9 Action Steps to Start the New Year on Firm Financial Footing

1 ASSESS WHERE YOU ARE.

- ☐ Update your balance sheet so you know your starting point.
- ☐ Confirm cash reserves. If you're still working, strive to maintain at least a six-month cash buffer for any emergencies or unforeseen circumstances such as medical costs or job loss. If you're in retirement, strive to maintain three years of portfolio withdrawals in reserves.

2 PROTECT YOUR IDENTITY.

- ☐ Get a shredder.
- ☐ Sign up for identity theft insurance protection.
- ☐ Check your credit report.

3 SET GOALS AND CREATE A PLAN.

- ☐ Whether it's reducing debt, trimming expenses, building cash reserves, or increasing investments, attach a dollar amount to your goals.
- ☐ Create a realistic plan that will achieve your goals.

4 EXAMINE YOUR SPENDING.

- ☐ The beginning of the year is a good time for reviewing prior year expenses (excluding large, non-recurring expenses such as home remodeling projects) and confirming your spending plan for the current year.
- ☐ Call your providers to take advantage of bundle deals on phone, internet and cable as well as home and auto insurance.
- ☐ Review all automatic payments and subscriptions set up in the past. Some expenses, such as entertainment streaming services or apps, a gym membership, or an old magazine subscription, may no longer fit into your budget, lifestyle, or new year priorities. A review of these payments can be part of your general new year cleanup.
- ☐ Don't pay full price. If you're going to shop online, use software tools like **Honey** to find coupon codes to help lower the purchase price. Take it a step further and pay with discounted gift cards from sites like **Raise** and **RetailMeNot.**

5 FUND YOUR GOALS.

- ☐ Set up automatic contributions. Whether it's for retirement, emergency savings, or long-term taxable investments, automating your savings is a critical step to building wealth.
- ☐ Contribute, at a minimum, to your 401(k) plan to receive the full amount of your employer match. Don't pass up on free money.
- ☐ If your cash flow allows, max out your employer retirement plan. In 2019, if you're under 50, that's $19,000. If you're going to be 50 or older by December 31, that number is $25,000.
- ☐ Make a 2018 IRA and HSA contribution (if you haven't already). You have until April 15, 2019, to make eligible IRA and HSA contributions for 2018. The combined traditional and Roth IRA contribution limit is the lesser of $5,500 or your taxable compensation. If you're filing a joint return but don't have any taxable compensation of your own, you may still be able to contribute under the spousal IRA provisions. For an HSA, the contribution limit is $6,900 if you have a family high-deductible health plan (HDHP) or $3,450 for self-only HDHP coverage.
- ☐ Make a 2019 IRA or Roth IRA contribution. If you're under 50, the maximum is $6,000. If you're over 50, the maximum is $7,000. For married couples with modified adjusted gross income (MAGI) over $203,000, you cannot make direct Roth contributions. However, there are no income limitations on doing a Roth conversion or nondeductible IRA contribution. In certain circumstances, it may make sense to fund a nondeductible IRA and immediately convert to a Roth IRA. Always coordinate this strategy with your CPA and financial advisor to avoid unnecessary taxes.

6 REVIEW YOUR TAXES.

- ☐ Check your W-4 withholding and determine if any changes are needed for 2019. Use Form W-4 and the related instructions to estimate how much withholding you need. Alternatively, you can use the IRS withholding calculator at **www.irs.gov/payments/tax-withholding** or contact your CPA/tax advisor for guidance.

7 REVIEW YOUR PORTFOLIO.

- ☐ Review your current asset allocation. Diversification and rebalancing are important for managing portfolio risk.

8 IF YOU PLAN TO MAKE GIFTS OR CHARITABLE DONATIONS.

- ☐ Consider making gifts to beneficiaries at the beginning of the year. For those looking to reduce estate tax exposure, individuals can gift up to $15,000 ($30,000 for joint filers) to an unlimited number of beneficiaries per year without utilizing their lifetime estate tax exclusion amount or paying a gift tax. Completing these gifts at the beginning of the year allows your beneficiaries to receive a few additional months of potential appreciation.
- ☐ Consider charitable donations from your IRA if you're over age 70½ and need to reduce taxable income. If you are under 70½, donate appreciated stocks or mutual funds instead of cash.

9 REVIEW YOUR ESTATE PLAN.

- ☐ Review and update your estate planning documents. Remember to include your digital estate.
- ☐ Update IRA and insurance beneficiaries.