



Why your tax return matters more after you file

As winter winds down and spring nears, it's time once again for Americans to begin preparing for this year's tax filing deadline.



As you're gathering receipts and scrutinizing every possible deduction, remember that the best strategies to help minimize your tax liabilities aren't found at the end of the year, but through the decisions you make after you file your taxes. In fact, to meaningfully help reduce your tax exposure, you should be engaging in year-round tax planning. Here's why.

Tax filing is not the same as tax planning

Tax filing refers to the annual process of reporting your financial activity to the IRS and reconciling the amount you owe with the amount you paid throughout the year. The purpose of filing your taxes is to ensure you're compliant with tax laws and you've paid the IRS the required amount.

In contrast, tax planning is an ongoing process of looking for ways to minimize your tax exposure throughout the year. The most efficient tax planning approach implements strategies across all aspects of your financial life. For example:

- Tax-loss harvesting and asset location can help reduce your investment portfolio's capital gains tax liabilities.

- Trust planning and lifetime giving can reduce your heirs' estate tax liabilities.
- Charitable giving strategies such as donor-advised funds (DAFs), family foundations and qualified charitable distributions (QCDs) can be used to reduce your income tax liabilities.
- Employer-sponsored retirement plans, pass-through income and asset depreciation can be used to access business tax efficiencies.
- Tax-diversified retirement savings and strategic retirement withdrawal strategies can reduce your tax exposure in retirement.

The best tax planning happens after tax season

Viewing tax planning as a year-round event instead of an annual process allows you to make ongoing adjustments as your life, situation and opportunities evolve throughout the year. Waiting until April 15 to optimize your tax credits and deductions leaves no time to make any adjustments. However, ongoing tax planning helps you capitalize on opportunities throughout the year.

Advantages of year-round tax planning include:

- An opportunity to proactively manage your income and cash flow.
- The ability to adjust your withholdings to avoid over or underpaying throughout the year.
- An opportunity to maximize your tax credits and deductions by proactively tracking expenses, charitable contributions and eligible business expenditures.
- The ability to quickly adapt to tax law changes and new regulations.

Your tax return serves as a valuable planning tool

Your previous year's tax return can provide valuable insight to help you proactively reduce your current year's tax exposure. Last year's filing serves as a baseline to help you identify missed deductions, adjust your withholdings and better manage your income to reduce your tax liabilities. Your previous filing can also highlight opportunities to optimize your retirement plan contributions and harvest investment losses to help offset your capital gains tax exposure.

What last year's return can uncover

By carefully analyzing last year's tax return, you may uncover valuable information to help improve your tax planning efforts going forward including:

- Missed opportunities to manage income timing.
- Investment-related tax inefficiencies, such as unmanaged capital gains.
- Missed charitable giving efficiencies.
- Gaps in retirement or savings contributions.

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Turning insight into action

Tax planning is an essential component of any effective financial plan. If you're not taking steps to strategically manage your tax exposure throughout the year, you could be missing out on significant wealth-building opportunities. Rather than viewing tax filing as an annual event, an ongoing approach helps you optimize tax efficiencies and quickly capitalize on opportunities as they arise.

As you navigate the challenges and complexities of year-round tax planning, it can help to work with an experienced team of professionals who are focused on ensuring your decisions are in line with your long-term goals and overall financial plan.