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Uncover 6 Ways to Reduce Your Tax Bill

Take a look at your Form 1040 to find potential opportunities to save money hidden between its lines.

Your federal income-tax return may not be top-of-mind once tax season has passed, but you may want to take another look at it. Your IRS Form 1040 tax return may reveal important information about your personal finances—and shed light on valuable opportunities for future savings.

Tips for your Form 1040 Infographic

Before you put these documents away in a folder somewhere, consider asking yourself these six questions to potentially reduce your tax bill next year:

1. Could I be doing more to minimize my exposure to current taxes?

Find clues here: Page 1-Tax-Exempt and Taxable Interest (Lines 2a & 2b). You generally owe taxes on the taxable interest, found in Line 2b.

Your next step: If the sum on line 2b makes you uneasy, consider whether there's more you could do to reduce your taxable interest in future years. Generally, if you receive interest income from bonds, mutual funds, certificate of deposits and demand deposit accounts, these will be taxed. Tax-aware asset location may help reduce the impact of taxable interest. The strategy involves keeping high-yield securities in tax-deferred accounts while putting tax-efficient, lower-growth assets in taxable accounts. You might be able to further reduce interest by swapping corporate bonds for municipal bonds with a similar yield but a lower tax impact. Your Financial Advisor and your tax advisor can help you in structuring a tax-aware asset location strategy across your accounts.

2. Did I make the most of any investment losses?

Find clues here: Page 1-Capital gains or losses (Line 7)

Your next step: Use tax-loss harvesting to turn investment losses into tax benefits. By selling securities that have lost value, you may be able to utilize these realized losses to offset realized capital gains. Any excess losses can be used to offset up to $3,000 ($1,500 if married filing separately) in ordinary income that year as well. Any remaining losses can be carried forward as long as you are living. So, if you had more than $3,000 in capital loss carryforward last year, you can use them to offset gains or ordinary income on this year's taxes. Typically, investors think about tax-loss harvesting toward year end, but this strategy can help you year-round.

3. Can I support my favorite charities in a tax-efficient way?

Find clues here: Page 1-IRA Distributions (QCD) (Lines 4a-4b)

> " Uncover tax-smart strategies to help you reach your financial goals. "

Your next step: If you're 70 ½ or older you may be able to reduce your federal taxable income by making qualifying charitable donations through a Qualified Charitable Distribution (QCD). QCDs generally come with no tax costs to you or the charity receiving the donation—allowing you to count a QCD toward your required minimum distribution for the year, if certain rules are met, and feel good about supporting a cause you care for. Review your tax return with your Financial Advisor to uncover ideas like this one to help make your giving go further.

4. Can I reclaim my foreign taxes?

Find clues here: Schedule A- Taxes Paid (Lines 5-7). This breaks out the total amount you paid in taxes (other than federal) last year, including foreign taxes.

Your next step: If you reported paying foreign taxes, you may have foreign tax reclaim opportunities. Many countries have double taxation treaties, which allow you to reclaim some foreign taxes, if you do so within the statute of limitations.

5. Could I be saving for future education costs in a more tax-advantaged way?

Find clues here: Page 1- Dependents: If you have children, grandchildren or other young, loved ones you wish to support, remember that one of the most important gifts you can give is access to quality education.

Your next step: With education costs rising, investing in a 529 plan can help pay for higher education expenses. You may get a state tax break on the contributions, and the money grows tax-free and comes out tax-free if used for qualified education expenses.

6. Could I save on my medical and dental expenses?

Find clues here: Schedule A- Medical and dental expenses (Lines 1-4): If your medical and dental expenses amounted to more than 7.5% of your adjusted gross income last year, Line 4 will show your deduction.

You may also be able to include medical or dental expenses you paid on behalf of your spouse or your dependent. You cannot include medical expenses that were paid for or otherwise reimbursed by insurance or other sources.

Your next step: Even if your medical expenses aren't high enough to itemize now, most people's healthcare costs go up significantly as we age. Adding a long-term care insurance policy could help minimize such costs, and premiums may be tax deductible.

Consider reviewing your tax return with your Morgan Stanley Financial Advisor and your tax advisor to uncover tax-smart strategies to help you reach your financial goals. In addition, if you have complex tax planning needs, your Morgan Stanley Financial Advisor can connect you to experienced tax professionals at leading U.S.-based providers across the country to help ensure your tax strategy is optimized.

Questions to Ask Your Morgan Stanley Financial Advisor:

- What strategies should I consider to reduce my tax bill?
- How can I help minimize taxes on my investments?

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