6 Year-End Financial Planning Ideas

By T. Eric Reich, Kiplinger, 11/22/19

It's never too early to start taking action in your financial plan. Below are some items to review over the next few months.

1. Retirement Plan Contributions

Now is the time to see if you are on pace to max out your retirement contributions for the year. If not, consider changing how much you contribute or if your plan allows — whether it's a 401(k), 403(b) or SEP IRA. In addition, consider putting most or all of any bonus you receive into the plan. Do the same for IRA and Roth IRA contributions as well. The IRA contribution limit for 2019 is $6,000 unless you're 50 or older, then it's $7,000. You may also want to consider converting some of your traditional IRA funds to a Roth IRA. You'll pay taxes on the amount you convert, but all future gains and qualified withdrawals would be tax-free.

2. Tax Planning

There are tons of tax planning strategies that you can consider for year's end. Among them are tax harvesting, which is selling investments at a gain or loss to balance out your tax liability. Losses can be deducted against ordinary income up to $3,000, but they can be used to offset gains up to any number. If you don't have gains, the loss can be carried forward to next year. The losses are applied against gains before they are applied to $3,000 of ordinary income. If you want to repurchase that same investment, you need to wait 30 days to avoid Wash Sale Rules.

If you’re able to, reallocate your portfolio to ensure tax-generating investments, like taxable bonds, are in your retirement accounts and investments that generate less tax, such as stocks, are in non-retirement accounts.

Rebalance your portfolio. Invariably some investments have done better than others during the year so you may want to consider rebalancing to ensure you still have the asset allocation you originally intended.

3. Review Insurance Policies

Life insurance policies may have been purchased years ago when your needs were different, so it's a good time to review what you have. The same goes for property & casualty, health and long-term care insurance as well.

4. Review Beneficiaries

This is highly critical. Review your life insurance beneficiaries, too, not just beneficiaries for your retirement accounts.

5. Charitable Contributions

Now is a great time to consider making charitable contributions. Of course, the tax deduction is nothing in comparison to the feeling you get from helping an organization fund its mission. If you don't currently support an organization, find one with a mission that is something you're passionate about. The standard deduction is $24,400 for married couples.

6. Estate Planning

Following the idea of charitable giving, consider making gifts to family members to help reduce the size of your estate. Per IRS rules, every taxpayer can gift up to $15,000 to an individual recipient in one year. There is no limit to the number of recipients you can give a gift to, but there is a lifetime exemption of $11.4 million.