DENTIST ADVISORS

2023 Year-End Financial Planning Checklist for Dentists

Save yourself tax dollars and headaches by staying ahead of important IRS deadlines

With guidance from your financial advisor and CPA, take time to address the following tasks and decisions during Q4, and you should be in great shape to start the new year without regrets or surprises.

☐ **Maximize your retirement plan contributions**

- Employee contributions for SIMPLE IRAs and 401(k)s are funded through payroll and must be submitted by December 31st of the year you are taking the deduction
- In 2023, a 401(k) plan allows you to contribute $22,500 (plus an additional $7,500 if you're 50 or older). That does NOT include the match you can provide yourself as an employer.
- In 2023, a SIMPLE IRA allows you to contribute $15,500 as an employee plus another $3,500 if you are 50 or older. That does NOT include the match you can provide yourself as an employer.
- Year-to-date retirement plan contributions can be found on your payroll records or at your retirement plan custodian's website
- If your 401(k) is fully funded, consider funding an IRA or doing a backdoor Roth conversion depending on your level of income

---

☐ **Consider Roth conversions**

- Depending on your tax situation, it could make sense to convert a certain amount of pre-tax retirement assets (like in a traditional IRA) to a Roth IRA

Consider making your charitable donations

- If you plan to make charitable donations, and want credit for the upcoming filing period, write your check(s) before December 31st
- Some charitable organizations will accept a transfer of securities (i.e. stocks and bonds), which can provide tax advantages for the donor
- Consider “deduction clumping” with the use of a Donor Advised Fund (DAF)
    - Clumping deductions is a strategy of combining deductions from multiple years into a single tax year to maximize tax savings
- Talk to your financial advisor and/or CPA to determine the most tax-efficient methods to make your charitable donations

---

Consider making 529 plan contributions

- If you participate in a tax-advantaged college savings plan for your dependents, submit your desired contributions before the end of the year
- Some states allow for education plan contributions to be made by the tax filing deadline (as opposed to the end of the year)
- Note: if you want to contribute more than $16,000 per parent per child per year (that’s a mouthful), talk to your CPA about gifting implications

---

Maximize your medical deductions

- If you have an HSA eligible health plan, confirm you are fully funded ($3,850 for self-coverage or $7,750 for family)
- The deadline for HSA contributions is the tax filing deadline (as opposed to the end of the year)
- If you have any medical surgeries or treatments ahead, and the timing is up to your discretion, consider getting them done before the end of the year

---

Take required minimum distributions (RMDs)

- For any pre-tax retirement accounts (IRAs and 401(k)s), the government requires you to withdraw a specified amount each year starting at the age of 72
- Check with your advisor or login to your investment platform to verify the amount you’re required to take this year

☐ **Consider "harvesting" losses in brokerage accounts**

- Sometimes it can make sense to sell positions at a loss for tax purposes
- Capital losses can be used to offset capital gains in the same year
- Losses can also be carried forward to future years
- Excess losses can be used to reduce your ordinary income up to $3,000 each year

---

☐ **Set up a year-end tax planning meeting with your CPA to consider the following:**

- **Should I install new equipment?**
  - Equipment used in your practice can be depreciated over a 5-year period or all at once using Section 179 of the tax code
    - ☐ There are many factors to consider when depreciating business assets. Your tax advisor should be able to help you determine which is the best option for you.
  - To be eligible for a deduction, equipment must be delivered, installed, and ready for use
  - Determine whether depreciation on equipment should be accelerated to reduce this year's taxable income, or used for deductions in future years
  - Tax write-offs alone should not justify equipment purchases. Practice-building, cash flow, and income should be the primary drivers of your decision. Equipment should be viewed as a long term investment in your practice—not just as a tax reduction strategy. Cash flow, existing debt load, and the vision you have for your business are far more important factors to consider before investing in more equipment.
- **Review and make your Q4 estimated tax payments**
  - This is particularly important if you've seen major growth in your collections this year
- **Should I pay my spouse and/or kids through payroll?**
  - If applicable, make sure your spouse and kids have been payrolled up to $13,850 each
  - By keeping their payroll under the standard deduction threshold, you won't have to file taxes for them
  - As for your spouse, pay them at least enough to max out their retirement account through the practice. Don't forget about payroll taxes when calculating that amount.
  - Keep in mind, when it comes to paying kids, the money has to be used for the benefit of the family member who is paid
  - Ensure that proper documentation is in place to verify business-related contributions for children family members who receive wages

- **Am I close to any phase out limits for credits or the Qualified Business Income Deduction (QBID)?**
  - Most tax credits and deductions have income phaseout limits. It's important to determine whether your income is close to these limits in order to see if it can be lowered and ensure the deductions/credits are received.
  - For specified service businesses, the Qualified Business Income Deduction is phased out starting at $182,000 for a single filer and $364,000 for married filing jointly. It is completely eliminated at $232,100 for a single filer and $464,200 for married filing jointly.

Get organized and set your financial plan.

If you are interested in a more comprehensive discussion about how to make better financial decisions, schedule a free consultation with an advisor that only works with dentists.
