

MURPHY FINANCIAL SERVICES, INC.
December 2024 newsletter

We have almost come to the end of another year. It must be time for me to send you some insights into yearend tax planning.

If you are 70 ½ or over, you can make distributions to charities directly from your IRA and those payments you take out of your IRA will be tax free. The payments just need to be made directly from the IRA to the charity. It is a nice way to make the same charitable donations you normally make with money that is tax free. If you have any questions about this, give me a call.

I love the headlines of the publications I get – “Don’t let scammers ruin holiday giving”. It is bad enough that there are so many scams constantly trying to steal your money from you (groups looking for donations for disasters, local or otherwise, tugging at your heartstrings to help others, etc.) but now they are getting better and asking you to send gift cards for their scams. My favorite is the groups that tell you the IRS will take payments with gift cards. No, actually they don’t take gift cards and would never ask for them. If you want to make donations, check the group website, check charity navigator, get documentation from the group before you make donations. Many of them look legit but they aren’t. Unfortunately, so many people get scammed and the unscrupulous people continue to do it because they are very successful. You could always send me an email to see if I know if the groups are legit.

If you turn 73 in 2024 you need to take your IRA RMD out by 4/1/25. If you don’t take it out until 2025, you will need to take a second distribution by the end of 2025, making your income higher because of the 2 distributions. Most people want to do the first distribution before 12/31/24 in order to keep their 2025 income lower.

If you work for a company that matches your retirement contributions, they can match student loan payments also. You would need to talk to your employer and let them know you are making student loan payments and you would like their retirement matching contributions to go to your student loans instead. It will help you pay off the student loans sooner.

If you have a 529 plan and you no longer have any children or grandchildren that are going to be needing any education funds, they can be rolled over, tax and penalty free, to Roth IRA Plans of the beneficiary. These contributions are subject to their annual Roth IRA contribution limits and are subject to a \$35000 lifetime limit.

The 1099-K limits are \$5000 this year. If you get a 1099-K we will need to determine how it needs to be reported. Paypal, Venmo, Cash App, Google Pay, NerdWallet, etc. will be required to issue 1099-Ks. Last year the limit was \$600 but I still saw some companies issuing 1099-Ks for less. If you pay for things and transfer money back and forth between friends, family members, coworkers, etc., this pertains to you. We will need to know what you received funds for and what expense it pertains to.

HSAs are still a great way to pay for medical expenses. If your employer offers them and you need information pertaining to them, please give me a call. I have come across a lot of people over the years that would have benefited from setting them up and didn’t. They either didn’t understand how they worked or they thought it wouldn’t benefit them. They were wrong and it cost them money.

Many tax changes that went into effect in 2018 will expire in 2025. This will be a very interesting year because it would seem that Congress is going to want to make changes to things that are expiring as well as other things they think will be beneficial. Unfortunately, as we saw in 2018, many of the changes only helped certain people and not everyone benefited. Unfortunately, any tax cuts will increase the already ridiculous debt of 36 Trillion. When things change, I will let you know what is happening and we can decide if it will help or hurt you.

Previously, I suggested to you that getting a PTIN number and an IRS tax account is a good idea. Now, I have found out that there are fake sites setup out there to “help” you get these numbers and accounts and are charging people. These are bad sites. The IRS site is the place to go and there are no charges to get either a PTIN number or an IRS tax account. If you try doing this and you are asked for money, get off that site!!

Happy holidays.

See you soon.