

UNDERSTANDING CAPITAL GAINS TAXES AND PLANNING

IT'S NOT JUST ABOUT HOW MUCH MONEY YOU MAKE, BUT HOW MUCH YOU KEEP.

Capital gains taxes might sound like a complex financial term reserved for Wall Street tycoons, but in reality, they touch most investors and many homeowners. Whether you're selling stocks, a piece of real estate, or that vintage baseball card collection, understanding capital gains taxes can help you make smarter decisions and keep more money in your pocket.

UNDERSTANDING CAPITAL GAINS

At its core, a capital gain is the profit made from the sale of an investment or real estate. If you buy an asset for \$1,000 and later sell it for \$1,500, you have a capital gain of \$500.

These gains are categorized in two ways:

- **Short-term Capital Gains:** Profits from assets held for a year or less are considered short-term. These are generally taxed at your ordinary income tax rate.
- **Long-term Capital Gains:** Profits from assets held for more than a year are labeled as long-term. They often benefit from a lower tax rate, which can vary based on your taxable income and filing status.

THE IMPORTANCE OF PLANNING

Why does this distinction between short-term and long-term matter? Because the tax implications can be substantial. For many taxpayers, long-term capital gains are taxed at a more favorable rate than short-term gains. Thus, holding onto an asset for just a bit longer (say, 13 months

instead of 11) could lead to a significantly lower tax bill.

A bit of advice from a financial advisor highlights a vital perspective: Always look at the net profit (after taxes) when considering a sale. This underscores the importance of tax planning as an integral part of investment strategy.

EXCEPTIONS AND EXCLUSIONS

There are specific cases where the capital gains tax has exemptions or special rules. A notable example is the sale of your primary residence. If you meet certain requirements, you can exclude up to \$250,000 (\$500,000 for married couples filing jointly) of gains from taxes. However, this doesn't apply to rental or second properties.

STRATEGIES TO MINIMIZE CAPITAL GAINS TAXES

Wait it Out: As mentioned, holding onto investments for more than a year moves them into the long-term category, often resulting in lower taxes.

Tax-Loss Harvesting: This involves selling securities at a loss to offset capital gains in other areas. It can be a strategic move, especially in a down market.

Gift Assets: Instead of selling assets, consider gifting them. While there are limits, this can be a way to transfer value without triggering capital gains taxes.

...continued on back



CLADIS

INVESTMENT ADVISORY, LLC

180 S 32nd Street West, Suite 1
Billings, MT 59102

*Wishing you
and your
families a
Happy Holiday
and Blessed
2024!*

UNDERSTANDING CAPITAL GAINS TAXES AND PLANNING

IT'S NOT JUST ABOUT HOW MUCH MONEY YOU MAKE, BUT HOW MUCH YOU KEEP.

(continued)

Maximize Tax-Advantaged Accounts: Utilize accounts like 401(k)s or IRAs, where investments grow tax-free or tax-deferred.

Stay Updated: Tax laws can change. Ensure you're up to date with the latest rules and rates.

BE PROACTIVE

While taxes are inevitable, the weight of their impact is, to an extent, under your control. By understanding the nuances of capital gains taxes and making informed decisions, you can optimize your financial outcomes.

Remember, it's not just about what you make, but also what you keep. A proactive

approach today can lead to fruitful savings tomorrow.

The content is developed from sources believed to be providing accurate information. The information in this material is not intended as tax or legal advice. It may not be used for the purpose of avoiding any federal tax penalties. Please consult legal or tax professionals for specific information regarding your individual

situation. This material was developed and produced by FMeX to provide information on a topic that may be of interest. FMeX is not affiliated with the named broker-dealer, state- or SEC-registered investment advisory firm. The opinions expressed and material provided are for general information and should not be considered a solicitation for the purchase or sale of any security. Copyright © 2023 FMeX. All rights reserved. Distributed by Financial Media Exchange.

HOLIDAY CLOSURES: CLOSING EARLY ~ DECEMBER 22ND
CLOSED ~ DECEMBER 25TH
CLOSING EARLY ~ DECEMBER 29TH
CLOSED ~ JANUARY 1ST