Don’t Miss These Year-End Retirement-Planning Deadlines

November 20, 2017

It’s not too late to ensure that your retirement planning is on track to maximize tax savings before the end of 2017. Understanding end-of-year deadlines can help you maximize your tax savings as well as prepare for another year of saving.

“Tax planning should really start in January, not in November or December,” says Randall Luebke, a financial planner at Lifetime Paradigm. “That said, if you do wait, be sure to do everything you can to reduce the taxes you pay.”

Now is the time to accelerate your tax-deductible expenses and put off receiving taxable income. Here are some tips.

Consider Roth Accounts

If you’ve been thinking about converting a traditional IRA to a Roth IRA, it’s a good time to make a decision and act because you must file forms by the end of the year. With Dec. 31 falling on a Sunday in 2017, experts recommend aiming for Dec. 29, if not before, for year-end deadlines to make sure you hit them.

“Roth accounts are not a deduction but are tax-deferred and funds are tax-free when taken out for income,” says Nick Sloane, president of Sloane Wealth Management, an investment-services firm. “Another benefit with a Roth is the government does not force you to take minimum distributions as it does with 401(k)s and IRAs when you turn 70 1/2.”

Having tax-free income and flexibility around when you use it can be helpful if you believe taxes will rise in the future or that other costs of living will increase, Sloane says.

Know Your IRA Requirements

There are several regulations you must follow with a traditional IRA. If you are older than 70 1/2, required minimum distributions from IRAs and similar accounts generally must be withdrawn by Dec. 31 each year. If you turned 70 this year, you have until April 1, 2018, to take your first distribution. If you don't take a distribution, the IRS can penalize you.

If you are still making contributions to your IRA accounts, IRA and Roth IRA contributions of up to $5,500 can be made until April 17, 2018, and still count as 2017 contributions. If you are 50 or older, you can make contributions of up to $6,500.

Wrap Up 401(k) Contributions

If you have access to a retirement plan through your employer, now is the time to maximize your contributions, if possible. The 2017 contribution limit for 401(k) plans is $18,000, while those 50 and older can contribute an additional $6,000

This is especially important if your employer offers a match, experts say. Matching is an easy way to double your money, so at least make contributions up to the amount the employer will match. Deposits to 401(k) accounts are typically due on Dec. 31, but will be due by Dec. 29 this year.

Consider a Real Estate Purchase

The end of the year is a good time to purchase real estate, either for a personal residence or as income property, Luebke says. Sellers at the end of the year often are highly motivated and don't see a lot of buyers. "Many of the deductions available when acquiring property — like paying points for a mortgage, for example — are 100 percent deductible in the year that property is purchased," he says. "You may own the property for just one month or even one day and still receive a great big deduction for the year for your efforts."