

# 2021 PHYSICIAN TAX PLANNING CHECKLIST

As 2021 progresses, uncertainty remains high. Proactively managing the areas of your life that you can control helps restore peace of mind and keeps you on track for reaching your long-term goals. For physicians and other high earners, smart tax planning is an essential component of managing and protecting assets.

Use this Rx Wealth Advisors Physician Tax Planning Checklist to help you plan for your 2021 tax filings. Please feel free to reach out to us at [croe@rxwealthadvisors.com](mailto:croe@rxwealthadvisors.com) or 412-227-9007 to discuss any questions or areas of concern.

## TAX PARTNER & PLANNING

- I have a tax professional that I am happy with.
- I feel confident that my taxes are well managed and support my short and long-term goals.
- I have already had or plan to have a year-end tax planning meeting with my tax professional and financial advisor.
- I have a tax professional that provides tax projections for the purposes of tax planning for the year.
- I reviewed my income and estate tax plan in light of proposed legislative changes at year-end.

## TAX PLANS

- I am maximizing retirement plan contributions before year-end.
  - SEP-IRA – maximum contribution of \$58,000.
  - 401K – Employee Contribution \$19,500 with \$6,500 catch-up if 50 or over. Maximum contribution \$58,000 and \$64,500 with catch-up contribution.
  - Simple IRA – Maximum contribution \$13,500. Age 50 and over catch-up contribution limited to an additional \$3,000.
- I am using the highest possible retirement plan deduction.
- I evaluated my employer retirement plan to see if it allows additional after-tax contributions.
- I am aware of my current retirement plan's restrictions related to the use of a Roth IRA and have acted based on my situation.
- As a high-income earner, I have considered a non-deductible Traditional IRA contribution and have acted based on my situation.
- I have considered a Traditional to Roth IRA conversion.
- I have considered setting up a Roth IRA for any children earning income so they can begin to accumulate retirement money that will be tax-free.

## TAX PLANS *CONTINUED*

- I am making Traditional IRA or Roth IRA contributions in January instead of December to increase the time the contribution has to potentially earn.
- I have maximized my HSA contribution for my high deductible health insurance plan (if any).
  - Max contributions are: \$7,200 a family or \$3,600 for individuals. Plus, you can contribute an extra \$1,000 if you are over 55.
- I took a COVID-19 related distribution in 2020.
  - I paid the tax in 2020 or spread it over 3 years.
  - I plan to roll the distribution back into a plan to avoid paying income tax.

## INVESTMENT TAX PLANNING

- My assets are owned in the right types of accounts to maximize after-tax returns.
- I have evaluated any tax-inefficient mutual funds in my taxable accounts that could cause a reduction in after-tax returns.
- I know my capital gains bracket and my portfolio turnover so that I can minimize gains.
- I have evaluated the advantage of any potential tax-loss harvesting and evaluated using prior tax loss carryovers.
- I have considered whether there are appreciated assets I may want to sell and the tax benefits of donating them to charity.
- I have considered investment-only annuities or low expense life insurance as tax deferral vehicles for certain investments.
- I am planning to sell an asset at a gain. I have considered the benefits of gifting it to my parents or adult children in a lower capital gains bracket.
- I am evaluating my investment gains and losses on a lot-by-lot basis.
- I am paying Roth IRA investment fees from personal accounts to allow for larger Roth IRA growth.
- I have evaluated year-end distributions from any mutual funds held in taxable accounts to see if I can minimize or avoid the taxable dividend.
- In the case of having a large, concentrated investment holding I want to sell, I have considered how a charitable remainder trust or other charitable vehicles may help spread out the tax.
- If capital gains rates increase next year, I have considered whether it makes sense to sell any assets in 2021 to avoid a higher capital gains tax.



## TAX BRACKET PLANNING

- I know my marginal and effective tax bracket.
- I have reviewed tax bracket planning opportunities to lower my tax bracket or shift income to other family members in lower tax brackets.

## ITEMIZED DEDUCTIONS

### MORTGAGE INTEREST

- I have considered making an extra mortgage payment on December 31st to maximize the mortgage interest I can deduct on this year's taxes.
- I evaluated my non-deductible interest debt to see if I can make it deductible.

### CHARITABLE CONTRIBUTIONS

- I have receipts for non-cash items (household and clothing) donated to charity.
- I saved my cash donation receipts so I can claim a \$300 charitable deduction which is available even if I don't itemize my deductions.
  - Do this before year-end.
  - If you want to give cash to charities this year, you can deduct up to 100% of Adjusted Gross Income.
- If I give over \$5,000 per year to charity and am in a high tax bracket, I've considered establishing a Donor Advised Fund to take advantage of coupling a multi-years worth of charitable deductions into this year.
- If I make large gifts over \$5,000 per year to charity, I have considered donating appreciated securities to a charity or donor-advised fund.
- I have evaluated the benefits of gifting to charity from my IRA.
- I have evaluated if I should hold off making state income tax estimates until 2021, to see if the SALT deduction will be restored.

## BUSINESS INCOME & DEDUCTIONS

- I have considered purchasing necessary business property (e.g., computers) to increase write-offs this year.
- I have evaluated all my expenses to make sure I am deducting all business-related expenses, such as vehicle, home office, professional fees, travel, business dues, licenses, and insurance.
- I have evaluated expenses due in January that can be paid in December.



## **BUSINESS INCOME & DEDUCTIONS** *CONTINUED*

- I have considered deferring income until next year.
  - Unless you believe you will be in a higher tax bracket next year
- If I am eligible to employ a child who is in a lower income tax bracket, I have determined if it makes sense to hire them.
  - Be aware of and adhere to child labor laws.
- I have considered employing my parents who may be in a lower tax bracket than us and can use the funds.
- I have reimbursed myself for any business expenses paid personally.
- I have paid my professional fees related to my business activities from my business account and professional fees related to personal work from my personal account.
- I received a Paycheck Protection Loan and am aware of the 2020 and 2021 tax impacts.
- I evaluated the best retirement plans for my business to ensure I get to make the largest contribution possible.
- I evaluated my business retirement plan and my business ownership along with any other businesses owned by my family to see if a controlled group exists.

**IF YOU FOUND THIS TAX PLANNING CHECKLIST HELPFUL,  
VISIT [WWW.RXWEALTHADVISORS.COM](http://WWW.RXWEALTHADVISORS.COM) OR CONTACT US AT  
[CROE@RXWEALTHADVISORS.COM](mailto:CROE@RXWEALTHADVISORS.COM) TO RECEIVE A COMPLIMENTARY TAX ANALYSIS.**

At Rx Wealth Advisors, we believe that tax planning and income tax management do not happen once a year but are continuous processes. Decisions should not be made just for short-term gain tax gain but with an eye toward the short and long-term impact on your taxes and goals.

For more information on **Rx Wealth Advisors, LLC**, please visit our website at [www.rxwealthadvisors.com](http://www.rxwealthadvisors.com) or contact us at 412-227-9007.

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*Before implementing any ideas, please do the proper due diligence. Due diligence includes hiring a qualified legal, tax, or financial professional who understands your specific situation completely and can offer personalized advice directed at you.*

