

# Seven Easy Steps to an Effective Year-End Review of Your Family Finances

Many of us contemplate autumn with a sense of relief. After the hot rush of summer, shorter days and cooler nights encourage us to settle back into productive routines — just like we settled back into school as kids. It's a time too when efforts to optimize our financial lives can pay off handsomely.

Seizing on the sharpened focus that seems to accompany the first whiffs of woodsmoke from cobwebbed chimneys, we encourage you to find your flannels, grab a pumpkin-flavored beverage, and consider the following elements of an illuminating year-end financial review.

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## 1 Take in the big picture

Start by taking stock of your financial achievements and aspirations in the waning months of the year. Jot them down. Have you met your goals? Have life's twists and turns messed with your trajectory? Again, make note of it. Now call on your financial advisor to ensure that your financial plan is resilient and aligned with the times — and that you're both on the same page. Equally, the last months of the year are a great time to make sure your estate plan still reflects your vision.

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## 2 Think about taxes

Embrace proactive tax planning as the year winds down. Start by anticipating life transitions — retirement, a new business, etc. — that could affect your tax-withholding status. Then, working with an advisor, consider tax-loss harvesting, a powerful technique for paring down your tax burden. Where possible, time tax-triggering events — bonuses, property sales, charitable donations — for maximum tax efficiency. Tax considerations are a constant in end-of-year financial planning.

### Scrutinize your investment portfolio

Examine your investment portfolio in Q4. Scrutinize asset allocations with an open mind about your risk tolerance and overall financial objectives. Those things can change over time, and a year-end review is a great chance to make adjustments. Take this opportunity to consider the ramifications of capital gains and losses on your tax profile. Again, your financial advisor can help.

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## 3 Fine-tune your benefits

Are you on a payroll? Is your spouse? If so, this is the time to unearth latent potential in your employee benefits. Weigh your contributions to retirement accounts (such as 401(k)s and IRAs) and see whether making bigger contributions to gain tax advantages makes sense for you. Meanwhile, don't overlook tax advantages linked to tax-deferred health and college savings plans, and consider strategies to help you and your life partner make the most of employer-stock options. Working with your tax professional, consider a "back-door" Roth conversion strategy for more control over distributions down the line. If you're self-employed, you may (again in consultation with a tax expert) consider an IRA contribution extension to lighten your overall tax burden.

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## 4 Gift depressed equities to heirs

Overall U.S. large-cap stock returns are on the mend in 2023, so far anyway. But with much of this gain attributable to outperformance by a handful of blue chips, there's scope this year for affluent families to benefit from lower market prices. By gifting assets at reduced valuations, families can shift wealth out of estate structures to benefit heirs with less strain on federal gift-tax exemption limits.

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## 5 Consider other vehicles for giving and saving

Use donor-advised funds, or DAFs, to deepen the impact of your generosity as part of a concerted tax strategy. DAFs, registered investment accounts that benefit charitable causes, provide immediate tax deductions. Meanwhile, "bunching" itemized DAF contributions made over several years allow for single-year deductions that exceed standard annual write-offs. Those age 70 and a half or older should consider QCDs — short for "qualified charitable distributions." QCDs let you donate appreciated assets to amplify your tax advantages while championing causes close to your heart.

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## 6 Dig into your balance sheet

It's useful to understand the interplay of credit and debt in your financial life. Examine loan terms and interest rates to prioritize repayment of high-interest debt. Make the most of credit card rewards, looking in particular for ways to channel household and personal expenditures through cards with the incentives — whether air miles or cash back — you care about most.

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## 7 Fortify your risk coverage

While tax considerations inevitably dominate financial reviews, Q4 is a great time to re-examine insurance policies in light of your changing circumstances. Do you have the coverage you need? Do your listed beneficiaries line up with your estate plans? Is it possible to use new or existing insurance products to strengthen your legacy goals in other ways?

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Embrace the fall season as a chance to realign your financial goals while considering opportunities to improve your overall financial standing. In collaboration with your financial advisor, a year-end review can help you optimize taxes, investments, benefits, and giving strategies. Although this list isn't definitive, a year-end review will get you started on a path to making the most of your finances.

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