



PERSONAL FINANCE

Here's where to invest your cash to save on taxes in 2024

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Kate Dore, CFP®

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KEY POINTS

Some of the largest money market funds are paying over 5%, and investors could see a higher tax bill in April.

However, investors may consider other options like Treasury bills or municipal money market funds to save on future taxes.



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Investors and institutions have funneled cash into money market funds amid [rising interest rates](#), and balances reached [\\$5.84 trillion](#) as of Nov. 29, the Investment Company Institute reported. Meanwhile, some of the largest money market funds are now paying [close to 5.5%](#), as of Dec. 4, according to Crane Data.

Money market fund yields are higher than any year since the Great Recession, said certified financial planner Seth Mullikin, founder of Lattice Financial in Charlotte, North Carolina. “For most investors, this will be taxable income,” he said.

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Investors typically owe regular income taxes on earnings from money market mutual funds or [high-yield savings accounts](#), with top marginal rates of 37% for assets held in a brokerage account. By comparison, the highest long-term capital gains rate is 20%.



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\$22,000 or less	10% of the taxable income
\$22,001 to \$89,450	\$2,200 plus 12% of amount over \$22,000
\$89,451 to \$190,750	\$10,294 plus 22% of amount over \$89,450
\$190,751 to \$364,200	\$32,580 plus 24% of amount over \$190,750
\$364,201 to \$462,500	\$74,208 plus 32% of amount over \$364,200
\$462,501 to \$693,750	\$105,664 plus 35% of amount over \$462,500
\$693,751 or more	\$186,601.50 plus 37% of amount over \$693,750

Table: Gabriel Cortes / CNBC
Source: IRS



Marginal tax brackets for tax year 2023, single individuals

Taxable income	Taxes owed
\$11,000 or less	10% of the taxable income
\$11,001 to \$44,725	\$1,100 plus 12% of amount over \$11,000
\$44,726 to \$95,375	\$5,147 plus 22% of amount over \$44,725
\$95,376 to \$182,100	\$16,290 plus 24% of amount over \$95,375
\$182,101 to \$231,250	\$37,104 plus 32% of amount over \$182,100
\$231,251 to \$578,125	\$52,832 plus 35% of amount over \$231,250
\$578,126 or more	\$174,238.25 plus 37% of amount over \$578,125

Table: Gabriel Cortes / CNBC
Source: IRS



Plus, boosting your income can have other financial consequences, such as higher premiums for [Medicare Part B](#) and D, known as the income-related monthly adjustment amount, or IRMAA, Mullikin said.

“While any additional income earned from higher yields is taxed at a progressively higher rate, IRMAA applies as a surcharge,” he said. “This means that even \$1 of additional income could trigger higher premiums.”

However, other investment options could help minimize the tax burden, financial experts say.

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However, T-bills offer a tax benefit over products like high-yield savings, certificates of deposit or money market funds: no state or local taxes on earnings. T-bill interest is still subject to federal income taxes.



VIDEO 07:30

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Another option is tax-exempt municipal money market funds, according to Kirk Hackbarth, a CFP and wealth advisor at JMG Financial Group in Milwaukee. He is also a certified public accountant.

Municipal bonds typically invest in assets issued by municipalities, such as state and local governments, and investors generally avoid federal income taxes on earnings. Some of the biggest tax-exempt money market funds are paying around 3.5%, as of Dec. 4, according to [Crane Data](#).

“Investors in a higher marginal income tax bracket should consider municipal money market mutual funds,” Hackbarth said. “The after-tax yield can be higher.”

However, the best option for cash ultimately depends on your risk tolerance and goals,

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