YEAR END CHECKLIST

As we near the end of the year, it is a good time to look back at what has happened and consider how it could affect your financial future. Check off these important items so that you can start the new year's finances 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.

GIVING

Starting in the fall, it is a good idea to think about how a charitable donation might holistically fit into your broader financial plan. It should not be a one-off decision or thought of as just "cutting a check." Rather, charitable giving should fit cohesively into meeting long-term goals.

For example, think about the best ways to maximize the tax benefits of gifting in years where there are possible gains when it may make sense to gift securities as a way to "prune" portfolio holdings and donate the assets from that stock.

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Another strategy, for investors who are at least age 70½, is to use a qualified charitable distribution (QCD). A QCD allows these investors to take up to $100,000 out of a traditional IRA to donate directly to a qualified charity. This charitable donation can also satisfy your 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.**

- [ ] ### Donate to charity as a way 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 $16,000 ($32,000 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 ($12.06 Million in 2022). If a gift directly funds education tuition or pays for qualified medical expenses, it will go untaxed no matter what the value.

INVESTMENTS

- [ ] ### Consider tax-loss harvesting to lower taxes on capital gains.

By selling positions that are down this year, you can use the losses to reduce up to $3,000 of taxable income. If your total losses surpass $3,000, you can carry forward excess losses to offset gains in another year. If you have losses from a previous year, calculate how they affect your gains or losses from this 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 similar 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 for tax use this year.

- [ ] ### Check to see when you last rebalanced your portfolio.

Although you don't need to update your investments every year, many people go far too long without making necessary adjustments as they age.

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. You must take your first required minimum distribution for the year in which you turn age 72. For all subsequent years, including the year in which you were paid the first RMD by April 1, you must take the RMD by December 31 of the year.

Failure to take a RMD can trigger a tax penalty. A 50% 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 (2022) the contribution limit for employees who participate in 401(k), 403(b), most 457 plans, and the federal government's Thrift Savings Plan is increased to **$20,500**. Limits on contributions to traditional and Roth IRAs remains unchanged at **$6,000. ** Note: Individuals who are age 50 or over** at the end of the calendar year can make annual catch-up contributions up to $6,500 in 2022.

If you find you have excess savings and have not reached your annual limit, it may be a good idea to make additional contributions or contribute part or all of your annual bonus to your 401(k) plan. Similarly, you may also consider making greater monthly contributions to your accounts next year, spreading out the cost of contribution. 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 phase-out ranges for 2022:

Traditional IRA income phase-out ranges for 2022:

$68,000 to $78,000 - Single taxpayers covered by a workplace retirement plan

$109,000 to $129,000 - Married couples filing jointly. This applies when the spouse making the IRA contribution is covered by a workplace retirement plan.

$204,000 to $214,000 - A taxpayer not covered by a workplace retirement plan married to someone who's covered.

$0 to $10,000 – Married filing a separate return. This applies to taxpayers covered by a workplace retirement plan

Roth IRA contributions income phase-out ranges for 2022:

$129,000 to $144,000 - Single taxpayers and heads of household

$204,000 to $214,000- Married, filing jointly

$0 to $10,000 - Married, filing separately

Consider converting a traditional IRA to a Roth IRA.

Did you have a good tax year? It may be an opportune time to convert a portion (or all) of your traditional IRA to a Roth IRA and pay your taxes at a lower rate. It is important to understand, however, that Roth accounts have contribution limits placed on them, so keeping a traditional IRA might be beneficial. Before making any changes, consider seeking the help of a professional accountant who can help you with the conversion and calculate your new tax liability.

FAMILY FUNDING

- [ ] **Check your flexible savings account (FSA).**
The government only permits a $570 annual rollover in an FSA; any excess funds disappear if unused by the end of the year. If you have extra money in your FSA, you may want to schedule necessary medical or dental procedures before the end of the year.

- [ ] **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 haven't maxed yours out this year now is a good time to consider if this is a good move 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.

- [ ] **Consider contributions to a 529 plan to fund your children's/grandchildren's education.**
529 Plans allow for you to make contributions to a tax-free account that may be used to pay for qualifying secondary education expenses. (Investors should consider investment objectives, risks, charges and expenses associated with 529 plans before using them. Information about 529 plans is available in their issuers' official statements.)

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