2019 Tax Savings Strategies For Retirement

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For people nearing retirement or in retirement, every dollar counts and planning ahea is paramount. That's especially true for taxes. Now that 2018 tax returns are behind us, this is an opportune time to look for 2019 tax savings strategies for retirement.

Here are two ways to do it:

Use Your IRA to Donate to Charity

Today In: Money

Have an Individual Retirement Account (IRA)? If you're 70 ½ or older, there's a specia way to use it to your tax advantage.

Because of the 2017 tax law and its new, larger standard deduction, it doesn't make sen for most people to itemize. Under the old law, people would deduct their real estate taxes, state income taxes, mortgage interest and charitable contributions. The new law effectively eliminates, in most cases, those write-offs and replaces them with a larger standard deduction.

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A great way to work around this, if you're 70½ or older, is to use IRA funds for charitable contributions. You're required to take a minimum of approximately 4% out c your IRA starting at age 70½ anyway. So, instead of writing checks to a charity from your personal checking account, donate the money from an IRA through what's called a Qualified Charitable Distribution . You'll not only help a cause you care about, you'll receive a tax deduction for the contribution.

With a Qualified Charitable Distribution, the money you donate is excluded from your taxes, effectively preserving the charitable deduction.

If you haven't retired yet and are younger than 70½, plan ahead to use this strategy when the time comes. Contribute to an IRA in 2019 so you can make charitable IRA contributions at 70 ½.

Leverage a Donor-Advised Fund

If you're below age 70½ and have a higher-than-average income, consider leveraging what's known as a donor-advised fund to realize tax savings.

A donor-advised fund is a tax-advantaged charitable giving vehicle that can manage you charitable donations. You can claim a deduction for the amount you give the donor-advised fund but don't have to decide which charities will ultimately receive your mone

And if you give the donor-advised fund stock you own that has appreciated in value, yo won't owe any capital gains taxes on your profits.

Here's an example of how this tax move could work for a single person, who'd normally have a standard deduction of $12,200 for 2019. If you take, say, $50,000 and put it into a donor-advised fund this year, you can realize the full $50,000 deduction on your 2019 taxes.

To maximize savings with a donor-advised fund, consider using a bunching strategy. That means, you fund the donor-advised fund in one year and, in addition, pile all the itemized deductions you can into that year— things like medical expenses, mortgage interest, real estate taxes and state income taxes. Then, you'll surpass the standard deduction and itemize. Next year, take the standard deduction. The year after, put mor into a donor-advised fund and max your itemized deductions again to claim them. And so on.

Since itemizing tax deductions every year doesn't make sense any longer due to the higher standard deduction threshold, a bunching strategy will let you maintain a steady stream of charitable giving while realizing significant tax savings.

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