

Your Year-End Financial Checklist

Aspects of your financial life to review as the year draws to a close.

Provided by PAUL TAGHIBAGI, CFP®, CHFC, AIF®

The end of a year serves as a reminder of last-minute tasks that need to be addressed and encourages us think about good habits we would like to start keeping. To that end, here are some aspects of your financial life to review as this year leads into the next...

Your investments. Review your approach to investing and make sure it suits your objectives. Look over your portfolio positions and revisit your asset allocation.

Your retirement planning strategy. Does it seem as practical as it did a few years ago? Are you able to maximize contributions to IRAs and workplace retirement plans like 401(k)s? Is it time to make catch-up contributions? Should you consider a Roth IRA conversion? If you are over 70 ½ you are required to take the Required Minimum Distribution(s) (RMD) from your traditional IRA(s) by December 31st. If the distribution is not taken, the IRS will assess a penalty tax of 50% of the required amount on top of the taxes you will already pay on that income.

Your tax situation. In previous years, high-earning business owners and executives may not have looked into deductions and credits because they assumed they would be subject to the Alternative Minimum Tax (AMT). The recent rise in the top marginal tax bracket (to 39.6%) has made fewer of these individuals subject to the AMT as their ordinary income tax liabilities have grown. This calls for a closer look at accelerated depreciation, research and development (R&D) tax credits, the Work Opportunity Tax Credit, incentive stock options, and certain types of tax-advantaged investments such as municipal bonds.

Review any sales of appreciated property and take into account realized and unrealized losses and gains. Take a look back at last year's losses and see if any can be carried forward to this year. If you've sold securities, gather up cost-basis information. If you have gains, look for any offsetting transactions that could potentially reduce your tax liability.

Your gifting goals. Plan contributions to charities or education accounts, and make any desired cash gifts to family members. The annual federal gift tax exclusion is \$14,000 per individual for 2015, so you can gift up to \$14,000 to as many individuals as you like this year without tax consequences. A married couple can gift up to \$28,000 tax-free to as many individuals as they wish. The gifts do count against the lifetime estate tax exemption amount (\$5.43 million per individual, \$10.86 million per married couple in 2015).²

You can choose to gift appreciated securities to a charity. If you have owned them for more than a year, you can deduct 100% of their fair market value and legally avoid capital gains tax you would normally incur from selling them.

Besides outright gifts, you can plan other financial moves for your family – you can create and fund trusts, for example. The end of a year is a good time to review trusts you have in place.

Your life insurance coverage. Are your policies and beneficiaries up-to-date? Review premium costs, beneficiaries, and any and all life events that may have altered your coverage needs.

Life events. Did you happen to get married or divorced in 2015? Did you move or change jobs? Buy a home or business? Did you lose a family member, or see a severe illness or ailment affect a loved one? Did you reach the point at which Mom or Dad needed assisted living? Was there a new addition to your family? Did you receive an inheritance or a gift? All of these circumstances can financially impact on your life, and even the way you invest and plan for retirement and wind down your career or business.

Lastly, did you reach any of these important financial milestones in 2015?

Did you turn 70½ this year? If so, you must now take Required Minimum Distributions (RMDs) from your IRA(s).

Did you turn 65 this year? If so, you're now eligible to apply for Medicare.

Did you turn 62 this year? If so, you're now eligible to apply for Social Security benefits.

Did you turn 59½ this year? If so, you may take IRA distributions without a 10% penalty.

Did you turn 55 this year? If so, and you retired during this year, you may now take distributions from your 401(k) account without penalty.

Did you turn 50 this year? If so, "catch-up" contributions may now be made to IRAs (and certain other retirement plans).²

The end of the year is a quickly approaching. Now is the time to reach out to a financial professional you trust to review your financial health and well-being.

Paul Taghibagi may be reached at 310.712.2323 or PT@seia.com.

<http://seia.com/paul-taghibagi/>

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Citations.

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