10 Creative Ways W-2 Earners Can
Save on Taxes

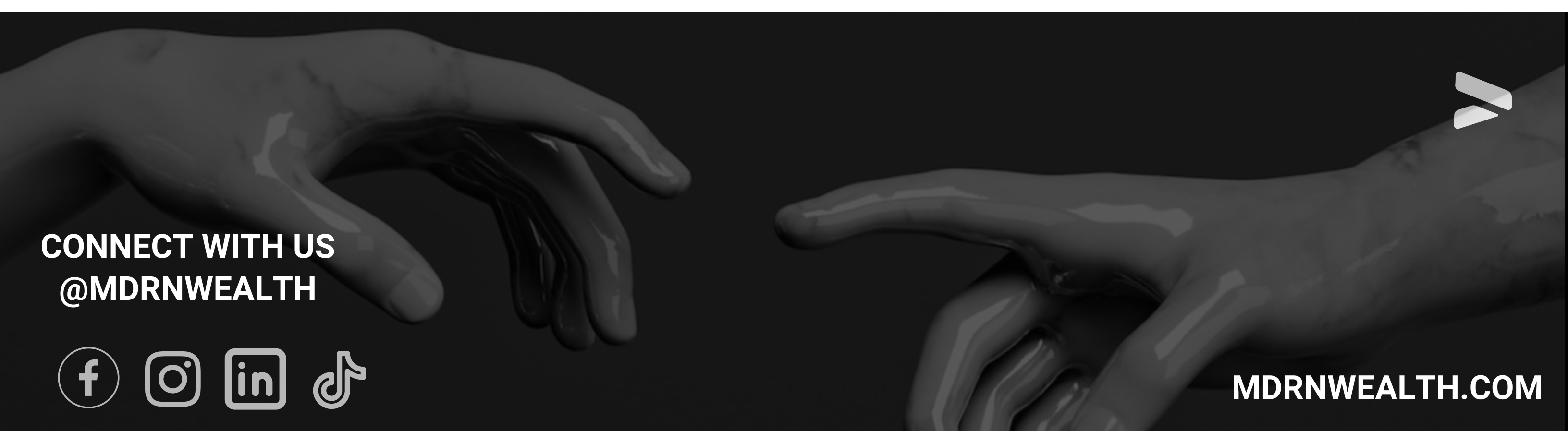
1.**HSA Contributions**: A Health Savings Account (HSA) is a tax-advantaged medical savings account for individuals enrolled in a high-deductible health plan (HDHP). Contributions, investment growth, and withdrawals for eligible medical expenses are all tax-free. What many people aren't aware of is that after turning 65, the penalty for distributions that are not medically related goes away. Your HSA effectively turns into another retirement account! Coupled with the fact that you can deduct nearly $8,000 in taxes using a family plan, this becomes an underappreciated tool for tax savings and wealth accumulation.

2. **Real Estate Loopholes**: Real estate investment offers numerous tax advantages, including deductions for mortgage interest, property taxes, and maintenance expenses. Loopholes such as the Short-Term Rental (STR) and Real Estate Professional Status allow you to deduct "losses" from real estate directly from your 1040, thus reducing your W-2 income. When these loopholes are used in conjunction with strategies like bonus depreciation and 1031 exchanges, you can truly maximize your real estate tax benefits.

3. **Tax Loss Harvesting**: This strategy involves selling off investments that have lost value, absorbing the losses for tax purposes, and replacing them with something that could potentially appreciate. It can help reduce your tax liability and effectively manage your investment portfolio. If done properly, you can use up to $3,000 in annual losses to reduce your income on your personal tax return, while potentially generating positive returns in your portfolio.

4. **Take Advantage of a DAF**: A Donor-Advised Fund (DAF) allows donors to make a charitable contribution, receive an immediate tax deduction, and then recommend grants from the fund over time. Not only is it a cost-effective way to donate to charity, but it also allows you to accumulate deductions and avoid paying taxes on profitable investments.

5. **Utilizing a QOZ**: Qualified Opportunity Zones (QOZs) are areas designated as economically distressed. Investing in a QOZ can provide significant tax benefits, including deferral and reduction of capital gains taxes and potential tax-free growth within the QOZ. This strategy is particularly effective for those with highly appreciated assets. For example, if your investment in the QOZ fund is held for at least 10 years, you could potentially be eligible for an increase in basis equal to the fair market value of the investment on the date the QOZ investment is sold or exchanged. In effect, you would not pay capital gains tax on any appreciation of the QOZ investment itself.



6. **Bunch Deductions**: Bunching deductions means consolidating your tax deductions into one year instead of spreading them out over several years. This strategy can be beneficial if your itemized deductions are close to the standard deduction limit. It works well for individuals who anticipate being in a high tax bracket for multiple years and then transitioning to a mid-tier bracket due to accepting a lower income, less stressful job, or having a spouse become a full-time, stay-at-home parent.

7. **Backdoor 529 Plan**: 529 plans are savings plans that offer tax advantages for education costs. Under the new Secure Act 2.0, you can transfer up to $35,000 to a Roth from 529 dollars. The Backdoor 529 plan works by setting up a 529 IN YOUR NAME, contributing to it, and allowing it to grow for at least 15 years. After this period, if you still have earned income, you can transfer money to a Roth in your name. Depending on your state, this could provide state tax credits or deductions and allow another tax-free growth bucket.

8. **Alternative Savings Accounts**: Most people leave their cash in a traditional savings account. Interest in a savings account is completely taxable at the federal or state level. By exploring alternative saving account vehicles, such as treasuries and municipal-based money market funds, you can potentially generate much higher after-tax income and avoid paying taxes on interest at the state and/or federal level.

9. **Mega Backdoor Roth**: A mega backdoor Roth allows individuals to contribute after-tax dollars to their 401(k), then roll those contributions over into a Roth. This is a great way to boost retirement savings with money that will grow tax-free, bypassing income phase limits associated with Roth IRAs.

10. **Max Out Tax-Deferred Options**: Maxing out contributions to tax-deferred retirement accounts like 401(k)s and IRAs can provide immediate tax deductions. Additionally, the money grows tax-deferred until retirement. Depending on your employer-sponsored plan, you may have other tax-deferred options such as deferred comp plans and 457 plans available. These could potentially allow for nearly six figures in tax-deferred savings.

It's time to simplify tax planning and start making your wealth work for you.

Take the first step today by scheduling your complimentary one-hour discovery call at www.MDRNwealth.com