103009 Year-End Tax Planning for your Investments
By Gary Case

As year-end approaches, it may be wise to review your investments for potential tax planning. Here are a few items you may wish to consider:

- By law, some investment vehicles funds must distribute profits and income to shareholders. Some investment companies may have considerable losses from 2008 to carry forward into this year, which will minimize taxable distributions to shareholders. However, other companies may pay dividends and other distributions that are greater than the appreciated value as measured by the price of a share. In such cases, it may be prudent for you to consider selling the investment prior to distributions being paid (there is a specific date designated beyond which investors will receive distributions whether or not they sell their shares). Shares in the company may generally be repurchased after thirty days without income tax consequences.
- While you can purchase a variety of investments inside your IRA, 401(k), or other qualified retirement plan, before purchasing the same investments in a non-qualified account in November or December, note whether the investment will pay taxable distributions and whether you want to recognize taxable distributions this year (if you had a low income year and next year you will probably make more, you might want to pay tax on distributions this year). Normally, it does not make tax sense to purchase dividend paying investments in a taxable account near year-end.
- Check your account for positions that have lost money this year. If you sell, you can generally recognize a loss of up to $3,000 against your taxable income. If you have held the losing position for longer than one year, you can directly offset gains from investments held longer than one year up to the total amount of loss in the losing position. You can also carry forward any unused portfolio losses to use in a later tax year. If you like the security that is showing a loss, you can generally repurchase it after thirty days with not income tax consequences.
- If you have an appreciated asset, such as a stock or mutual fund, you may leverage your tax savings by donating the appreciated asset directly to a qualifying charity. By doing so, you may deduct the appreciated value of the investment and the qualified charity can sell the investment without having to pay taxes on the gains.

There are many other planning tools you can use with respect to your portfolio. Consult with your tax advisor and financial advisor to see which planning strategies might work for you!

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