

Quaker Oats Credit Union

3 Smart 2016 Tax Moves to Make Now

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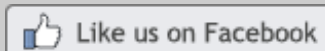
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Not only will smart tax planning help you maximize your deductions, it will allow you to spread out your financial burden throughout the year.



Below are 3 moves you can make right now, and when tax time rolls around, you'll be glad you did.

1) Boost your IRA and 401(k) contributions

For the 2016 tax year, you're allowed to contribute up to \$5,500 to a traditional or Roth IRA, with an extra \$1,000 catch-up contribution allowed if you're over 50. And you can choose to defer \$18,000 of your compensation into your 401(k) or similar employer-sponsored retirement plan if you're eligible to participate in one, or up to \$24,000 if you're over 50. That doesn't include any matching contributions your employer gives. It's not usually necessary or practical to completely max out your retirement savings allowances. The point is however, if you can contribute more money to your retirement accounts, now could be a great time to throw in a little more.

Fortunately, a little extra can go a long way, especially if you're still a few decades away from retiring. If you put an extra \$1,000 away per year for 30 years, you could end up with an additional \$95,000 for retirement, based on a historically conservative 7% rate of return. If you can save an extra \$2,000 per year, you'd have an additional \$190,000. That's a small price to pay for a nice extra cushion once you're retired.

2) Tax-loss harvesting: It's not just for the end of the year

Tax-loss harvesting refers to the practice of selling investments at a loss in order to offset

capital-gains taxes on other investment profits, or to reduce one's overall tax burden.

Example: an investor purchased stock in 2008 for a little over \$200 per share. That stock now sits at approximately \$35. If the investor were to sell their shares, they could use the loss to avoid capital gains taxes on any profitable investments they decide to sell.

Furthermore, if they don't have any investment profits, they can use up to \$3,000 of an investment loss to reduce their other income that's subject to tax. And any amount above that can be carried over until the next tax year.

People tend to wait until the end of the year to do this, but strategic losses can be utilized at any time. Besides, if you get rid of some of your losing investments now as opposed to right before the new year, you'll have an additional three-and-a half months to put that money back to work on your next winner.

3) Charities could really use your donations now

Charitable giving can be an excellent tax deduction and is one of the largest and most common deductions taken by those who itemize their tax returns.

While charities are always grateful for the donations, it could be extra nice to give them your contribution a little early, when it's been over nine months since their last high-income season. After all, issues like homelessness, hunger, and animal rescue aren't unique to the holiday season.

Besides, why wait until you're spending tons of money on gifts to write a check to your favorite charity? It might be easier to spread your holiday spending out a little bit and take some of the holiday burden off of your wallet.

Source: www.fool.com

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