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4 Financial Strategies To Consider Before Year End



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I help people on their path to Financial Freedom. [FULL BIO](#) ▾

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With the start of the fourth quarter, it's a good time to make sure we are executing on our 2016 financial strategies before year end. For some goals, the calendar year end is more of a guideline, but for others, December 31st is a firm deadline.



Treasury Secretary Jacob Lew testifies on Capitol Hill in Washington, Thursday, Sept. 22, 2016, before the House Financial Services Committee hearing on "the Annual Report of the Financial Stability Oversight Council." (AP Photo/Manuel Balce Ceneta)

1. Maximize your employer's matching contribution in your 401(k) plan. Many investors don't realize that reaching the maximum allowable IRS 401(k) or 403(b) limit before year end can cost you money. It is important to know that your employer makes a matching contribution against your salary deferrals into your retirement plan in each pay period and doesn't necessarily contribute a percentage match against your earned income. For example, if you are receiving a 3% employer matching contribution, and you salary defer (invest) your maximum annual allowable 401(k) or 403(b) contribution of \$18,000 for 2016 by October 31, then you lose the 3% match you would have received in November and December. Therefore, in order to maximize both your salary deferral amount and your employer match, it's smart to target a salary deferral amount that allows you to hit your \$18,000 maximum contribution level during the last pay period in December.

2. Tax-manage your investment portfolio. Most U.S. stock market indexes are up for the year, and you may have sold stocks that produced capital gains. Or, if you have mutual funds, some gains might have been distributed during the year. In either case, it might be savvy to realize some losses to offset some of those gains. You can look at your investments, (e.g., individual stocks or mutual funds) that have taxable losses and target those for sale. In the case of a mutual fund, if it makes sense for you, you can also exchange out of that fund and into another mutual fund in the same fund family. A mutual fund exchange into a fund within the same fund family may have lower transaction costs than selling the fund, so consider all your options before taking action. Of course, any tax advice should come from your tax advisor, so please consult with your personal CPA or tax preparer before embarking on any tax strategy.

3. Review your progress on your 2016 financial goals. A written financial plan is one of the most important steps you can take on your journey to your financial freedom. If you have a written financial plan it is a good start. But keeping it on the shelf gathering dust doesn't help very much. So take a look and see what action steps might make sense between now and year end to keep you on track with your plan and with achieving your 2016 goals. Then, in December, start writing down more goals for 2017!

4. Assess your asset allocation and check for any style drift. Conducting at least one annual analysis of your asset allocation makes sense. And with stocks being up for most of the past 7 years, your asset allocation may have changed and may be heavier in stocks than you think. Or, perhaps you been waiting for a lower entry point into the stock market and you are sitting on more cash than you would like. The best way to assess your situation is to complete a full asset allocation analysis. Armed with specific information, you can then decide if you need to adjust your allocations, or you can consult with your advisor to also receive some professional guidance.

These steps encompass four important areas of your financial life: saving for retirement, tax planning, financial planning, and asset management. Being attentive and involved in your planning will help you take charge of your financial life and will help you better understand the challenges you may face on your path to your financial freedom. If these areas appear too complex or if they are simply something that you prefer to outsource, make sure you are working with a competent professional who cares about you and places your interests first.

Contributor's Bio

Mark Avallone is the author of *Countdown To Financial Freedom*, and founder and President of Potomac Wealth Advisors, LLC a financial advisory firm serving clients through holistic financial planning and wealth management. Avallone writes on a variety of financial topics, and his contributions have appeared in the *Wall Street Journal* as well as in *Forbes* where he is a regular contributor. He has appeared on CNBC and has been a repeat guest on the Fox Business Network. His insights have also appeared in *USA Today*, *U.S. News & World Report*, *The Washington Post*, and other leading publications.

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