

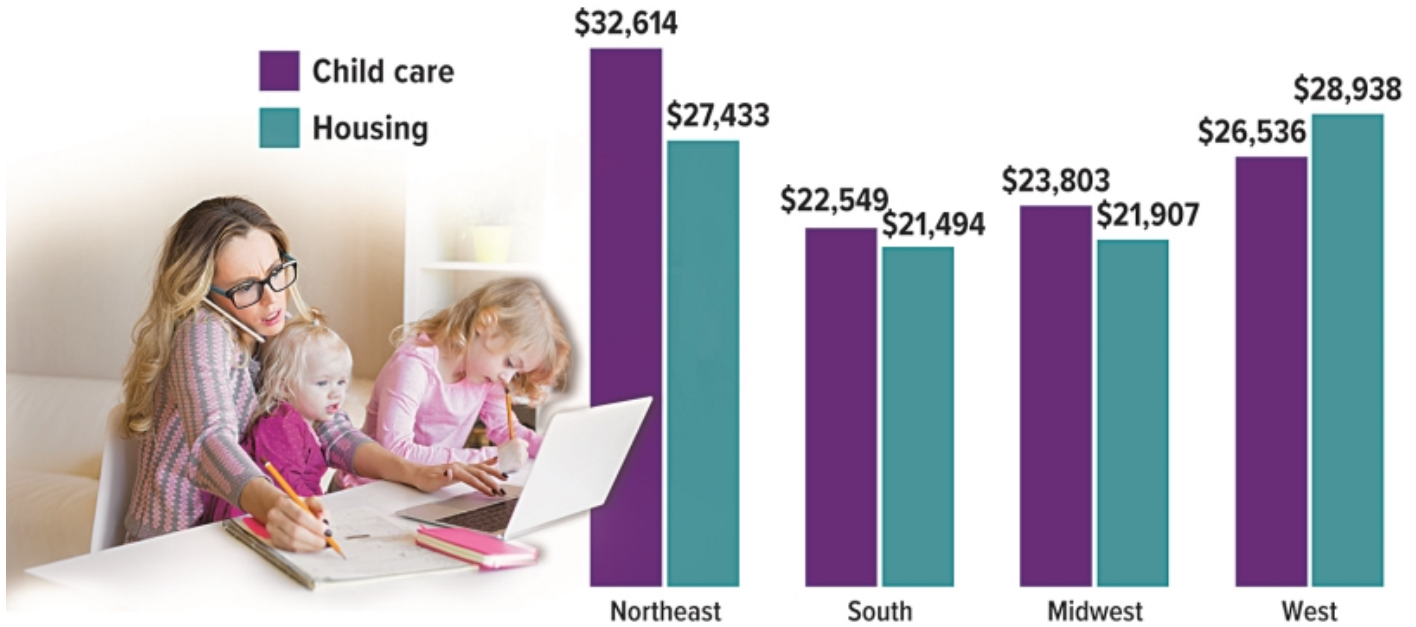
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Child Care Costs More Than Housing

For a family with two young children, the average annual cost for child care in 2023 was higher than the cost of mortgage payments in 45 states and higher than the cost of rent in every state. Here is a comparison of regional costs for housing and child care for two children — an infant and a four-year-old — in a child care center.



Source: ChildCare Aware of America, 2024

Year-End 2024 Tax Tips

Here are some things to consider as you weigh potential tax moves before the end of the year.

Set aside time to plan

Effective planning requires that you have a good understanding of your current tax situation, as well as a reasonable estimate of how your circumstances might change next year. There's a real opportunity for tax savings if you'll be paying taxes at a lower rate in one year than in the other. However, the window for most tax-saving moves closes on December 31, so don't procrastinate.

Defer income to next year

Consider opportunities to defer income to 2025, particularly if you think you may be in a lower tax bracket then. For example, you may be able to defer a year-end bonus or delay the collection of business debts, rents, and payments for services in order to postpone payment of tax on the income until next year.

Accelerate deductions

Look for opportunities to accelerate deductions into the current tax year. If you itemize deductions, making payments for deductible expenses such as qualifying interest, state taxes, and medical expenses before the end of the year (instead of paying them in early 2025) could make a difference on your 2024 return.

Make deductible charitable contributions

If you itemize deductions on your federal income tax return, you can generally deduct charitable contributions, but the deduction is limited to 50% (currently increased to 60% for cash contributions to public charities), 30%, or 20% of your adjusted gross income, depending on the type of property you give and the type of organization to which you contribute. (Excess amounts can be carried over for up to five years.)

Increase withholding

If it looks as though you're going to owe federal income tax for the year, consider increasing your withholding on Form W-4 for the remainder of the year to cover the shortfall. The biggest advantage in doing so is that withholding is considered as having been paid evenly throughout the year instead of when the dollars are actually taken from your paycheck.

Save more for retirement

Deductible contributions to a traditional IRA and pretax contributions to an employer-sponsored retirement plan such as a 401(k) can help reduce your 2024 taxable income. If you haven't already contributed up to the maximum amount allowed, consider doing so. For 2024, you can contribute up to \$23,000 to a 401(k) plan (\$30,500 if you're age 50 or older) and up to \$7,000 to traditional and Roth IRAs combined (\$8,000 if you're age 50 or older). The window to make 2024 contributions to an employer plan generally closes at the end of the year, while you have until April 15, 2025, to make 2024 IRA contributions. (Roth contributions are not deductible, but qualified Roth distributions are not taxable.)

Take any required distributions

If you are age 73 or older, you generally must take required minimum distributions (RMDs) from your traditional IRAs and employer-sponsored retirement plans (an exception may apply if you're still working for the employer sponsoring the plan). Take any distributions by the date required — the end of the year for most individuals. The penalty for failing to do so is substantial: 25% of any amount that you failed to distribute as required (10% if corrected in a timely manner). Beneficiaries are generally required to take annual distributions from inherited retirement accounts (and under certain circumstances, a distribution of the entire account 10 years after certain events, such as the death of the IRA owner or the beneficiary); there are special rules for spouses.

Weigh year-end investment moves

Though you shouldn't let tax considerations drive your investment decisions, it's worth considering the tax implications of any year-end investment moves. For example, if you have realized net capital gains from selling securities at a profit, you might avoid being taxed on some or all of those gains by selling losing positions. Any losses above the amount of your gains can be used to offset up to \$3,000 of ordinary income (\$1,500 if your filing status is married filing separately) or carried forward to reduce your taxes in future years.

More to Consider

Here are some other things to consider as part of your year-end tax review.

Consider postponing income and/or accelerating deductions if



You expect to be in a lower tax bracket next year (perhaps you'll retire next year)



Your itemized deductions are greater than the standard deduction this year



You want to delay payment of tax



You expect to be in a higher tax bracket next year (perhaps you have a lower income this year)



The standard deduction is greater than your itemized deductions this year



You're subject to alternative minimum tax this year and certain deductions are disallowed

Charitable Gifts of Life Insurance

Life insurance can be an excellent tool for charitable giving. Not only does life insurance allow you to make a substantial gift to charity but you may also benefit from tax rules that apply to gifts of life insurance.

Why gift life insurance?

Life insurance allows you to make a much larger gift to charity than you might otherwise be able to afford. Generally, the amount the charity will receive (the death benefit) is usually much greater than the cost to you (premium payments). As long as you continue to pay the premiums on the life insurance policy, the charity will receive the proceeds of the policy when you die. Since life insurance proceeds paid to a charity are not subject to income taxes, probate costs, and other expenses, the charity can count on receiving 100% of your gift.

What are the possible tax benefits?

Giving life insurance to a qualified charity also has certain income tax benefits. Depending on how you structure your gift, you may be able to take an income tax deduction of the premium payments.

Charitable income tax deductions may be available if the charity is named owner and beneficiary of an existing life insurance policy. You can generally deduct the lesser of your cost basis in the policy or the value of the policy at the time of the transfer to the charity. In addition, subsequent gifts to the charity to pay premiums may be eligible for charitable income tax deductions in the year the gifts are made. You may also receive a charitable income tax deduction if you buy a new policy naming the charity as owner and beneficiary. Also, irrevocable gifts to charity are not subject to federal gift tax. There may also be estate tax benefits where either the policy is not included in your estate, or you receive a federal estate tax deduction.

Are there disadvantages to charitable gifting of life insurance?

Donating a life insurance policy to charity (or naming the charity as beneficiary on the policy) means that you have less wealth to distribute among your heirs when you die. This may discourage you from making gifts to charity. However, this problem is relatively simple to solve. You could consider buying another life insurance policy that will benefit your heirs instead of a charity.

2023 Charitable Giving, by Source

In 2023, Americans gave \$557.16 billion to charity.

Source	Percentage	Amount (in billions)
Individuals	67%	\$374.40
Foundations	19%	\$103.53
Bequests	8%	\$42.68
Corporations	7%	\$36.55

Source: Giving USA, June 25, 2024

How can life insurance be given to a charity?

The simplest way is to name a charity as beneficiary of your life insurance policy. Most policies allow you to name multiple beneficiaries, so you could split the death benefit between individuals, such as family members, and a charity. If the policy is a form of cash value life insurance, you still have access to the cash value of the policy during your lifetime. However, this type of charitable gift does not provide many of the income tax benefits of charitable giving, because you retain control of the policy during your life. When you die, the proceeds are included in your gross estate, although the full amount of the proceeds payable to the charity can be deducted from your gross estate.

You may donate an existing life insurance policy to charity. To do this, you must assign all ownership rights in the policy to the charity. You must also deliver the policy itself to the charity. By doing this, you give up all control of the life insurance policy. This strategy provides the full tax advantages of charitable giving because the transfer of ownership is irrevocable. You may be able to take an income tax deduction, and the policy may not be included in your gross estate when you die.

As with most financial decisions, there are expenses associated with the purchase of life insurance. Policies commonly have mortality and expense charges. In addition, if a policy is surrendered prematurely, there may be surrender charges and income tax implications. The cost and availability of life insurance depend on factors such as age, health, and the type and amount of insurance purchased.

Playing Fair: New Consumer Protections for Airline Passengers

There's no doubt about it, airline travel can be stressful. Thanks to a new federal law and rules issued by the U.S. Department of Transportation, airline passengers could have extra consumer protections, some in time for the holiday travel season.

Hassle-free refunds. In the past, airline passengers were forced to figure out how to obtain a refund by researching an airline's website or waiting for hours on the phone with an airline's customer service department. As of October 28, airline passengers will be entitled to an automatic refund for:

- Canceled or significantly changed flights (e.g., arrivals delayed by three or more hours for domestic flights and six or more hours for international flights), regardless of the reason
- Significantly delayed baggage return
- Extra services (e.g., Wi-Fi, seat selection, or inflight entertainment) that were paid for but not provided

Airlines must issue refunds of the full amount of the ticket purchased within seven business days of refunds becoming due for credit card purchases and 20 days for other payment methods. Passengers who accept a ticket for a significantly delayed flight or are rebooked on a different flight to their destination will not receive refunds. The refunds must be in the form of cash or whatever original payment method was used to make the purchase (e.g., credit card or airline miles). Finally, airlines are not allowed to substitute

other forms of compensation (e.g., vouchers or travel credits) unless a passenger affirmatively chooses to accept an alternate form of compensation.



2023 had the highest number of flight delays ever recorded.

Source: U.S. Department of Transportation, 2024

Protection against surprise fees. Many airlines advertise cheap "teaser" fares that don't take into account additional fees — all of which can significantly increase the cost of a ticket. Airlines are required to disclose various ancillary fees upfront, such as charges for checked bags, carry-on bags, and changing or cancelling a reservation. They must also provide a detailed explanation of each fee before a ticket can be purchased. The compliance period for this rule was scheduled to begin in 2025 but was temporarily blocked by a U.S. appeals court this past July.

Free family seating. Under a proposed rule, airlines will be prohibited from charging families an extra fee to guarantee a child will sit next to a parent or adult travel companion, assuming adjacent seating is available when the tickets are booked.

Visit the Department of Transportation's website at [transportation.gov/airconsumer](https://www.transportation.gov/airconsumer) for more information.

IMPORTANT DISCLOSURES

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