ASK THE **ADVISERS**

The views and opinions expressed in "Ask the Advisers" are solely those of Keith Singer.

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Year End Tax Planning

For those of you who can appreciate a silver lining, I have a playbook for you to take advantage of the recent downturn in the stock and bond markets.

If you have stocks or bonds worth less than you originally paid for them, you can harvest the tax losses by selling your positions in the red. You can use those losses to offset up to $3,000 against ordinary earned income and you can carry forward the excess loss into future years to either reduce taxable income by $3,000 per year or offset future realized capital gains.

For instance, if you purchased $100,000 of IVV which is an S&P 500 ETF, and now it's only worth $82,000, you could sell it and realize $18,000 of capital loss and offset $3,000 of ordinary income in 2022 then carry forward the additional $15,000 of loss to offset gains or income in future years.

One caveat is if you sell a stock or other investment and buy back the identical investment within 30 days, that will be considered a wash sale and you will not realize the loss this year. What can you do if you don't want to potentially miss a rebound in that investment over the next 30 days? Simply purchase a similar investment with a high correlation to the one you sold. For instance, if you sold IVV you could purchase SPY which is another ETF that tracks the S&P 500. If you sold some technology stocks, you could buy QQQ which tracks the Nasdaq 100.

If your losses occurred in an IRA, unfortunately you wouldn't be able to harvest a tax loss from a retirement account. However, you could convert all or part of your IRA to a ROTH IRA, pay income tax now but only on the depressed values and then enjoy an eventual recovery in the tax-free world of your Roth IRA. With tax rates scheduled to increase in 2026 this could potentially save you a lot of money in future taxes.