Year-end checklist for investors with more complex needs

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As in years past, the markets have seen their share of ups and downs in 2024, with inflation and interest rate concerns making headlines. And while the markets performed well through the first half of 2024, there is still some uncertainty as the year winds down.

One lesson from 2024 is that it's important to focus on what you can control. If you have a higher net worth or higher income, this year-end checklist highlights actions you can take to help keep your financial strategy on track.

If you are considering any of the following actions or have any questions, we recommend speaking with your financial advisor to see whether a plan of action is right for you. These actions should work with what's most important to you, so your financial advisor can provide more direction and clarity. In addition, since many of the following items involve taxes, be sure to discuss them with your tax professional.

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1. Year-end review

☐ **Self-assessment —** Because your goals drive your strategies, it's important to first assess whether your situation or goals have changed. As 2024 ends, evaluate how you feel about your financial progress.

Did you meet your yearly goals or make progress toward your long-term goals? Did your goals change throughout the year? Did a major event shift your financial outlook?

Talk with your financial advisor to ensure your goals, time horizon and any major life changes are up-to-date in your overall financial strategy.

☐ **Assess and estimate your tax situation —** Understanding your tax situation is an integral component of year-end planning. Work with your tax professional and financial advisor to estimate your taxes and identify year-end opportunities to help reduce your tax bill and meet your goals. Doing so may also help you with the following actions.

If applicable, submit your fourth-quarter estimated tax payment by Jan. 15, 2025, to avoid potential underpayment penalties.

2. Year-end tax considerations

☐ **Required minimum distributions (RMDs) —** Generally, anyone age 73 or older must take an RMD from their retirement account in 2024 to avoid a 25% penalty on required amounts not withdrawn. Note that RMDs do not apply to Roth accounts for the original account owner, including Roth 401(k)s.

If you hold an inherited IRA that is subject to the 10-year distribution rule, consider taking distributions this year to take advantage of the lower income tax rates under the Tax Cuts and Jobs Act (TCJA), even though distributions are not required. Waiting until the 10th year could create an unexpectedly large tax liability.

☐ **Flexible Spending Accounts (FSAs) —** FSAs are "use it or lose it" accounts, meaning you lose any unspent funds at year-end. If you have been contributing to an FSA and have funds remaining, understand your employer plan's deadlines for incurring expenses and submitting claims. Do your best to use those funds before the deadlines so you're not forfeiting them to your employer.

☐ **Tax loss harvesting —** Recognizing capital losses could allow you to offset capital gains recognized throughout the year, including long-term capital gain distributions from mutual funds. Any excess capital losses are next used to reduce ordinary income by up to $3,000, with any remaining excess losses carried into future years to offset capital gains recognized in 2025 or later.

This can be a great opportunity if you find yourself needing to rebalance your portfolio. (See "Monitor your long-term strategy" on Page 5.)

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3. Continue to make progress toward your goals

☐ **Health Savings Account (HSA) contributions —** Consider maximizing your HSA contributions for yourself and your family, especially because unused balances carry over from year to year (unlike with an FSA). Eligible contributions provide an income tax deduction, earnings have the potential to grow tax free and distributions are ultimately tax-free if used for qualified medical expenses.

Given the "triple tax" benefits of an HSA, we recommend using after-tax funds to pay for medical expenses to the extent possible. This allows your invested amounts within the HSA to grow and ultimately provide a valuable source of income in retirement.

☐ **Retirement plan contributions —** Consider maximizing contributions to your retirement plan and/or IRA (including catch-up contributions if you're age 50 or older). Doing so can help you make further progress on your retirement savings and potentially save on taxes now or in retirement.

If you have maximized your salary deferrals, you could consider a mega backdoor Roth strategy if your employer plan allows it. Ask your financial advisor for details.

☐ **Roth conversions —** If your marginal tax bracket is lower than usual or you expect significantly higher tax deductions compared to previous years, consider converting funds from a pretax retirement account to a Roth account.

Keep in mind that a Roth conversion is a taxable event. You'll want to consult your tax professional and financial advisor to see whether this is right for you based on your current and future tax and retirement situations.

☐ **529 plan contributions —** Distributed amounts from a 529 account that are used for qualified education expenses are federally tax-free. Contributing to this plan may also provide you with a state tax benefit.

You can elect to contribute up to five years' worth of annual exclusion gifting in a single year without using any of your federal estate and gift tax exemption. While this will use some or all of your annual exclusion for a non-spouse beneficiary for the next five years, the amount contributed will be removed from your gross estate while allowing you to invest the full amount immediately. Before making this election, consider whether it will impact any potential state tax deduction.

If the beneficiary ends up not using the entire 529 account balance, you have multiple options for these funds. Your financial advisor can review them with you.

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4. Maximize your impact

☐ **Qualified charitable distributions (QCDs) —** If you are 70½ or older, you may qualify to exclude up to $105,000 from your adjusted gross income (AGI) by donating to a qualified charity directly from your IRA.

QCDs satisfy (in part or in whole) your current annual IRA RMD (if applicable). This generally results in a lower taxable income regardless of whether you itemize your deductions.

☐ **Charitable donations —** Your donations may qualify for a tax deduction if you itemize your deductions. A donor-advised fund can be a great way to accomplish this while amplifying your charitable giving impact.

If you anticipate being subject to the estate tax, you could consider donating substantially appreciated assets to qualifying charities. This can potentially provide you with an income tax deduction while removing the appreciated asset from your gross estate.

You can also consider "bunching" two to three years' worth of charitable donations to help you itemize your deductions and maximize your tax benefit. However, it may be more advantageous to wait until 2026 or later to do so because of the potential sunset of TCJA rates and deductions. Consult your tax advisor.

☐ **Annual gifts —** In 2024, you can make an $18,000 gift per person without using your federal estate and gift tax exemption. If you and your spouse are eligible to gift-split, together you can gift up to $36,000 per person per year.

You can also make payments for tuition and medical expenses directly to providers on someone's behalf without relying on the annual exclusion or lifetime exemption.

5. Consider potential tax law changes

☐ **Prepare for the TCJA sunset —** If no new legislation is passed to extend or make provisions permanent, our current tax law is set to expire at the end of 2025.

If you're in the highest marginal tax bracket of 37%, you may see your marginal tax bracket increase to 39.6%. The alternative minimum tax (AMT) exemptions and phaseout thresholds are also expected to decline significantly. Furthermore, the estate and gift tax exemption, which is $13.61 million per person in 2024, is anticipated to be reduced to an estimated $6.5 million – $7 million per person, which may increase the number of families facing potential estate tax.

Be sure to review the anticipated changes and discuss with your financial advisor, tax professional, attorney and members of your family to understand how you might be affected, as outlined in "Communicate your estate plan" on Page 5.

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6. Monitor your long-term strategy

While the following actions don't have specific deadlines, we recommend you do them annually. These considerations are meant to further monitor your progress toward your long-term goals.

- ☐ **Portfolio balance and diversification —** Your portfolio was set up to match your objectives and goals. But life, circumstances and markets change — and these changes can affect your progress toward your goals. In addition, proper diversification across your stocks and bonds is critical.

  Your financial advisor can help ensure your portfolio is still aligned with your objectives, time horizon and comfort with risk. If you find that you need to rebalance or diversify, you could employ the above items, such as additional contributions, tax-loss harvesting and RMDs, to help address this.

- ☐ **Expecting the unexpected —** During uncertain economic conditions, it can be hard to foresee what may happen next. The same can be said for life itself.

  An integral part of your financial strategy should be to prepare for unexpected twists and turns. Have you set aside a suitable emergency fund? Are you adequately covered with insurance? Your strategy is not complete without considering homeowners/renters, auto, health, disability, life and/or long-term care insurance.

  Assess whether you need umbrella insurance, which can provide additional liability coverage above the limits provided by homeowners/renters and auto policies. We recommend that, at a minimum, the value of your liability coverage matches the value of assets that could be at risk in a civil lawsuit.

- ☐ **Review your incapacity plan —** One way to ensure your wishes and decisions are followed if you become incapacitated is to make sure you have the appropriate documents in place and up to date.

  A financial power of attorney allows someone to make financial decisions on your behalf, while a health care power of attorney lets you designate someone to make medical decisions on your behalf. A medical directive allows you to express your wishes in terms of medical care should you become incapacitated.

  Be sure to consult your attorney, financial advisor and even a health care provider to make sure you've addressed all your needs.

- ☐ **Review your beneficiaries, asset titling and estate plan —** Do your beneficiaries and asset titling still align with your estate plan? Will your assets pass according to your wishes?

  Generally, beneficiary designations on retirement accounts, brokerage accounts and certain types of joint accounts will supersede your will and trusts. Revocable trusts, on the other hand, allow the trust assets to pass to beneficiaries without the intervention of the probate court.

  It's important to follow your attorney's recommendations on how to appropriately title your assets and keep up-to-date primary and contingent beneficiaries.

- ☐ **Communicate your estate plan —** In what's referred to as the Great Wealth Transfer, it's estimated that $84.4 trillion in assets will pass from older generations to their heirs through 2045. This significant transfer of wealth — coupled with the potential reduction in the estate and gift tax exemption — means it's even more crucial to talk with your loved ones about generational wealth.

  While these discussions can allow you to communicate your wishes, they also help set expectations for what lies ahead. You can ensure you're on the same page with your beneficiaries with regard to inheritance and estate tax mitigation.

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Important deadlines to note

Financial action	Maximum contribution/donation	Federal deadline
Required minimum distributions (RMDs)	N/A	12/31/2024 *(Exceptions exist for the first year an RMD is required)*
Use Flexible Spending Account (FSA) balances	• Health Care FSA: $3,200 • Limited-purpose FSA: $3,200 • Dependent Care FSA: $5,000 (per household)	12/31/2024 *(Some plans allow extensions for up to 2.5 months for incurring expenses)*
Employer retirement plan contributions	• 401(k) / 403(b) / 457(b): $23,000, with $7,500 catch-up for those age 50+ • SIMPLE: $16,000, with $3,500 catch-up if age 50+* • SEP: Limited to the lesser of: – 25% of compensation, or – $69,000	12/31/2024
Roth conversions	N/A	12/31/2024
Qualified charitable distributions (QCDs)	$105,000 per person	12/31/2024
Charitable donations	N/A *(Subject to AGI limitations)*	12/31/2024
Annual gifting	$18,000 per spouse per donee	12/31/2024
IRA contributions	$7,000 per person, plus $1,000 catch-up if age 50+	Tax return deadline, not including extensions
Health Savings Account (HSA) contributions	• $4,150 for individual coverage • $8,300 for family coverage • $1,000 catch-up if age 55+	Tax return deadline, not including extensions

*Certain plans can contribute 110% of contribution limits. Consult your plan administrator.

Many of these actions must be completed by certain dates. Please note, it may take time to process requests and changes, so plan to act sooner rather than later.

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