

# Year-End Planning Strategies Checklist

As the year-end approaches, it is important to consider a variety of your clients' planning needs.

Use the list below to review actionable strategies for clients, checking off topics as you go.



## INVESTMENT PORTFOLIOS

The end of the year is the perfect time to reevaluate a client's investment portfolio, including goals, risk tolerance and liquidity needs over the next few years, both shorter term and

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|--------------------------|--|--|
| <input type="checkbox"/> | Consider capital gains/losses              | Realizing gains and harvesting losses may help minimize income tax consequences of the year's market activity and position portfolio holdings for next year.                               |
| <input type="checkbox"/> | Review strategies to avoid wash loss sales | Assess planning options to avoid a wash loss sale (e.g. doubling up on the position and selling the original lot, selling the position and buying a new position in the same sector, etc.) |
| <input type="checkbox"/> | Consider executive compensation provisions | Consider AMT exposure with disqualifying disposition or tandem exercise of incentive stock options.  |
| <input type="checkbox"/> | Rebalance portfolios                       | Address unintentional portfolio allocation drift and reduce overall portfolio volatility with the potential for higher returns.  |



## INCOME TAX

When evaluating year-end tax planning opportunities with clients, be sure to partner with the client's tax professional to review the details of each client's individual circumstances.

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|--------------------------|---|---|
| <input type="checkbox"/> | Manage income tax brackets                            | Manage an investor's tax bracket by considering various strategies to accelerate or defer deductions and reduce or accelerate income.                 |
| <input type="checkbox"/> | Lower taxable income for closely held business owners | Identify additional strategies to reduce qualified business income (Sec. 199A).   |
| <input type="checkbox"/> | Ensure appropriate income tax withholding             | Help ensure affected clients pay required tax during the year (lesser of two methods) to avoid underpayment penalty                                   |
| <input type="checkbox"/> | Reduce AMT liability                                  | Discuss AMT planning with an investor's tax advisor and assess income and deduction strategies when the investor is subject to regular taxes vs. AMT. |
| <input type="checkbox"/> | Evaluate state income/estate taxes                    | Review state income and estate taxes and consider state residency requirements to change state domicile if necessary.                                 |

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## RETIREMENT PLANNING

There are a host of other planning opportunities to keep on a client's radar when it comes to retirement planning. Some ideas to consider include:

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|--------------------------|---|--|
| <input type="checkbox"/> | Fund retirement accounts                                  | Maximize contributions to retirement accounts including catch-up contributions for investors who are age 50 and older by 12/31/2020.   |
| <input type="checkbox"/> | Contribute to health savings account (HSA)                | Build a source of tax-free income for investors through an HSA. Maximize contributions including catch-up provisions for investors who are age 55 or older.  |
| <input type="checkbox"/> | Fund Roth accounts for children                           | Contribute to a child's Roth IRA or match contributions as long as the child has at least as much earned income as the total contribution amount.  |
| <input type="checkbox"/> | Weigh Roth conversion                                     | Discuss with an investor's tax advisor whether it makes sense to convert a traditional IRA to a Roth IRA; Consider the investor's tax bracket over time and assess liquidity to address the additional tax burden. |
| <input type="checkbox"/> | Review beneficiary designations                           | Verify all beneficiary information is correct and accurate as significant life events such as marriage, divorce and births can impact beneficiary designations.  |
| <input type="checkbox"/> | Weigh retirement account distributions                    | REMINDER: Required minimum distributions (RMDs) are waived for 2020. Typically, RMDs must be taken by Dec. 31 annually upon reaching age 72 and thereafter.  |
| <input type="checkbox"/> | Review benefit elections for Social Security and Medicare | Consider if an investor became eligible to apply for Social Security benefits during the year;   |



## WEALTH TRANSFER AND LEGACY PLANNING

Review actions that clients can take in 2020 to potentially reduce their future estate tax liability and help maximize lifetime gifting.

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|--------------------------|--|--|
| <input type="checkbox"/> | Make annual gifts  | Make annual exclusion gifts on or before December 31. Annual gifts up to \$15,000 per donor, per year can be made to an unlimited amount of recipients and are free from gift tax and do not count toward estate tax exemption.                            |
| <input type="checkbox"/> | Fund 529 plans   | Consider taking advantage of "front loading" a 529 plan by making 5 years' worth of annual exclusion gifts, which transfers \$75,000 (single) to \$150,000 (married couple) without generating gift tax or using any of a taxpayer's estate tax exemption. |
| <input type="checkbox"/> | Fund charitable giving                                       | Work with an investor's tax advisor to determine if it is beneficial to bunch multiple years of charitable gifts into a single year.   |
| <input type="checkbox"/> | Elect qualified charitable distribution from IRA             | Consider charitable distributions from a qualified retirement account for individuals age 70 ½ and older up to a maximum of \$100,000 per year; Distribution is excluded from income and satisfies RMD.  |
| <input type="checkbox"/> | Consider advanced estate planning strategies for HNW clients | Evaluate estate planning options and discuss strategies with qualified counsel including asset titling, QTIP trust, GRATs and credit shelter trusts.   |
| <input type="checkbox"/> | Conduct family meetings/mission statements                   | Schedule a family meeting to engage in productive discussions around the stewardship of wealth, investments, planning, philanthropy and more with children and grandchildren.  |

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## MARK YOUR CALENDAR

Carve out time with clients at the end of the year to review a few general financial planning considerations.

- **October/November** Pay attention to annual distribution of capital gains (and losses) to shareholders; Note record date and ex-date to avoid purchasing new mutual funds with large expected capital gain distributions. Pay particular attention when rebalancing portfolios at year-end so that a client does not buy into capital gains distributions.
- **November 30** This is the last day to double up on a security for 2020 to avoid violating the wash sale rule. To “double up” on a security refers to the practice of buying the same amount of shares of a security as a client’s original lot. In order to recognize a loss in 2020, the client would sell the original lot on December 31 and still benefit from any potential appreciation during the period. Reminder: During the doubled up period, the client has twice as much exposure to the security and therefore faces twice as much gain or loss.
- **December 31** This is the last day to sell stock to harvest gains or losses. Keep in mind the wash sale rule if a security has been purchased within the past 30 days.

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## CLIENT BIRTHDAYS IN 2020?

If your clients had a milestone birthday, consider changes to eligibility.

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### AGE ELIGIBILITY

<b>50</b>	May be eligible to make catch-up contributions to an IRA and/or employer plan (e.g. 401(k), 403(b), SIMPLE IRA or governmental 457(b) plan)
<b>55</b>	May be eligible to take a distribution from 401(k) without being subject to the 10% early distribution penalty
<b>55</b>	May be eligible to make catch-up contributions to a health savings account (HSA)
<b>59½</b>	May be eligible to take penalty-free distribution from IRA and company plan; May be able to take tax-free distributions from Roth IRA (must be open for at least 5 years)
<b>62</b>	Eligible to apply for Social Security benefits
<b>65</b>	Eligible to apply for Medicare
<b>72</b>	Must begin taking required minimum distributions from IRAs (incl. SEP and SIMPLE) but not Roth. NOTE: RMDs waived for 2020.

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