

Tax preparation is a once-a-year task. Tax planning is a year-round strategy that can help meaningfully reduce what you owe and preserve the wealth you've built. Working with an advisor can help you navigate both.

# 'BEYOND TAX SEASON: WHY TAX PLANNING MATTERS YEAR-ROUND'

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## Key Takeaways:

- Tax preparation focuses on accurately filing your return for the prior year. Tax planning focuses on reducing your future tax burden.
- Tax planning touches every part of your financial picture: investments, retirement accounts, estate plans and more.
- Proactive tax strategies — such as Roth conversions, tax-loss harvesting and strategic charitable giving — have the potential to lower your lifetime tax bill.
- Working with an advisor who coordinates your tax strategy with your overall plan can make a significant difference.

## Overview

Every April, millions of Americans scramble to gather documents, reconcile receipts, meet with their CPA and file their tax returns before the April 15 deadline. But if your relationship with taxes ends when you hit submit, you could be leaving money on the table.

Tax preparation and tax planning are two very different things. One is a backward-looking exercise, while the other is a forward-looking strategy. Understanding the difference can have a real impact on how much wealth you keep over your lifetime.

## Tax Preparation vs. Tax Planning: What's the Difference?

Tax preparation is exactly what it sounds like: organizing your financial information, completing the required forms and submitting your return to the IRS by the deadline. The goal is accuracy. You're documenting what already happened during the prior year, calculating income earned, deductions taken and taxes owed or refunded.



Tax planning takes a different approach entirely. Rather than looking backward at last year's tax numbers, tax planning looks forward. It's proactive, not reactive. The goal is to identify opportunities to potentially minimize your overall tax liability, not just this year but also in future years.

## What Goes Into Tax Planning?

Effective tax planning is an ongoing process that examines your full financial picture and identifies ways to reduce your tax burden without compromising your goals. A few of the most common strategies include:

- **Roth Conversions:** Converting funds from a traditional IRA or 401(k) to a Roth account triggers a taxable event today but allows your money to grow tax-free and be withdrawn tax-free in retirement. This strategy works best when your current tax rate is lower than you expect it to be in the future — e.g., during a lower-income year or before required minimum distributions (RMDs) begin at 73.
- **Tax-Loss Harvesting:** If you hold investments that have declined in value, selling them at a loss can offset gains elsewhere in your portfolio and reduce your taxable income. This can lower your tax bill without fundamentally changing your investment allocation when done strategically.
- **Charitable Giving:** The timing and structure of your charitable gifts can affect your tax outcome. Strategies such as bunching donations into a single year, using a donor-advised fund or donating appreciated securities directly to a charity can potentially increase your deduction while reducing taxable gains.
- **Retirement Account Optimization:** Maximizing contributions to tax-advantaged accounts, such as 401(k)s, IRAs and health savings accounts, is one of the simplest and most effective ways to help reduce your taxable income each year. Knowing which accounts to contribute to and in what order requires understanding your current tax bracket and future income projections.
- **RMD Planning:** Once you reach age 73<sup>1</sup>, you're required to take minimum distributions from qualified retirement accounts. Without a plan, these withdrawals can push you into a higher tax bracket and increase Medicare premiums. A proactive distribution strategy (often built years in advance) can soften that impact.
- **Income Timing:** In some cases, it's possible to influence when income is recognized by deferring a bonus, accelerating deductions or timing the sale of an asset. These decisions require careful coordination but can produce meaningful results.



## How Tax Planning Affects Your Overall Wealth Picture

Taxes are one of the largest expenses most people face over a lifetime. And the decisions you make don't just affect your April filing; they can ripple through your investment returns, your retirement income, your estate and your family's future.

For example, holding an investment for one year and one day rather than selling at 11 months<sup>2</sup> can mean the difference between paying ordinary income tax rates and the lower long-term capital gains rate. Choosing a Roth account over a traditional account today determines the tax treatment of decades of growth. Estate planning strategies like gifting assets during your lifetime or structuring a trust can significantly reduce the tax burden your heirs will face.

None of these decisions exist in a vacuum; each one interacts with the others. That's exactly why tax planning typically works best when it's integrated into your broader financial plan, rather than treated as a standalone task.

### When Working With an Advisor Makes Sense

A financial advisor who takes a tax-aware approach can help you see opportunities that may not be obvious by looking at one account or a single year's return. They can work with your CPA and estate attorney to make sure your investment strategy, retirement plan and estate plan are all working together and not inadvertently creating unnecessary tax exposure.

That kind of coordination matters most in situations such as:

- You're approaching retirement and need to think carefully about the order and timing of account withdrawals.
- You've experienced a significant income event — a business sale, inheritance or large bonus — that requires careful handling.
- You own a business and need to align your personal and business tax situations.
- Your investments have grown substantially, and you want to manage capital gains exposure thoughtfully.
- You're planning to leave assets to heirs and want to help minimize the tax impact on your estate.



## Final Thoughts

Taxes are inevitable, but an unnecessarily high tax bill doesn't have to be. With the right guidance and timing, many people find meaningful opportunities to reduce what they owe over time.

Tax season is a good reminder to review your financial situation. However, the most important tax decisions rarely happen in April; they happen throughout the year as your income changes, your investments grow and your life evolves.

Filing an accurate return is important. Having a strategy that shapes what goes on that return matters just as much. If you're not sure whether your current approach is as tax efficient as it could be, that conversation is worth having with your advisor long before next April rolls around.

### Sources

<sup>1</sup> IRS. Dec. 11, 2025. "Retirement topics - Required minimum distributions (RMDs)." <https://www.irs.gov/retirement-plans/plan-participant-employee/retirement-topics-required-minimum-distributions-rmds>. Accessed March 5, 2026.

<sup>2</sup> IRS. Feb. 25, 2026. "Topic no. 409, Capital gains and losses." <https://www.irs.gov/taxtopics/tc409>. Accessed March 5, 2026.

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