

# Planning Today Can Save You a ‘Bunch’ Tomorrow

## The Basics of Bunching

**The new tax code has changed the way many Americans can utilize deductions. While it's too early to say exactly what effect this will have on determining one's tax liability, among other things it may help determine how and when one gives to recognized charities.**



**THE CHALLENGE** Basically the higher standard deduction, courtesy of the new tax law, may mean that you can no longer make use of some deductions in the traditional manner, including those to charities. Bunching may supply the blueprint to bypass this new tax-deduction roadblock.

**BUNCHING BASICS** The three main deductions you may be able to bunch are property and state income taxes (up to a cap of \$10,000), charitable donations and medical expenses. The basic bunching strategy calls for deducting \$23,000 one year and taking the standard deduction the next year. By "bunching" donations and tax payments into alternating years, one may be able to itemize deductions every other year.

Consider that most counties permit property owners to pay taxes for the year in full on Jan. 1 of each year. You can write a check for your property taxes on Dec. 31, bunching two years of property taxes into one year.

Similarly, you can double donations to a favorite (and recognized) charity one year and not make a payment the following year.

**Donor Advised Funds (DAFs) to the Rescue** While we've mentioned this in a prior post, supporting recognized charities and nonprofit institutions through a Donor Advised Fund can help you to reach the deduction threshold by making multiple years' worth of donations in one tax year. While this typically will enable you to obtain the tax benefit, you will have the option to distribute gifts from the fund in future years. You get the deduction in the year you make the donation to the fund – not the charity. Donor advised fund distributions go to a recognized charity.

**SIMPLE STRATEGY** A donor advised fund allows you to make considerable charitable donations at any time. You do not need to name the recipient charity until you decide to release funds. Your contribution remains invested until you direct the fund as to when and to whom to distribute it. Someone who annually gives \$6,000 to their college could bunch or combine two or more years' worth of donations into one year, subsequently directing the fund-management company to distribute the funds each year.

**MEDICAL COUNTS TOO** Medical deductions in excess of a percentage of income (7.5% in 2018; 10% in 2019 and after) can be deducted by itemizing. Bunching elective procedures and other expenses into one year can enable one to meet the threshold in alternate years.

Some deductible medical costs include:

- Out-of-pocket payments for prescription drugs and fees to doctors, dentists, chiropractors, psychiatrists, psychologists, podiatrists, physical or occupational therapists
- Health and long-term care insurance premiums
- Nursing home and long-term care facility payments
- Inpatient alcohol and drug treatment programs
- Home modifications made for medical reasons
- Transportation to and from medical appointments
- Dentures, prescription eyeglasses and readers, hearing aids, and durable medical equipment such as crutches or wheelchairs
- Smoking-cessation and weight-loss programs when part of a treatment program.

The new tax code will be sure to generate a lot of discussion. While our office does not provide tax advice, we'd be pleased to refer you to a qualified tax preparer and work with them to help you efficiently manage your finances. For further information, please visit: [www.easternplanning.com](http://www.easternplanning.com) or contact: [Susan@easternplanning.com](mailto:Susan@easternplanning.com) / 845-627-8300.

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