Year-End Financial Checklist

The end of the year is a good opportunity to make sure you're still on track toward your financial goals.

Sometimes it feels like a year can disappear in the blink of an eye. When you look back over the previous 12 months, you might be surprised at what may have changed for you, whether that's in terms of the economy at large, your individual finances or your personal circumstances.

That's why the end of the year is a good time to review your accounts and investments with a financial professional and make smart adjustments for the new year. Also, with tax season around the corner, reviewing your portfolio and personal finances now could potentially help reduce your tax liability.

Use this year-end financial checklist as a guide.

1. Review your financial plan

Think about what you spent money on this year, and how much. Whether it was home improvements, a vacation or boosting a loved one's college savings, did you achieve your family's financial goals? Or did you put some on hold in favor of other priorities that came up during the year? Do you foresee having to make any large purchases in the next year?

Also consider what changed in your life this year. Births, deaths, marriage, divorce and retirement can all have an impact on both your personal finances and your strategic financial plan.

Financial planning tips

- **Be honest with yourself.** If money was tight, or if you had a surplus, this is a good time to adjust your spending and priorities.
- **Use a financial professional as a sounding board.** An outside perspective is helpful when reviewing short- and long-term family financial goals. A financial professional might be able to make suggestions you haven't thought about.

2. Review your employee benefits

It's tempting to just keep your employee benefits humming along in the background, but reviewing them yearly can make a big difference. Look at your employer-sponsored 401(k) or IRA account contributions for the year. Did you max out your contributions? If not, did you at least contribute as much as the company match?

For the 2023 tax year, the maximum 401(k) contribution is $22,500, plus an additional $7,500 if you're 50+. The maximum IRA contribution is $6,500, plus $1,000 if you're 50+. If you're not maxing out your contribution, consider at least increasing it on an annual basis.

Don't forget to pay attention to your allocations. Are you happy with the ratio of stocks, bonds and other assets, or do you need to rebalance?

Other employee benefits to review and adjust—with a financial professional, if you like—include corporate stock options and other incentive plans (restricted stock, restricted award units, etc.); health, life and disability insurance coverage; and your flexible spending account (FSA).

And don't forget your health spending account (HSA), if you have one. For the 2025 tax year, the maximum HSA contributions are $3,850 for individuals, $7,750 for families and an additional $1,000 for individuals age 55+.

Finally, are your beneficiaries up to date? Can you also designate a successor beneficiary? You work hard for your employee benefits, so be sure they end up where you want them.

Employee benefit tips

- **Calculate your remaining health insurance deductible.** Can you accelerate or postpone medical treatments?
- **Use up your FSA.** There are some qualified products you may not have thought of, from contact lens solution to bandages, that you can purchase with those funds.

3. Conduct a year-end tax review

Tax Day might not be until April 15, but it's always a good idea to get a head start on preparation. For example, did you experience any life transitions (marriage, births, divorce, deaths, retirement, etc.) in the last year that could affect your tax withholding status?

Based on your anticipated income for next year, would deferring or accelerating any bonuses, property sales, other taxable transactions, deductible expenses, charitable gifts, etc., benefit you from a tax perspective? A financial professional can help you review your options.

Tax review tip

- **Explore tax loss harvesting.** If you had investments that lost money, tax loss harvesting can help you reduce your tax liability. There are strict rules around how this is executed, so to avoid potential penalties, talk to a financial or tax professional before using this strategy.

4. Assess your investments

While investing is a long-term activity, looking at whether your allocations still meet your needs should be an annual event. If your asset allocation has shifted during the year, are certain assets underperforming or overperforming? This might leave your portfolio unbalanced.

Step back and review your risk tolerance. Does it still meet your timeline and family's financial goals? Are you getting close to retirement and consider a more conservative investing approach?

As always, tax should be a consideration. Did you see large capital gains or investment losses for the tax year? Have you contributed to a 529 plan to reduce your taxable income? And do you have appropriate tax diversification within your portfolio?

Investment review tips

- **Use the IRA extension.** You can contribute to your IRA through the tax filing deadline next year, and it will still count toward the previous tax year.
- **Consider a "back-door" Roth conversion strategy.** This can establish or continue funding your Roth IRA account, but it may not be as advantageous if you already have a traditional IRA with a significant account balance. It may also trigger additional taxes. A financial professional can help.

5. Look at your charitable contributions

Charitable giving doesn't just feel good; it can bring tax savings, too. Look back at the year. Did you maximize your charitable donations or donate assets other than cash to the causes and charities you care about?

If you can donate more and are 70 ½ or older, you may want to consider a Qualified Charitable Distribution (QCD) directly to a charity. The maximum contribution is $100,000, and although a charitable deduction is not allowed for a QCD, you won't have to include that donated amount in your taxable income.

Get more details on advanced charitable giving strategies such as QCDs and donating appreciated assets and consult with a tax advisor to fully understand the rules regarding your giving options.

Charitable giving tips

- **Bunch your donations.** If you plan to donate the same amount of money each year, consider "bunching" the donations into a single year. This could increase your potential itemized deduction for that year. Consider using a donor-advised fund to spread out the giving while taking advantage of "bunching."
- **Donate appreciated assets.** If you noticed large long-term capital gains, consider donating the appreciated assets. You won't have to pay the capital gains tax, and if you itemize, you can deduct the full amount of the appreciated assets.

6. Review your credit/debt

Credit cards, loans and other forms of debt can have a place in your financial strategy if it's balanced with other family financial goals, including saving and investing. But it's critical to ensure the products you're using are serving your needs. Year-end is a good time to review your loan positions and terms to make sure you are getting the most favorable rates/terms. Also, look at whether you've made progress paying down your debt. If not, are there ways to minimize your total interest payments by prioritizing high-interest debt or consolidating?

Debt tips

- **Pay attention to rates.** Review the terms on any outstanding balance to make sure you have the best possible rate.
- **Maximize your rewards.** If you're going to use credit cards, look for ones with programs for either cash back or travel rewards.

7. Think about estate planning

Estate planning may look at events years down the road, but events here and now can change your strategy. Review your will and/or trust if you have experienced life events recently, such as marriage, divorce, death, incapacity or a change in family dynamics. But even if things are on an even keel, you should review estate planning documents at least every five years.

Be sure to pay particular attention to your beneficiaries and trustee designations.

Estate planning tips

- **Stay objective.** Consider naming a corporate trustee or co-trustee, who can objectively administer your trust and has experience dealing with family dynamics that can arise during the process.
- **Be tax smart.** In 2023, monetary gifts up to $17,000 to any recipient are federal tax-free. Also, consider taking advantage of the lifetime gifting exemption, which is $12.92 million per individual in 2023. These exemptions are scheduled to sunset to $5 million (indexed for inflation) per individual in 2025.

8. Don't forget insurance

Insurance is the better-safe-than-sorry part of your financial strategy. Take some time at the end of the year to look at your existing policies and coverage. Do the original motivations for all your insurance policies still exist? If so, is your coverage sufficient for your needs?

As with so many other elements of a financial plan, make sure your insurance beneficiaries are up to date, especially if you went through a life event this year.

Insurance tip

- **Crunch the numbers.** Consider using a life insurance calculator to review your situation each year.

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