

Optimize Your 2022 Tax Strategy with Tax Loss Harvesting

One of the year-end tax strategies to save or eliminate tax liability related to stock transactions is known as **tax loss harvesting**. This is the concept of selling securities at a loss to offset capital gains realized throughout the year. If you have realized capital gains from selling investments during the high points of the market, a tax-loss sale can help offset those gains. After the current year accumulated gain is offset by the loss you can use a deduction of up to \$3,000 of the loss (\$1,500 if married filing separately) in the current year and carry forward any unused losses into future years.

This strategy implies that you:

1. Sold investments through the year at a gain.
2. You can sell some other investments at a loss – the cost of your investments is higher than their current value.

Your broker or investment advisor might consider immediate re-investing the available cash. You have two options here: buying into a replacement security or waiting for 31 days and repurchasing the same stock. Why to wait? You have to wait for 30 days to avoid a wash rule that states that, if an investment is sold at a loss and then repurchased within 30 days, the initial loss cannot be claimed for tax purposes.

Conclusion:

It is advisable to monitor one's portfolio continuously because often the opportunities for tax loss harvesting are short-lived. If market rebounds quickly those opportunities might be gone.