5 tax strategies to consider in 2024

How to help your clients make the most of today's tax rules and prepare for changes planned for 2026

Key takeaways

- Tax knowledge is a top priority for clients seeking a financial professional
- Tax rates are expected to rise in 2026
- Start planning now and consider strategies such as tax-focused diversification and weighing when to recognize capital gains or losses

2 out of every 3 affluent individuals say tax knowledge tops the list of important considerations when selecting a financial advisor.[1]

Now is an especially critical time to help clients with tax planning, as many tax benefits within the 2017 Tax Cuts and Jobs Act (TCJA) are slated to expire at the end of 2025. Some of the expiring provisions include:

- Reduced individual income tax rates
- A higher alternative minimum tax exemption
- The increased standard deduction, preventing many from benefiting from itemizing
- The suspension of personal exemptions
- The limitation on the deduction for qualified residence interest and the suspension of the deduction for home equity loan interest
- The $10,000 cap on the deduction for state and local taxes
- The increased estate and gift tax exemption

Sharing tax insights now with clients can help them prepare for not only this year but also the uncertainties of the tax environment in the years to come. Following are tax planning strategies you may want to consider for your clients.

6 in 10

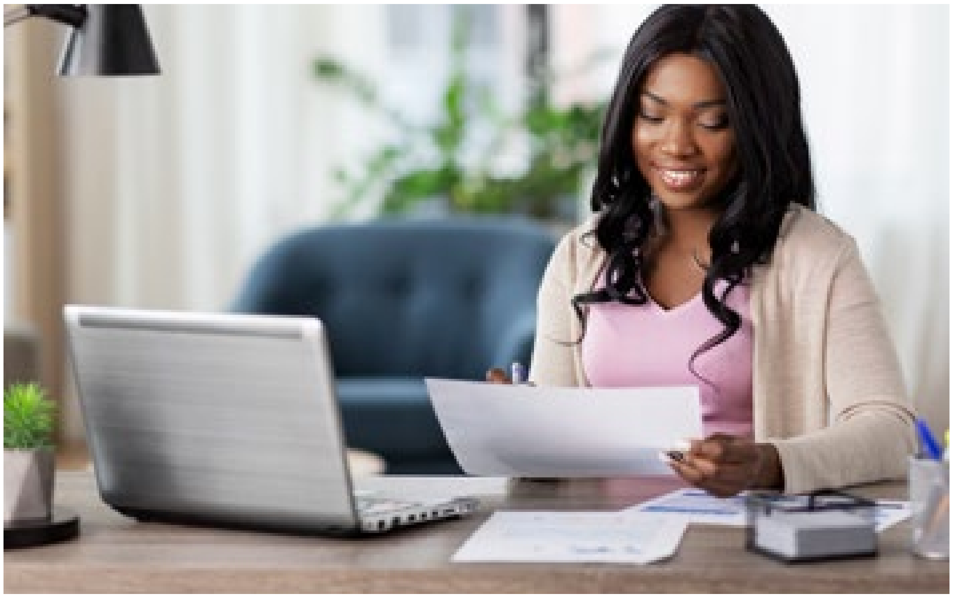
investors tell us they prefer to take advantage of upfront tax savings available through traditional 401(k) and IRA accounts.[2]

But if marginal tax rates will, in fact, increase in the years ahead, it may make sense for clients to forgo today's tax deductions in favor of future tax-free income — by shifting their focus (and their investments) to accounts that can provide tax-free sources of income when it matters most. Before the end of 2025, consider how you can integrate the following 5 tax-efficiency strategies for your clients.

Position HSAs for long-term growth

Ensure that clients with high-deductible health plans don't overlook the triple tax benefits offered by health savings accounts (HSAs). These accounts offer tax advantages today *and* tomorrow because they're funded with pretax dollars, grow tax deferred, and withdrawals are tax exempt when used for qualified medical expenses.

According to the Plan Sponsor Council of America, just 1 in 5 HSA participants leverage the investment options available to them,[3] leaving large opportunities to provide added guidance in this space. By shoeboxing receipts for medical care paid for with after-tax funds, clients can keep their HSA dollars invested, allowing them to compound over the long term and serve as an added source of savings down the road. If funds are needed, clients can request a reimbursement for qualifying expenses using their saved invoices at any time.



Diversify retirement savings

Just as you emphasize saving in a tax-free HSA, you're helping clients adjust how they save today to provide more flexibility in the future. A strategic combination of taxable, tax-deferred and tax-free savings accounts can help clients achieve optimal tax efficiency, as you'll have added flexibility to help them sequence their retirement withdrawals in a way that can help provide their desired level of income with the lowest possible tax bill. Use our **interactive retirement savings worksheet** to educate clients on this opportunity and get them started.

Today, 9 in 10 employers now offer a designated Roth account option (up from 6 in 10 roughly a decade ago), but only 21% of American workers are leveraging it.[4]

Clients with lopsided savings more overweight in their tax-deferred accounts (such as their traditional 401(k) or traditional IRA) should consider today's relatively low marginal tax rates as a reason to ramp up savings to Roth accounts and leverage their HSAs. If their employer offers a designated Roth account option, help clients see how today's tax rates may be worth locking in.

Consider a multiyear Roth conversion strategy that maxes out today's lower marginal tax brackets.

Although a Roth conversion for a portion of their current pre-tax savings will result in taxable income this year, qualified Roth IRA withdrawals in the future — when tax rates may be higher — will be tax-free.

Additionally, most plan sponsors allow in-plan Roth conversions for qualified plan dollars, so clients may consider partial conversions that fill today's lower marginal tax brackets and stop before pushing total taxable income into higher brackets. For added insights in this strategy, leverage the Roth conversion principles in our **Withdrawal Sequencing Strategies white paper**.

Those planning for a Roth conversion may also benefit from adjusting their tax withholding by filing a revised W-4 form through their employer to account for added income that year. By doing so, they can set aside funds throughout the year to avoid getting hit with one larger tax bill when they file their tax return. This W-4 update is most helpful when it's completed earlier in the year.

Analyze capital gains and net investment income

While a capital gains rate increase is unlikely for many filers in the near term, it still may be worthwhile to regularly examine your clients' asset mix as part of your planning. For clients who own appreciated investments that they're planning to sell, determine whether they have other assets that carry losses and could also be sold this year to offset the gains.

Also, consider the capital gains rate brackets. Joint filers won't even reach the top capital gains rate unless their taxable income tops $583,750 in 2024. Thus, many clients may benefit from growing their investment accounts with you.

Bunch deductions to get the greatest benefit

While the Tax Cuts and Jobs Act took away the advantage of itemizing for many taxpayers, you can encourage clients to review deductions that they aren't taking now but will be able to take once again in 2026.

Looking ahead to 2025, for example, clients can plan to make a donation or pay a property tax bill in January 2026, which could provide greater tax savings than had your client incurred the expense in December 2025.

Remind clients to take action before the sunset

Incorporating tax-efficient planning strategies today can help better protect clients from the probable tax increases to come.

Nationwide® is on your side

[1] "Build your tax and financial planning advisory services," aicpa-cima.com/resources/landing/build-your-tax-and-financial-planning-advisory-services (accessed July 2, 2023).

[2] "The 2023 Nationwide Retirement Institute® Social Security Survey," conducted by The Harris Poll on behalf of the Nationwide Retirement Institute. This online survey was conducted May 18 – June 13, 2023, among 1,806 U.S. adults age 18 or older.

[3] "2023 HSA Survey," psca.org/research/HSA/2023report.

[4] "Retirement Plan Contributions Pull Back in 2022, Still Strong," psca.org/PR_2023_66AS (Nov. 16, 2023).

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