3 Ways to Legally Avoid Capital Gains Taxes

1. Offset Capital Losses

If you have highly appreciated assets such as crypto or stocks, you likely also have some underperforming assets. If you sell them in the same year, you can offset up to $3,000 worth of capital gains with losses. Selling an asset at a loss to reduce the tax burden on your gains is called tax loss harvesting and is an example of legal tax avoidance.

2. Donate to Charity

If you donate an appreciated asset to charity before selling it, not only will you not owe any taxes on that asset, but you can deduct the current fair market value of the asset from your income taxes.

3. Defer Capital Gains Taxes with a Deferred Sales Trust

A Deferred Sales Trust is a legal method of delaying your capital gains taxes and/or distributing the payment of your taxes over time. By controlling the timing of your capital gains taxes, you can take advantage of other deductions or a more favorable tax bracket, thus reducing your overall tax liability.

Presented by:
CapitalGainsTaxSolutions.com
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