NEWS ALERT

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Make Your List and Check it Twice: A Year-End Estate and Financial Planning Checklist

By Lisa P. Staron | December 6, 2018

During the holidays, it can be hard to find the time (or desire) to review your finances and estate plan. To help with that effort, here is a short list of things that you can easily accomplish before the ball drops on New Years' Eve.

1. **Review required minimum distributions ("RMDs")**. If you're 70½ or older, you must take RMDs from certain retirement accounts by December 31 or face a penalty equal to 50% of the sum you failed to withdraw. If you turned 70½ this year, you have until April 1, 2019, to take your first RMD without penalty. (However, note that deferring your first RMD to 2019 will mean taking two RMDs in the same tax year, which could bump you into a higher income tax bracket). These rules also apply in the case of an inherited or "stretch" IRA. Generally, you must begin taking RMDs for inherited IRA assets by December 31 of the year after the year of the original owner's death, but certain exceptions may apply. The IRS provides some helpful worksheets here.

2. **Reduce taxable income and rebalance investments.** Work with your financial advisors to sell losing positions in taxable investment accounts as necessary to offset gains. Then review your asset allocation and, if necessary, rebalance your investment portfolio.

3. **Max out company retirement plan contributions.** In 2018, you can contribute up to $18,500 in your employer-sponsored retirement plan (i.e., 401(k), 403(b), most 457 plans, and the Federal government's Thrift Savings Plan). Employees aged 50 or older who participate in such plans can contribute an additional $6,000 in "catch-up" contributions. If you are not able to contribute the maximum, try to contribute enough to qualify for any matching contributions by your employer.

4. **Review insurance coverage.** Make sure you have adequate policies in place insuring your life, health, disability, business, and assets (home and auto), which can help protect you and your family from unforeseen liabilities and expenses.

5. **Review estate plans and beneficiary designations.** Estate planning should be reviewed holistically and periodically to be sure that the plan you have in place accomplishes your goals. See "So You Think You're Done With Your Estate Plan" for a more in-depth discussion.

6. **Make gifts.** The 2018 annual gift tax exclusion is $15,000. This exclusion is the amount of money you can give away per person per year, tax-free. In addition, married couples can elect to "split gifts". By utilizing this strategy, married taxpayers can gift up to $30,000 to an individual in 2018 before a gift tax return is required. On top of annual exclusion gifts, an unlimited gift tax exclusion is available for amounts paid on behalf of a person directly to an educational organization, but only for amounts constituting tuition payments. Amounts paid to health care providers for medical services on behalf of a person also qualify for an unlimited gift tax exclusion. Annual gifting is an excellent way to reduce the value of your gross estate over time, thereby lowering the amount subject to estate tax upon your date of death. Charitable and philanthropic gifts (whether outright, in trust, or through a donor advised fund or similar vehicle) should also be considered.

7. **Fund your Health Savings Account ("HSA").** In 2018, those in high-deductible health-insurance plans can save as much as $3,450 in pre-tax dollars in a health savings account. For families, the figure is $6,900, and those aged 55 and older can contribute an additional $1,000. Unlike a Flexible Spending Account, your HSA balance rolls over from year to year, so you never have to worry about losing your savings. If you are over age 65 and enrolled in Medicare, you can no longer contribute to an HSA, but you can still use the money for eligible out-of-pocket medical expenses.

8. **Use your flexible spending dollars.** Unused funds in a Flexible Spending Account ("FSA") are typically forfeited at year's end, so make sure to spend them for eligible health and medical expenses by December 31. Some plans offer a "grace period" of up to 2 ½ months to use FSA money. Other plans may allow you to carry over up to $500 per year to use in the following year. Bottom line, check with your employer to confirm your plan's deadlines.

9. **Check your credit and identity.** Under the Fair Credit Reporting Act, each of the national credit-reporting agencies is required to provide you with a completely free copy of your credit report, upon request, once every 12 months. Get yours at www.annualcreditreport.com.

10. **Organize your records for 2019.** Now is the time to gather and organize the documents and 2018 records that will be needed to prepare your tax returns in 2019. As part of that process, shred documents that no longer need to be retained.

For questions, please contact your Murtha Cullina estate planning attorney.

On behalf of all of us at Murtha Cullina LLP, we wish you a happy holiday season and a healthy and prosperous New Year.

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