



Finance

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Year-end Financial Planning

As the holiday weather, luminarias, and tamales fill the Village it is hard to find a spare moment to attend to your finances. It is always a quiet time in my office. However, the end of the year is a wonderful time to prepare for the year ahead. So, grab a cup of tea and get ready to plan.

INVESTMENTS. Your investment portfolio asset allocation is one of the most important determinants in meeting your goals. Thus, you should review the allocation for your portfolio and make sure it still meets your short and long-term goals.

In addition, you should assess the tax consequences of any assets that were sold during 2016. If gains were realized in a taxable account, it may be beneficial to use tax-loss harvesting to off-set those gains.

If you changed jobs, this is a good time to consider rolling your retirement plan into an individual retirement account (IRA).

Make sure you contribute enough to your 401(k) plan to maximize your company match. This is essentially free money and shouldn't be left on the table.

TAXES. As the year wraps up, it may be a good idea to review your taxable income and investigate any opportunities to defer taxable income if you'll be in a lower bracket in the future. For example, it may be beneficial to max out your 401(k) or IRA contributions.

A quick consultation with your tax professional at year-end will help make things go smoothly in the busy spring tax season.

SAVINGS. Check on your emergency fund. This should have cash to cover three to six months of fixed expenses. If you're not there, develop a plan to save up in 2017.

If you have a 529 plan, any contributions you make to the New Mexico plans will lead to deductions on your state taxes. Contributions to 529 plans must be done by December 31st in order to count for 2016. What a wonderful gift to open a college savings account for a child, grandchild, or other little one in your life.

Small business owners should investigate the benefits of starting up a retirement plan for the upcoming year. It is important to spend time now in

order to research and implement a plan for 2017.

Review the rules for any flexible spending accounts you have and ensure you don't let any money go unused.

DONATIONS. Consider participating in the holiday fundraising drives for your favorite charities. These may lead to tax advantages for 2016, and only contributions made on or before December 31 will count for 2016. Surely Ebenezer Scrooge would agree to that.

PLANNING. If you aren't already on a budget, this is the time to investigate the use of a budget for you and/or your family. A budget can make retirement planning easier, lead the way to debt management, and provide a great peace of mind in planning for the future. There are amazing new online budget tools and apps to try.

The most important thing to do is a quick year in review. Did you meet your savings goals? Did you pay off the debts you hope to pay off? Are your retirement spending goals on target? Use this data to develop a solid plan for a happy new year ahead.

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