

## Smart Tax Planning

It is the time of the year when many people meet with their CPA to complete their tax returns and calculate what they owe to the IRS. You can still make a 2023 contribution to your IRA until April 15th and potentially invest in an opportunity zone to offset gains realized in the last two months of 2023. Otherwise, there is nothing that can be done to reduce taxes for last year.

However, if you plan correctly, you can potentially reduce taxes in the future. For instance, many of our clients purchased growth notes in March of 2020 after the stock market had dropped by 30% and everyone was panicking, our firm was looking for a way to protect our clients from losing more money in the stock market but also take advantage of the eventual rebound in the stock market.

We asked Citibank to create a structured growth note with upside leverage as well as downside protection. We moved some of our clients' equity holdings into that note. After 4 years the note matured up 150%, but now many of our clients are facing capital gains. We advised our clients who had donor advised funds to move some of the note into the fund before the note matured to reduce capital gains taxes.

For instance, a client who moved \$25,000 into their donor advised fund not only got a \$25,000 tax deduction but also avoided \$15,000 of capital gains. We also invested some of our clients' gains into in a publicly traded opportunity zone (OZ) that is currently trading at a 40% discount to its net asset value which not only seems like a compelling investment but will also reduce our clients' 2024 capital gains by the amount of their investment.

Now when our clients go to meet with their CPA next year, the amount of taxes they owe to the IRS will be less than if they had not gotten the right tax planning guidance.

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