

# 2023 year-end financial checklist





# Planning for the year ahead

The end of the year is a great time to review an annual financial checklist and plan—particularly if you or your family have experienced any major life events this year, such as marriage or divorce, births or deaths, or a job change—or have major life events on the horizon. While uncomplicated, these preventative maintenance and housekeeping tasks can cause serious consequences, if neglected.

## CASH-FLOW PLANNING

- Identify all sources of current income
- Organize all expenses, monthly and annually
- Categorize expenses by type—fixed, variable, or discretionary
- Use a resource to help, such as Quicken or a budget worksheet
- Identify trends or expected changes to current income and expenses
- Identify any large expenses planned for next year
- Establish or tune-up an emergency fund
- Pay special attention to your liquid cash reserves

## INVESTMENT PLANNING

- Evaluate your investments as compared with your written investment objectives
- Determine if your portfolio is balanced
- Reassess your risk tolerance
- Make changes to asset allocations where necessary and rebalance
- Meet with your investment adviser or manager to evaluate your financial plan; prepare a list of topics to focus your discussion

## TAX PLANNING

- For inherited IRAs inherited prior to 2020, confirm your requirement minimum distribution (RMD) is taken for the year. For inherited IRAs inherited on or after January 1, 2020, discuss with your tax professional whether or not a distribution should be made prior to end of year.
- Identify any actions to reduce taxes
- Evaluate and maximize 401(k), IRA or other retirement plan contributions. If you are over 50 years of age, take advantage of increased catch-up contribution limits.
- Monitor tax loss carry-forwards and consider harvesting losses to offset gains
- Plan charitable contributions—direct gifts, indirect gifts, split-interest gifts, donor-advised fund
- Consider a qualified charitable distribution (QCD) for individuals over age 70 1/2 from your IRA—up to \$100,000
- Plan tax-free gifting—up to \$17,000 per individual per year (\$34,000 for married couples)
- Consider using tax-free gifts to fund/contribute to a 529 plan

- Consider your ability to defer or accelerate business expenses
- For residents of Washington state, be cognizant of recognizing capital gains over \$250,000. Gains over this threshold will be subject to an additional state capital gains tax of 7 percent, unless they are part of an exempt category, such as real estate.

### **RETIREMENT PLANNING**

- Review target date for retirement
- Review amount of income needed for retirement
- Identify sources of retirement income
- Evaluate your strategy to reach your retirement objective
- Integrate retirement planning with your investment planning
- If you are older than 73, confirm you have taken your required minimum distribution (RMD) for 2023
- Consider whether a Roth conversion makes sense. Converting from a traditional IRA to a Roth IRA can be a long-term tax minimization strategy.
- Think about if you are nearing eligibility for Social Security and review maximization strategies

### **INSURANCE PLANNING**

- Review your health savings account contribution—up to \$3,850 per individual (\$7,750 for families)
- Check to see whether your flexible spending account has a carry-forward option or if you must use it or lose it
- Adjust your homeowner's insurance for any major upgrades/renovations made to your home
- Review personal insurance policies (homeowners, auto) and evaluate the need for an umbrella policy
- Review your deductibles
- For any in-force cash value insurance policies, request an updated illustration and annual summary
- Review your long-term care and disability income insurance; determine if they continue to efficiently meet your coverage needs
- Determine period for open enrollment in the event you need to make changes to your health insurance coverage

### **ESTATE PLANNING**

- Determine ownership of assets (including real estate) and beneficiary designation—update as necessary
- Take note of where your estate planning documents (wills, trusts, durable power of attorney, digital power of attorney, etc.) are located
- Review estate planning documents to make sure they are accurate and current

### **OTHER CONSIDERATIONS**

- Think about upcoming costs associated with caring for an aging parent
- Check your credit profile and protect yourself from identity theft
- Use the end of the year as a regular time to discuss finances and investments with the next generation
- Evaluate if material changes need to be made to your financial plan

Use this checklist as a guide and check with your other professional advisers for direction on your specific tax or legal situation. Badgley Phelps is not an insurance, tax or legal adviser.

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