YOUR 2020 YEAR-END PLANNING CHECKLIST

The end of the year always seems to sneak up on us. After Thanksgiving, the buzz of the holiday season keeps us busy through the New Year. However, there are several measures you could take that may benefit you when you file next spring.

Income Tax Planning

- **Consider bunching deductions.** The standard deduction for tax year 2020 was adjusted for inflation and is $24,800 for a married couple filing jointly vs. $24,400 in 2019. The maximum deduction for state, local and property taxes, however, remained at $10,000. If you hope to exceed the standard deduction, you're going to have to look elsewhere. One possible strategy is to move deductions you were planning to take in 2021 to 2020. For example:
  - **Consider paying for expensive prescriptions or other medical expenses before the year ends**, especially if you've already incurred substantial medical expenses this year. Be advised, however, that you are only allowed to deduct medical expenses that exceed 7.5% of your adjusted gross income.
  - **Make gifts to a donor-advised fund this year.** You'll receive a full deduction even if gifts from the fund to your favorite charities aren't made until next year. One word of caution — custodians of donor-advised funds experience high volume during the last weeks of the year, so make certain you send your gift well before December 31.

Gifting and Estate Planning

- **Use your annual exclusion of $15,000 before year-end.** You can give up to $15,000 to any individual ($30,000 for married couples) without incurring gift tax. Your gifts must be not only received, but deposited and cleared by December 31.
- **Make a gift to a 529 plan.** Many states allow you to deduct contributions, but you won't be able to do so unless you make your gift before December 31. If you've already paid for some qualified expenses from a checking, savings or investment account this year (tuition, room and board, books, computers, etc.) and wish to reimburse yourself, complete the transaction by the end of the year. It will be easier to prove that your 529 plan distribution was used to reimburse you for expenses paid for this year.
- **Review your beneficiary designations and other estate plan details.** If you've experienced changes in your life since you created your estate plan, make sure your plan continues to reflect what you want for yourself and your family. Review beneficiary designations on retirement plans, trusts and insurance policies and make certain any trustees, guardians or other fiduciaries you've appointed are still the best choices for those important roles.

Retirement Planning

- **Maximize your 401(k) or other retirement plan contribution.** If you participate in a 401(k) plan, take full advantage of it. You can contribute as much as $19,500 for 2020, plus an additional $6,500 if you're age 50 or older. Contributions must be made by December 31. If you own an IRA, you have until April 15, 2021 to make your 2020 contribution. The maximum allowed is $6,000, plus an additional $1,000 for investors 50 years of age or older.
- **Don't take a Required Minimum Distribution (RMD) from your IRA or other retirement plan this year.** That's right. The Cares Act, which was passed in response to the pandemic, waives the requirement to take distributions from your IRA or other retirement plan if you're age 72 or older. Unless you need the cash that a distribution will provide, let your retirement plan assets continue to grow tax-deferred. The RMD requirement will be reinstated in 2021.
- **Consider converting your traditional IRA to a Roth IRA.** If you're like many Americans who will not be earning as much income in 2020 as they have in previous years, there might be a silver lining. By converting your traditional IRA to a Roth IRA, you will have to pay income tax on the assets converted, but perhaps at a lower rate. In return, your Roth IRA will enable you to withdraw assets tax-free for retirement and avoid the need to take Required Minimum Distribution every year beginning at age 72.

Insurance

- **Take advantage of Health Savings Accounts (HSA).** If you're covered by a health insurance plan with high deductibles, consider opening an HSA. If you've already opened an HSA, make sure you defer the maximum amount allowed for the year. Maximums are $3,550 for individuals and $7,100 for families. You may also contribute an additional $1,000 if you're age 55 or older.
- **Remember – HSA contributions are made with pre-tax dollars** and when you use them for qualified medical expenses, you incur no income tax on withdrawals. One more point — if you're covered by a Flexible Spending Account, use any money you've contributed before the end of the year. Otherwise, you will lose it.

Family Finances

- **Take inventory of your expenses.** If you were a company, you'd be reviewing your expenses for the year and projecting them for 2021. We suggest you do just that. By determining what you spent in 2020, you can try to develop a budget for 2021. In addition, consider any major expenditures you'll have to make next year and start saving for them now, if at all possible.
- **Take charge of your credit.** Contact the three major credit bureaus for copies of your credit rating and report. You should go through this exercise at least once a year and be on the lookout for errors and possible fraudulent activities.
- **Convene a family finance meeting.** The holidays are an ideal time to get together with your family, discuss financial goals, identify issues that should be addressed and gain buy-in for any decisions you might be contemplating.

Investing

- **Review and rebalance your portfolio.** It's been a volatile year for the stock market and your portfolio's asset allocation may or may not be what you originally intended. The end of the year is a good time to take stock, if you'll excuse the expression, and determine whether your asset allocation continues to reflect your goals and risk tolerance. If you have any unrealized losses, consider taking them to offset any gains you might have realized this year for tax purposes. If you have unrealized gains, congratulations, but make certain your overall portfolio isn't more heavily weighted toward stocks than you want it to be.
- **Finally, review all your accounts** — IRAs and 401(k)s, as well as taxable accounts. Consider whether you're employing a tax-efficient approach in your taxable accounts or a needlessly tax-efficient approach in your retirement accounts. Also, calculate your overall allocation. Does it bear any resemblance to the allocation you've set for individual accounts? Your Wealth Strategist can help you rebalance, review and reset your course, if necessary, for 2021 and beyond.

CIRCLE THESE DATES

December 31	Deadline for such tax-oriented activities as contributing to your 401(k), donating to charities and making gifts to individuals.
January 15	4th quarter 2020 estimated income tax is due.
March 31	Medicare general enrollment and Medicare Advantage open enrollment periods end.
April 15	• 2020 income tax and gift tax returns must be filed, unless you elect a six month extension. • Last day to make a 2020 IRA contribution. • 1st quarter 2021 estimated income tax is due.