

# Year-End Financial Planning: A Checklist

The best financial decisions are made with the benefit of time, thoughtful consideration, and trusted professional advice. As tax time approaches, take the time to prepare for sound long-term financial decisions and minimize expenses, taxes, and the headache of organizing your finances at the last minute.



## **Organize Your Tax Records Early**

In preparing for this year's tax filing, begin to organize tax records including year-end investment statements, capital gains and losses from asset sales, transaction records from real estate transactions, interest and dividend records for the year (1099s), payroll and withholding statements (W-2s), records corresponding with deductible expenses such as property taxes and insurance, business income and expense records, etc. Some of these will not come until January or February of the following year.

## **Review Your Insurance Coverages**

At least once each year, gather your insurance records together and review the adequacy of your insurance policies. Be sure to evaluate all coverages, including life insurance, disability income insurance, homeowners insurance, auto insurance, liability insurance, renters insurance, long-term-care insurance, etc.

## **Store Your Documents Safely**

All your hard-to-replace legal and financial documents should be stored in a safe and fireproof location. Consider renting a safe-deposit box at your local bank or credit union, or purchase a fireproof lockbox from your local office supplies outlet. Documents you should store include wills, trusts, powers of attorney, titles of ownership (your home, cars, etc.), Social Security cards, birth certificates, photographic negatives, list of personal possessions, and so forth.

## **Review Your Estate Plan**

Does your will still fairly reflect your personal wishes for the distribution of your assets? Have the personal or financial circumstances or your beneficiaries significantly changed over the past year? Have you considered a gifting program to move assets from your estate to those you wish to enrich? Have you reviewed your estate plan in light of changing estate tax laws or changes in your personal financial position?

## **Prepare to Minimize Your Income Tax Liability**

Consider estimating your federal and state income tax liabilities periodically to ensure proper withholding levels and quarterly estimated tax payments. This will prove especially important if you sell significant assets during the year or experience large swings in your income level. Consider maximizing your deductible expenses and savings such as qualified retirement plans, charitable giving, deductible expenses, etc. Be careful to meet all IRS dates and deadlines for withholdings and filings.

## **Review and Improve Your Balance Sheet**

The one true path to financial independence over the long term is increasing your long-term saving and decreasing your debt. If you are not maximizing your tax-deductible employer sponsored retirement plans and your individual tax-advantaged saving plans, evaluate your monthly cash flows with an eye toward increasing your monthly saving. The other side of your balance sheet, the liabilities side, is equally important in maintaining a healthy personal financial position. Every effort should be made to eliminate completely the need for short-term debt (credit cards and debit balances) and to efficiently manage your long-term debt (mortgages).

## **Simplify Your Financial Holdings**

Simplifying your financial holdings can eliminate much of the drudgery of financial recordkeeping. If you have credit cards you don't use, cancel them and eliminate the extra statements. Consider consolidating your credit lines to the greatest extent possible. Review your investment holdings for non-performing assets or redundant accounts and consolidate your investments.

## **To Sum Up...**

Although you may be able to think of more exciting ways to spend your time, organizing your financial records and planning your financial future will pay huge dividends in the long run. Do what you can on your own and seek professional advice from a trusted advisor where additional planning needs to be done.

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