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WEALTH MANAGEMENT

Effective Strategies for Boeing Professionals to Avoid 2023 Tax Surprises and Penalties

We all dread as the mid-April tax deadline approaches, and the biggest insult to injury is when you get strung with an unexpected tax payment due and penalty. While the last thing many want to do a month after tax season is think about taxes, this is really the best time to map out your 2023 strategy to avoid another year of these unwelcome surprises.

This article provides key strategies for Boeing professionals to align your tax payments with your income, make accurate estimated tax payments, and leverage tax-deferred vehicles effectively – resulting in better outcomes come tax time!

Aligning Your Tax Payment Strategy to Your Income

Taxes are due when income is earned, and as a Boeing employee, your income may fluctuate year to year due to annual raises, your bonus, restricted stock awards, not to mention activity related to your personal investments. While some of your earnings are withheld for taxes, this doesn't always align perfectly with your tax picture. Especially if you made an adjustment to your retirement contributions or even shifting from using the Traditional to the Roth 401(k). It is crucial to ensure that your tax payments align with your income by developing a tax payment strategy that matches the timing of your earnings.

Strategies for Making the Right Tax Payments Throughout the Year

To avoid penalties and tax surprises, it is important to implement strategies for making the right tax payments throughout the year. Review your employer tax withholding each year, to ensure it largely aligns with the tax payments due. In addition to navigating the confusing W-4 tax allowances form, quarterly estimated tax payments can be an effective method to cover any tax overhang due.

Be cautious when relying on estimated tax suggestions based on the previous year's taxes. Your income situation can vary greatly, and it's crucial to make payments based on your current year's earnings.

A comprehensive year-end tax review is highly recommended. This exercise will help you assess any true-up payments that need to be made before the fourth quarter estimated tax payment deadline in January. It's an excellent opportunity to rectify any discrepancies and stay on track with your tax obligations.

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Furthermore, in an unpredictable or large tax year, consider focusing on making at least 110% of your prior year's tax payments. If this requirement is met, even if you are short on your tax payments you may avoid penalty (if your income is under a certain threshold, you only need to make payment of 100% of the prior year).

Leveraging Tax-Deferred Vehicles:

Make the most of tax-deferred vehicles available to Boeing professionals to optimize your tax bracket and reduce your overall tax liability. Consider the following options:

- Maximize your contributions to a 401(k) plan. Not only will this help you save for retirement, but it will also lower your taxable income.
- Utilize Health Savings Accounts (HSAs), which offer triple tax advantages. By contributing pre-tax funds, enjoying tax-free growth, and withdrawing funds tax-free for eligible medical expenses, you can further optimize your tax situation.
- Electing to contribute to the SSP deferred compensation plan is another option, however this plan has its drawbacks and is not the best fit in many cases.

In conclusion, having a well-executed tax plan is essential for Boeing professionals seeking to optimize their financial benefits while avoiding unpleasant tax surprises and penalties. By aligning tax payments with income, making accurate estimated payments, and leveraging tax-deferred vehicles, you can ensure a smoother tax journey. Consulting with a financial planner can provide you with further guidance, ensuring that you make informed decisions and achieve better outcomes as you work towards your financial goals.

Contact us to schedule a no cost consultation with one of our Certified Financial Planners.
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Please tune in to our website blog (www.stablerwealthmanagement.com), YouTube channel and LinkedIn page to receive our latest financial planning updates for Microsoft professionals.

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