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The 12 Days of Year-End Planning: Things to Consider Going into “The New Year" (Year-End Planning Checklist)

At the end of the year, it is necessary to reflect on your financial picture, review the last 12 months, and plan for the future. With all that is involved, it can seem overwhelming. Consider breaking up the responsibilities over twelve days, focusing on one each day, and ensuring it gets a comprehensive review.

☐ **DAY 1 –** *Reviewed my financial plan in preparation for meeting with a financial professional*

- Conducting a review of your financial plan (at least annually) allows you and your financial professional to evaluate your financial condition, make necessary modifications to any accounts, create strategies to approach the new year, and set goals.

☐ **DAY 2 -** *Conducted my year-end tax review*

- To stay on top of your taxes, you may want to consider a year-end tax review to clean up your books and evaluate your tax liability for the New Year, if you should have one.
- Determine what is taxable income
- Assess all filing deadlines
- Did any rule changes affect your filing?

☐ **DAY 3 –** *Reviewed my retirement accounts*

- Life is regularly changing, occasionally requiring modification of your retirement accounts. An annual review of these accounts helps to assess your current situation and to plan for the future.

☐ **DAY 4 -** *Reviewed my investment portfolio and rebalanced it if necessary*

- Reviewing your portfolio may help you to evaluate your progress based on your investments and your asset allocation.

- Rebalance if necessary. Rebalancing has the potential to help you adhere to your investing plan regardless of how the market fluctuates.

☐ **DAY 5 –** *Reviewed my spending and modified my budget*

- Conducting a comprehensive review of your spending allows you to see where the money is going and may offer insight into what you may want to cut out that is unnecessary.

☐ **DAY 6 –** *Reviewed my debt repayment plan – evaluated my progress*

- Make a list of your remaining debts from largest to smallest amounts
- Prioritize debt you want to pay off the fastest first
- Determine the best payment schedule

☐ **DAY 7 -** *Contributed to my 401(k) (deadline is December 31st)*

- 401(k) Plans: The limit on employee tax-deductible elective deferrals is $20,500 for the 2022 tax year. Anyone age 50 or older during the calendar year can make additional "catch-up" contributions of up to $6,500 for 2022.

- Non-401(k) Plans: For 2022, the standard contribution limit for Traditional and Roth IRAs remains $6,000. For those 50 years of age or older, you can make additional "catch-up" contributions of up to $1,000 annually, for a total of $7,000. [i]

☐ **DAY 8 –** *Reviewed my beneficiaries*

- Review the beneficiaries for your will, trusts, insurance policies, retirement accounts, or any other account, and modify them as you see fit.

- Consider taking this time to designate contingent beneficiaries.

☐ **DAY 9 -** *Claimed a 529 Plan deduction*

- Rules and tax benefits vary by state.

- If you use the funds for non-qualifying expenses, you will have to pay income tax and a 529 withdrawal penalty of 10% on the earnings portion. [ii]

- Seven tax parity states offer a state income tax benefit for contributions to 529 plans from any state. These include Arizona, Arkansas, Kansas, Minnesota, Missouri, Montana, & Pennsylvania.

☐ **DAY 10 -** *Withdrew my required minimum distributions (If applicable)*

- If you fail to withdraw an RMD by the application deadline, fail to withdraw the full amount of the RMD, or fail to withdraw an RMD altogether, the amount not withdrawn is taxed at 50%. [iii]
- Distribution in excess of the RMD for one year cannot be applied to the RMD for a future year.
- Roth IRAs do not require distribution withdrawals until the account owner has passed away.

☐ **DAY 11 -** *Reviewed tax deductions for donating to charity*

- Unlike in the 2021 tax year (which allowed married couples filing jointly to deduct up to $600 without itemizing), as of April 2022, you can no longer make charitable tax deductions without itemizing them. [iv]
- Generally, you may deduct up to 50 percent of your adjusted gross income (AGI); however, 20 and 30 percent limitations may apply in some cases.
- Individuals may deduct qualified contributions of up to 100 percent of their AGI. A corporation may deduct eligible contributions of up to 25 percent of its taxable income. [v]

☐ **DAY 12 –** *I scheduled a consultation with a financial professional to discuss where my family and I stand financially and how we can make improvements.*

Important Disclosure

The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual security. To determine which investment(s) may be appropriate for you, consult your financial professional prior to investing.

Investing involves risks including possible loss of principal. No investment strategy or risk management technique can guarantee return or eliminate risk in all market environments.

Asset allocation does not ensure a profit or protect against a loss.

Rebalancing a portfolio may cause investors to incur tax liabilities and/or transaction costs and does not assure a profit or protect against a loss.

Contributions to a traditional IRA may be tax deductible in the contribution year, with current income tax due at withdrawal. Withdrawals prior to age 59 ½ may result in a 10% IRS penalty tax in addition to current income tax.

The Roth IRA offers tax deferral on any earnings in the account. Withdrawals from the account may be tax free, as long as they are considered qualified. Limitations and restrictions may apply. Withdrawals

prior to age 59 ½ or prior to the account being opened for 5 years, whichever is later, may result in a 10% IRS penalty tax. Future tax laws can change at any time and may impact the benefits of Roth IRAs. Their tax treatment may change.

Prior to investing in a 529 Plan investors should consider whether the investor's or designated beneficiary's home state offers any state tax or other state benefits such as financial aid, scholarship funds, and protection from creditors that are only available for investments in such state's qualified tuition program. Withdrawals used for qualified expenses are federally tax free. Tax treatment at the state level may vary. Please consult with your tax advisor before investing.

This information is not intended to be a substitute for specific individualized tax or legal advice. We suggest that you discuss your specific situation with a qualified tax or legal advisor.

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All information is believed to be from reliable sources; however LPL Financial makes no representation as to its completeness or accuracy.

This article was prepared by LPL Marketing Solutions

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Footnotes:

[i] Retirement Topics - Catch-Up Contributions | Internal Revenue Service (irs.gov)
[ii] What is the Penalty on 529 Plan Withdrawals for Non-Qualified Expenses? - Savingforcollege.com
[iii] Retirement Topics — Required Minimum Distributions (RMDs) | Internal Revenue Service (irs.gov)
[iv] The Complete 2022 Charitable Tax Deductions Guide (daffy.org)
[v] Charitable Contribution Deductions | Internal Revenue Service (irs.gov)