FSAs):** Although you can't contribute directly to an FSA after the calendar year ends, if you have leftover funds from the previous year in a medical FSA, you may have a grace period or carryover option available, depending on your plan. Make sure to use up any remaining funds before the deadline to avoid losing them.

"The difference between death and taxes is death doesn't get worse every time Congress meets."
-Will Rogers-

TIP OF THE MONTH:

SPRING CLEANING YOUR LIFE

Spring cleaning isn't just about tidying up your home–it's also a great opportunity to refresh your finances and set yourself up for a successful year ahead. Here are some spring cleaning tips for both your physical space and your financial life:

1. Declutter Your Home and Workspace

- Go through your closets: Start by donating or selling items you no longer need. Clear out old clothes, books, or household goods to make room for things you actually use. If you haven't used something in over a year, it might be time to let it go.
- Tidy up your digital space: Unsubscribe from email lists you no longer need, organize your digital files, and delete old documents to free up space.
- Organize your workspace: Whether it's your desk or home office, having a clean and organized space can boost your productivity and reduce stress.

2. Update Your Budget and Financial Goals

- Review your spending: Take a look at your expenses over the past few months. Are there any areas where you can cut back? Spring is a great time to reevaluate your financial priorities.
- Set new goals: Have you made progress toward your financial goals this year? If not, spring cleaning your finances is a good time to adjust your goals or set new ones. Think about saving for a vacation, building an emergency fund, or paying off debt.
- Track your spending: Use apps or tools to track your spending habits. This will help you stay accountable to your financial goals moving forward.

3. Clean Up Your Credit

- Check your credit report: Request your free credit report from the major bureaus (Equifax, Experian, and TransUnion) and review it for any errors. Disputing inaccuracies can help improve your credit score.
- Pay down high-interest debt: Prioritize paying off credit cards or loans with high-interest rates. This will not only clean up your finances but also save you money in the long run.

4. Check Your Insurance Policies

- Review insurance coverage: Spring is a great time to review your home, auto, and health insurance policies. Make sure you have adequate coverage and that you're not paying for extras you don't need.
- Shop around for better rates: If your policy is up for renewal, consider shopping around for better rates or discounts. Comparing prices can help you find more affordable options.

5. Declutter Your Subscriptions

- Cancel unused subscriptions: We often accumulate subscriptions we don't even remember signing up for, like streaming services, magazine subscriptions, or premium memberships. Take a look at your bank or credit card statements and cancel any services you no longer use or need.

6. Spring Into Health

- Health insurance and wellness review: Check if your health insurance coverage is still appropriate for your needs. If you've had any changes in your health, family, or employment situation, make sure your plan aligns.
- Start a new wellness goal: Spring is a great time to focus on your health, whether it's starting a new exercise routine, committing to healthier eating habits, or scheduling overdue doctor's appointments.

FINANCE 101: SIMPLIFYING THE COMPLEX

MODIFIED ADJUSTED GROSS INCOME

Modified Adjusted Gross Income (MAGI) is your Adjusted Gross Income (AGI) with certain deductions or exclusions added back in. It's used to determine eligibility for certain tax benefits, credits, and programs like the Affordable Care Act or retirement account contributions.

How to Calculate MAGI:

1. Start with your AGI: This is your total income minus specific deductions.
2. Add back certain deductions or exclusions: Common items added back to AGI to get MAGI include:
    - Student loan interest
    - IRA contributions
    - Foreign income exclusions
    - Tuition deductions