

## *10 Financial Steps to Consider Before Year-End*

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The end of the year is quickly approaching. A global pandemic and market volatility may have disrupted your plan. Take these 10 steps to enhance your financial position before the year comes to a close.

### **1. REVIEW PROGRESS TOWARD YOUR FINANCIAL GOALS**

- Meet with your advisor to review changes in the market this year and determine whether these changes may have caused your asset allocation to be out of alignment with your goals. Adjust your portfolio, as necessary, to ensure your investments still support your plan.
- Share life changes – such as a marriage, divorce, birth or adoption, job promotion, or retirement – with your advisor to determine how these changes can impact your financial situation. Make adjustments to your plan, as necessary.

### **2. MAXIMIZE YOUR RETIREMENT PLAN CONTRIBUTIONS**

- Review your retirement plan contributions and consider maximizing them before year-end.
- Take advantage of catch-up contributions in your IRA and employer-sponsored accounts, if you are age 50 or older and your plan allows.

### **3. TAKE YOUR REQUIRED MINIMUM DISTRIBUTION (RMD)**

- Take your RMD if you're 72 or older and are subject to RMDs. Beginning at this age, the IRS requires you to start taking money out of your Traditional, Rollover, SEP, or Simple IRA(s). Talk to your advisor to determine the proper amount.<sup>1</sup>

### **4. CONDUCT A YEAR-END TAX REVIEW**

- Request a year-end tax projection from your tax advisor if you earned a sizeable bonus or had a good year in your business.
- Consider with your tax advisor if it is advantageous to bunch itemized deductions such as charitable contributions into specific years.
- Talk to your advisor about any portfolio losses to see if there is an opportunity to offset gains and potentially reduce your tax liability. Also review your portfolio for potential capital gains distributions.

### **5. MAKE CHARITABLE CONTRIBUTIONS**

- Make desired charitable contributions if you plan to itemize deductions on your 2020 tax return. Be sure you have the appropriate receipts or documentation for your tax records.
- Review the source of your charitable donations, whether cash, securities, or gifts-in-kind to maximize the tax benefits.<sup>2</sup>



## 6. CREATE OR REVIEW YOUR ESTATE PLAN

- Create an estate plan, if you don't have one, to ensure your wishes are carried out should something happen to you.
- Update your estate plan if you've had a major life change such as a marriage, divorce, death of a beneficiary, or birth or adoption of a child.
- Revisit your estate plan if you've moved to another state, as different states' estate laws may have an impact on your plan.
- Ensure your assets (e.g., your home or car) are properly titled to aid in a smooth transition.
- Make desired annual gifts to family members.
- Consider giving the gift of education by contributing to 529 plans or other education savings accounts.

## 7. REVIEW YOUR INSURANCE

- Review your insurance coverage as family circumstances – such as kids graduating from college or your assuming responsibility for an aging parent – change your financial responsibilities. Now may be the time to talk about disability, long-term care, or life insurance coverage.
- Request an insurance review to see if you are underinsured or overpaying for insurance coverage, or if there are better options more suitable for your needs.
- Review your supplemental coverage and make any changes during the open enrollment period, if you are enrolled in Medicare.

## 8. DEplete YOUR FLEXIBLE SPENDING ACCOUNT (FSA)

- Review your FSA plan's list of eligible expenses and rules around funds left in the account at the end of the year. Many accounts have use-it-or-lose-it policies, while others allow a \$500 annual rollover. Understand your plan's rules and maximize your benefits.<sup>2</sup>

## 9. REVIEW YOUR BENEFICIARIES AND CONTACT INFORMATION

- Ensure the beneficiaries on your retirement accounts and insurance policies are up-to-date.
- Update your contact information – email addresses, mailing address, and phone numbers – with your key providers.

## 10. SHRED OR STORE DOCUMENTS

- Once a year, go through physical file folders to determine which documents containing sensitive information – such as canceled checks, pay stubs, credit card statements, and debit card and ATM receipts – need to be saved three years to meet IRS requirements and which others can be cleaned out and shredded.
- Store important documents – such as birth certificates, marriage licenses, Social Security cards, passports, estate-planning documents, a list of online passwords and accounts, wills, and insurance policies – in a safe deposit box or fireproof home safe.
- Request your free annual credit reports from the three main credit agencies and review each report for accuracy. Store the reports with your other important documents until the next time you review them.

<sup>1</sup> RMDs are suspended for 2020 due to CARES Act.

<sup>2</sup> Contact your tax advisor and attorney to understand the impact of recent legislation on your plans.

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