

Your Year-End Financial Checklist

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

Provided by Michael G. Krum

The end of a year makes us think about last-minute things we need to address and good habits we want to start keeping. To that end, here are seven aspects of your financial life to think about 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 max out contributions to IRAs and workplace retirement plans like 401(k)s? Is it time to make catch-up contributions? Finally, consider Roth IRA conversion scenarios, and whether the potential tax-free retirement distributions tomorrow seem worth the taxes you may incur today. Be sure to take your Required Minimum Distribution (RMD) from your traditional IRA(s) by December 31. If you don't, the IRS will assess a penalty of 50% of the RMD amount on top of the taxes you will already pay on that income. (While you can postpone your very first IRA RMD until April 1, 2016, that forces you into taking two RMDs next year, both taxable events.)¹

Your tax situation. In years past, high-earning business owners and executives didn't always look deeply into deductions and credits because they assumed they would be hit by the Alternative Minimum Tax (AMT). The recent rise in the top marginal tax bracket (to 39.6%) made fewer of them subject to the AMT – their ordinary income tax liabilities grew. This calls for a closer look at accelerated depreciation, R&D credits, the Work Opportunity Tax Credit, incentive stock options, and certain types of tax-advantaged investments.²

Review any sales of appreciated property and both realized and unrealized losses and gains. Take a look back at last year's loss carry-forwards. If you've sold securities, gather up cost-basis information. Look for any transactions that could potentially enhance your circumstances.

Your charitable 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 per married couple in 2015).³

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.⁴

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.

Speaking of 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. They are worth discussing with the financial or tax professional you know and trust.

Lastly, did you reach any of these financially important ages in 2015? If so, act accordingly.

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 qualified retirement plans).^{1,5}

The end of the year is a key time to review your financial "health" & well-being. If you feel you need to address any of the items above, please feel free to give me a call.

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Citations.

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2 - bankrate.com/finance/taxes/tax-brackets.aspx [10/19/15]

3 - nolo.com/legal-encyclopedia/reduce-estate-tax-by-gifts-30095.html [10/19/15]

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