AAII Survey: Year-End Tax Planning

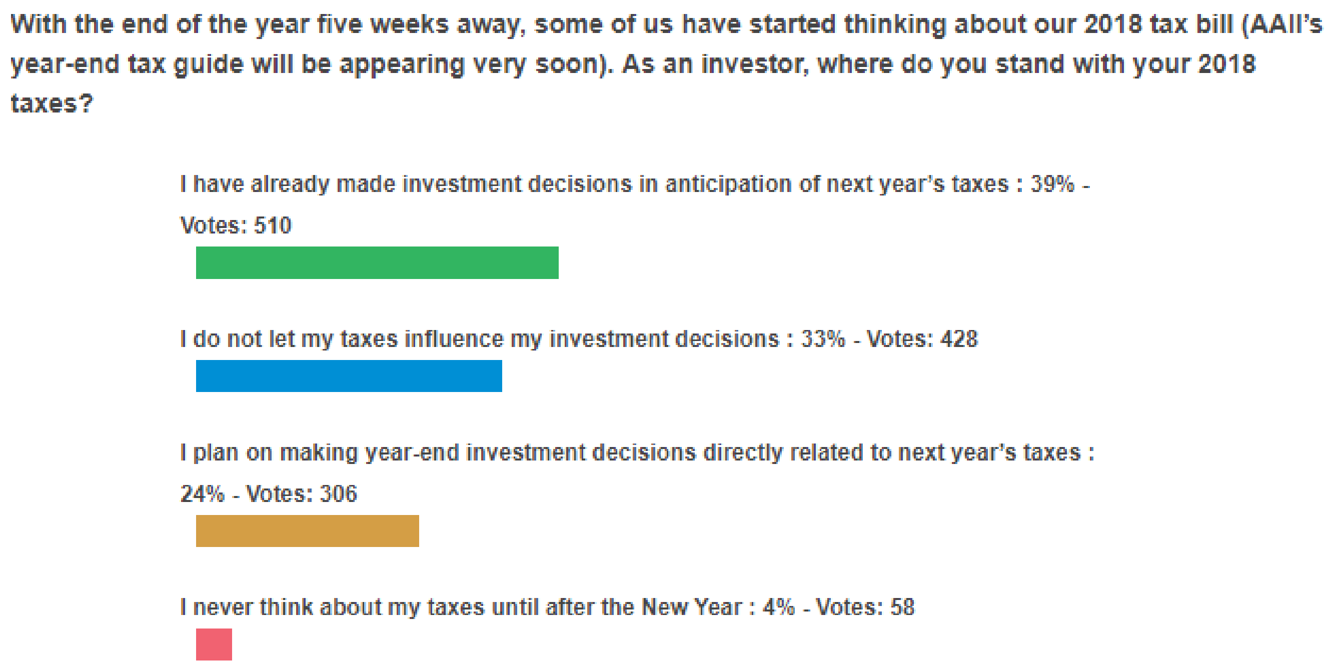
The end of the year is a busy time for many of us what with the holidays, year-end work projects, etc. However, even before the ball drops on 2018, many investors are making portfolio decisions specifically intended to mitigate their tax liability for the year. The total you earn from your investments in 2018 will depend not only on their performance but also the amount of tax you pay on them. That means that this time of year we are also bombarded with a number of articles as to which steps you should be taking before year-end that can lower your taxes and boost your aftertax returns. In fact, be sure to see the December 2018 issue of the *AAII Journal*, which is available online and will be appearing in mailboxes in the next two weeks or so, for 19 year-end financial and investing moves you can make.

AAII Weekly Survey Question

We are curious to know how many of our readers have started their tax planning before the end of the year, so last week's survey asked:

> ### As an investor, where do you stand with your 2018 taxes?

Here are the results of the survey:



In all, 1,302 readers participated.

The majority of our readers—63%—say they have or plan to make investment decisions in anticipation of next year's tax bill. One-third of our readers say they do not let taxes influence their investment decisions and the remaining 4% say they don't think about their taxes until after the New Year.

Weekly Special Question

Digging into the subject farther, last week's special question asked:

> If you have made, or plan to make, investment decisions to influence your 2018 tax bill before the end of the year, what are they?

In all, we received 177 responses.

Nearly half of those responding—46%—say they have sold losing investments or plan to sell losers. This is called tax loss harvesting, whereby you sell a security to realize or "harvest" a loss. This allows the investor to offset taxes on both gains and income.

Another 21% of those responding say they have converted or plan to convert their traditional IRA to a Roth IRA. With these so-called Roth IRA conversions, investors generally pay income tax on the contributions. The taxable amount that is converted is added to your income taxes and your regular income rate is applied to your total income. However, when you start withdrawing from the Roth IRA so do not pay taxes, as you would with a traditional IRA.

Nearly 8% of those responding say they plan to make or have made charitable contributions to boost their tax deductions for the year.

Here is a sampling of the responses from our readers regarding what year-end tax planning steps they have taken or plan to take:

- "The only decision I ever make regarding taxes and investments together is whether the gain will be considered long-term or short-term."
- "Not applicable to me since taxes do not influence investment decisions."
- "Selling stocks that had a long-term loss."
- "I rolled a 401(k) into an IRA so I could make charitable contributions with the RMD next year to offset the loss of the miscellaneous itemized deductions and the personal exemption which, even with the increased standard deduction, would mean paying tax on more income."
- "I sold a mutual fund that was going pay a huge capital gain."

Everybody has an opinion! Why not give us yours? Participate in our weekly member poll, updated every Monday, and see the results online at www.aaii.com/memberquestion.