HoyleCohen
WEALTH MANAGEMENT

YEAR END CHECKLIST

Important end-of-year financial planning considerations to help position you for success in the new year and beyond.

Updated October 2024

Working towards financial wellness is often top of mind when setting New Year's resolutions. With an economic and political climate that can often feel uncertain it can make it difficult to plan for the future. However, setting a plan and sticking to it can go a long way towards feeling more confident when faced with information overload and multiple decisions. Here are some important items to check to help you begin the new year with peace of mind.

INCOME TAX & CURRENT EMPLOYMENT

- [ ] **Review your tax withholdings.**
Have you had a major life change (employment change, marriage, divorce, a new child) that affects your income tax? Check to make sure your tax withholdings have been properly adjusted. Having low withholdings can lead to tax penalties, while having too high of withholdings prevents you from accessing your money until your tax return is filed.

- [ ] **Estimate your AGI.**
Determine your adjusted gross income (AGI) with the help of your tax advisor. Your AGI will help determine your tax bracket, which you'll need for investment and retirement planning.

- [ ] **Estimate your AMT.**
Determine whether you will be subject to the Alternative Minimum Tax (AMT) and if there are ways to mitigate your AMT liability.

- [ ] **Select next year's employer benefits.**
Open enrollment is typically in December if you're employed. Consider taking advantage of all available options, including a flexible spending account, health savings account, life insurance and more.

AT A GLANCE

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OFFICE LOCATIONS

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Wealth Management

Our team of experts stand beside you as your personal holistic wealth management advocate, to help you achieve your goals and sustain your wealth across generations.

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GIVING

Starting in the fall, it is a good idea to be thinking about how charitable donations might holistically fit into your broader financial plan. Rather than thinking of it as a one-off decision or as just "cutting a check," charitable giving can be carried out strategically while considering tax efficiency and should fit cohesively into meeting long-term goals.

☐ **Donate with a QCD.**

For instance, (as of 10/2024) investors who are at least age 70½ can use a qualified charitable distribution (QCD). A QCD allows these investors to take up to $105,000 out of a traditional IRA to donate directly to a qualified charity. This charitable donation can also satisfy your Required Minimum Distribution (RMD), if desired. The benefit of a QCD is twofold, allowing investors to meet RMD requirements and avoid taxes on otherwise taxable distributions, while also fulfilling charitable-giving objectives.

- ***Note the QCD amount must be noted directly on your tax form and labeled as such. Additionally, the donor must get a written acknowledgment of their contribution from the charitable organization, before filing their return.

☐ **Donate to charity to reduce taxes.**

When you donate cash to a public charity, you can generally deduct up to 60% of your adjusted gross income. Provided you've held them for more than a year, appreciated assets including long-term appreciated stocks and property are generally deductible at fair market value, up to 30% of your adjusted gross income. Combining more than one type of asset can be a tax-efficient move to maximize the amount that you can take as a charitable tax deduction.

☐ **Reduce your estate through gifts.**

You are permitted to give up to $18,000 ($36,000 for married couples) a year per recipient as an untaxed gift. Gifts above this value will consume part of your lifetime gift/estate tax exemption amount ($13.61 million per person in 2024 and is expected to return to approximately $7 million in 2026). If a gift directly funds education tuition or pays for qualified medical expenses, it will go untaxed.

☐ **Consider establishing a Donor-Advised Fund (DAF).**

A donor-advised fund (DAF) is a charitable investment account created to exclusively support the charitable organizations you hold dear. When you contribute securities, cash, or other assets to a DAF, you can typically claim an immediate tax deduction. You maintain control of the management of the donated funds, and any subsequent growth is tax-free. You can also distribute grants to any eligible IRS-qualified public charities.

Reasons to Give:

Helps make a difference

Supports causes you care about

Can offer tax advantages

Brings us closer to the society we want to live in

Offers opportunities to educate our children on gifting & values

Information as of October 2024

RETIREMENT ACCOUNTS

☐ **If you are retired, make sure you have taken all necessary required minimum distributions (RMDs).**

RMDs may be one of the most important items to review when going over your finances at the end of the year. The SECURE Act 2.0 raised the age that you must take your first required minimum distribution to 73 effectively starting in 2023, so if you turned 73 anytime in or before 2024 you are required to take an RMD.

RMDs generally must be completed during each calendar year, by December 31st. Failure to take a RMD can trigger a tax penalty. A 25% tax penalty applies to the amount NOT distributed on time (aka the "undistributed portion" that failed to be distributed is penalized). To learn more about RMD's click here.

☐ **Max contributions and phase-out ranges to an IRA and employer retirement plan.**

Both IRAs and 401(k)s have annual contribution limits. This year (2024) the contribution limit for employees who participate in 401(k), 403(b), most 457 plans, and the federal government's Thrift Savings Plan increased to $23,000; the additional catch-up contribution limit for plan participants who are 50 or older increased to $7,500 ($30,500 total). Limits on contributions to traditional and Roth IRAs increased to $7,000 (the IRA catch-up contribution limit remains at $1,000 for a total of $8,000 if you are over 50).

If you find you have excess savings and have not reached your retirement account annual limits, it may be a good idea to make additional contributions. Similarly, you may also consider making greater monthly contributions to your retirement accounts next year. If you are married filing jointly, each spouse can contribute up to $7,000 for 2024 (plus the $1,000 catch-up contribution limit for those 50 or older), even if one spouse has no earned income (if the working spouse has income equal or greater than both contributions). The deadline for IRA contributions is usually April 15 of the following year, though this may vary; 401(k) deadlines may be restricted to the calendar year, depending on your employer.

Income (MAGI) phase-out ranges for 2024 are:

Traditional IRA contributions income phase-out ranges for 2024 are:

$77,000 to $87,000	Single taxpayers covered by a workplace retirement plan.
$123,000 to $143,000	Married couples filing jointly when the spouse making the IRA contribution is covered by a workplace retirement plan.
$230,000 to $240,000	An IRA contributor who is not covered by a workplace retirement plan and is married to someone who is covered.
$0 to $10,000	Married filing separately. This applies to taxpayers covered by a workplace retirement plan.

Roth IRA contributions income phase-out ranges for 2024 are:

$146,000 to $161,000	Single taxpayers and heads of household.
$230,000 to $240,000	Married couples filing jointly.
$0 to $10,000	Married filing separately.

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☐ **Consider converting a traditional IRA to a Roth IRA.**
Is your taxable income lower this year than in previous years? If so, it may be a good time to convert a portion of your traditional IRA to a Roth IRA and pay your taxes at a lower rate. The ability to make direct Roth IRA contributions are subject to income limitations, while Roth conversions are not. Your advisor can help you determine if a Roth conversion makes sense for you.

FAMILY

☐ **Check your flexible spending account (FSA).**
The government only permits a $640 annual rollover in an FSA (2024 to 2025); any excess funds disappear if unused by the end of the year. (Some employers offer a 2.5-month grace period instead of allowing FSA rollovers). If you have extra money in your FSA, schedule necessary medical or dental procedures before the end of the year. Check out the IRS website for more information on FSA limits.

☐ **Check your health savings account (HSA).**
HSA funds don't disappear at the end of each year like with an FSA and they are a great way to stash money for medical-related needs in retirement if you are eligible. If you haven't maxed yours out this year, now is a good time to consider if this is beneficial for you – alternatively, you may consider reducing contributions if your account has reached a comfortable amount and you know of better uses for your money. For 2024, HSA contribution limits are $4,150 for individuals and $8,300 for family coverage. Those age 55 or older can contribute an additional $1,000 catch-up contribution. Click here for more information on HSA.

☐ **Consider contributions to a 529 plan to fund your children's or grandchildren's education.**
529 Plans allow for you to make contributions to a tax-free account that may be used to pay for qualifying education expenses. (Investors should consider investment objectives, risks, and costs associated with 529 plans before using them).

☐ **Consider a Roth IRA for children or grandchildren.**
The favorable tax treatment and flexibility of Roth IRAs make them an excellent tool to provide the young people that you care about with a head start in life. While there is no age restriction for the child, they must have earned income equal to or greater than the amount of the contribution for the year.

☐ **Review estate documents and insurance policies.**
Take some time to ensure that your estate planning documents accurately reflect your wishes, including beneficiaries, financial and medical powers of attorney, living wills, and that your assets are properly titled. It's also wise to review your insurance policies to confirm that you have the appropriate coverage.

☐ **Tell your advisor about any major life events.**
As time passes and life events unfold, it's crucial to inform your advisor about significant life changes. It's also important to periodically review your financial plan and portfolio with your advisor to ensure they are appropriately updated. Major life events such as weddings, divorces, births, deaths, career changes, retirement, and relocations can all have a substantial impact on your financial plan, so please keep us informed.

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INVESTMENTS

☐ **Consider tax-loss harvesting to lower taxes on capital gains.**

Losses realized this year by the sale of positions that are down can offset capital gains that are realized this year. If the realized losses exceed the amount of realized capital gains for the year, the excess amount can reduce taxable income up to $3,000. If you have excess realized losses beyond that $3,000, you can carry forward the remaining amount to offset ordinary income and capital gains in future years (up to $3,000 per year).

☐ **Check to make sure you did not make (or plan on making) any "wash sales."**

A wash sale is the sale of an asset followed by a repurchase of a substantially identical asset within 30 days. The IRS disallows capital losses on wash sales; if you have already made a wash sale, do not plan on the capital losses being available. It is a good idea to check with your advisor before making tax-loss harvesting decisions to help avoid this.

☐ **Check to see when you last rebalanced your portfolio.**

We recommend reviewing your investment accounts and their allocation at least annually, up to a maximum of quarterly.

BOTTOM LINE

Financial reviews don't have to take a lot of time and can actually be fun to discuss as a family. Looking back over the years at how far you've come and the progress you've made is one of the most satisfying feelings you can experience. The small steps that you've taken are now starting to form a larger picture that brings you closer towards your retirement and investment goals. Whether it be enriching your life, your family or your community, make it a habit to take some time at the end of each year to review and plan for the coming year.

Sources:

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HSA contribution limits 2024 and 2025 | Fidelity

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Our Wealth Management Blog

At HoyleCohen, we welcome an educated client. The more you know, the more you will be able to take advantage of our tailored process and capabilities.

Check out our Wealth Management blog to gain access to a wide range of topics designed to broaden your understanding of important financial and "life" topics. Remember, wealth is not just about the money – it's what we do with it that really counts.