*Money Management*

# Year-end Financial Checklist

As we near the end of the year, it's time to look back at what's happened and how it will affect your financial future. Check off these important items so that you can start the new year's finances with peace of mind.

--------------------- INCOME TAX ----------------------

☐ **Review your tax withholdings.**

Have you had a major life change (employment change, marriage/divorce, a new child) that affects your income tax? Check to make sure your tax withholdings have been properly adjusted. Having low withholdings can lead to tax penalties, while having too high of withholdings prevents you from accessing your money until your tax return is filed.

☐ **Estimate your AGI.**

Determine your adjusted gross income (AGI) with the help of your tax advisor. Your AGI will help determine your tax bracket, which you'll need for investment and retirement planning.

☐ **Estimate your AMT.**

Determine whether you will be subject to the Alternative Minimum Tax (AMT) and if there are ways to mitigate your AMT liability.

--------------------- INVESTMENTS ----------------------

☐ **Consider tax-loss harvesting to lower taxes on capital gains.**

By selling positions that are down this year, you can use the losses to reduce up to $3,000 of taxable income. If your total losses surpass $3,000, you can roll over excess losses to offset gains in another year. If you have losses from a previous year, calculate how they affect your gains or losses from this year.

☐ **Check to make sure you didn't make (or plan on making) any "wash sales."**

A wash sale is the sale of an asset followed by a repurchase of a similar asset within 30 days. The IRS does not allow capital losses on wash sales; if you have already made a wash sale, do not plan on the capital losses being available for tax use this year.

☐ **Check to see when you last rebalanced your portfolio.**

Although you don't need to update your investments every year, many people go far too long without making necessary adjustments as they age.


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## ----------------- RETIREMENT ACCOUNTS -----------------

☐ **If you are retired, make sure you've taken all necessary required minimum distributions (RMDs).**

RMDs may be one of the most important items to review when going over your finances at the end of the year. Standard IRAs require these distributions be taken annually after the year you turn 70 ½; standard 401(k)s require them annually after you retire or turn 70 ½ (whichever is earlier). Failure to take an RMD will trigger a 50 percent excise tax on the value of the RMD.

☐ **Max contributions to an IRA and employer retirement plan for the year.**

Both IRAs and 401(k)s have annual contribution limits. If you find you have excess savings and have not reached your annual limit, it may be a good idea to make additional contributions. Similarly, you may also consider making greater monthly contributions to your accounts next year, spreading out the cost of contribution. The deadline for IRA contributions is usually April 15 of the following year; 401(k) deadlines may be restricted to the calendar year, depending on your employer.

☐ **Consider converting a traditional IRA to a Roth IRA.**

Did you have a good tax year? It may be an opportune time to convert a portion (or all) of your traditional IRA to a Roth IRA and pay your taxes at a lower rate. It is important to understand, however, that Roth accounts have contribution limits placed on them, so keeping a traditional IRA might be beneficial. Before making any changes, consider seeking the help of a professional accountant who can help you with the conversion and calculate your new tax liability.

## ------------------------- GIVING --------------------------

☐ **Donate to charity as a way to reduce taxes.**

You can lower taxable income by 50 or 30 percent with a gift to a public charity or by 30 or 20 percent with a gift to a private foundation. If your gift exceeds these limits, you can roll over the excess deduction for up to five years.

☐ **Reduce your estate through gifts.**

You are permitted to give up to $14,000 ($28,000 for married couples) a year per recipient as an untaxed gift. Gifts above this value will consume part of your lifetime gift/estate tax exemption amount ($5,430,000 in 2015). If a gift directly funds education tuition or pays for qualified medical expenses, it will go untaxed no matter what the value.

## ------------------- FAMILY FUNDING --------------------

☐ **Check your flexible savings account (FSA).**

The government only permits a $500 annual rollover in an FSA; any excess funds disappear if unused by the end of the year. If you have extra money in your FSA, you may want to schedule necessary medical or dental procedures before the end of the year.

☐ **Check your health savings account (HSA).**

HSA funds don't disappear at the end of each year like with an FSA; however, many with few medical needs discover money accumulating in their HSAs much faster than they are using it. Consider reducing your contributions to your HSA if your account has reached a comfortable amount and you know of better uses for your money.

☐ **Consider contributions to a 529 plan to fund your children's/grandchildren's education.**

529 Plans allow for you to make contributions to a tax-free account that may be used to pay for qualifying secondary education expenses. *(Investors should consider investment objectives, risks, charges and expenses associated with 529 plans before using them. Information about 529 plans is available in their issuers' official statements.)*