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Year-End Financial Checklist

The end of the year is a good time to look back on the events that shaped the last 12 months and prepare for what may lie ahead. From maximizing your tax-efficiency to planning for any event, this year-end checklist can help you prepare to hit the ground running next year.

Manage Risks

Preparing for life's uncertainties is critical to your financial health. Doing so can help you stay on track even when you run into the unexpected bump in the road.

- **Check in on Your Emergency Fund:**

As the year winds down, it is a good time to restock your emergency fund or, if you don't have one, start one. Aim to set aside 3 to 6 months' worth of expenses in an account that you can tap to cover unexpected bills. Having these funds at the ready can help you cover surprise expenses, such as a new water heater or medical expenses, without utilizing high interest credit cards or dipping into long-term savings.

- **Review Your Insurance Policies:**

What were the big events in your life during the past year? Did you get married? Was it the birth of a child? Did your business take a hit? Maybe you were recognized at work with a big promotion. Life's big moments can mean you have more to protect. Depending on your situation, you may want to consider upping your life or disability insurance coverage or updating beneficiaries on existing policies. Along the same line: If rising costs over the past year means your home appreciated in value, you may need more protection. Be sure to review the beneficiary designations to make sure those are in line. Beneficiaries are as important for your business as they are for your personal life. Make sure they are designated.

- **Dig into Health Care:**

November and December is typically open enrollment season for health coverage. Make sure you take the opportunity to review the coverage in your health plan. If you have a Health Savings Account (HSA) you may want to top off annual contributions (\$3,650 for an individual and \$7,300 for families) to maximize the triple tax advantages — money goes in tax free, grows tax free and comes out tax free for qualified healthcare expenses. If you have a Flexible Spending Account (FSA), consider spending the funds that won't carry over to next year as you may lose them.

Revisit Your Investments

Investing for growth is a key part of building a retirement nest egg. Although you may not plan to retire for many years, there are a few things to consider at least annually.

- **Rebalance Your Portfolio:**

Depending on what happened in markets through the year, your portfolio's asset allocation (the mix of stocks, bonds and other investments) may no longer reflect a level of risk that fits with your goals and investment horizon. You may need to rebalance your portfolio to bring your investment holdings back in line with your risk tolerance and goals.

- **Recognize Capital Gains or Losses:**

Selling investments at a loss hurts, but can also reduce your taxable income for the year — it's known as tax-loss harvesting. Depending on your situation, you may also want to sell investments that have appreciated and realize gains. It's a good idea to work with a financial planner or tax attorney to think strategically about when it makes the most sense to recognize capital gains or losses.

- **Top Off Retirement Contributions:**

If your budget allows, it may be a good idea to up your contributions to your retirement account. This can be a good yearly practice until you're contributing the maximum amount allowable to an IRA, 401(k), 403(b) or their Roth counterparts if those are available to you. The tax advantages these accounts offer can help your money go further over time.

Revisit Your Budget

A little thinking ahead can help you get the most out of your budget. The end of the year is a great time to reflect on your spending plan and adjust it for next year.

- **Update or Establish Your Budget:**

A financial advisor can help you review your spending this past year and update your budget for 2023 and beyond. Tracking your spending is a great way to see where your money is going and can help you prioritize those things that are most important to you.

- **Review Rates on Outstanding Debt:**

With interest rates inching higher, it is a good time review current interest levels of your outstanding loans such as mortgages, personal loans and credit cards to determine if there are opportunities available to roll over balances to save on interest costs going forward.

- **Prep for Big Events:**

No one can predict the future, but we can plan for weddings, surgeries, vacations, or buying a car or home. If you're planning a big-ticket expense in the coming years, add that into your budget and start setting aside money.

- **Check Your Credit:**

Many consumer finance companies provide free, real-time credit scores. If you have access, check your score and make sure it's where you want it to be (typically 740 and higher is considered very good). Also, request a copy of your credit report. The Fair Credit Reporting Act requires credit reporting companies to provide a free copy once every 12 months. While we're on credit: If you've accumulated credit card reward points use them before they expire!

Get Started!

This isn't an exhaustive list because everyone's financial situation is different. However, it's a good place to start. Also, it's important to point out that though these are items on a checklist, they all work together. That's why financial planning and management is necessary. Can you or should you do it yourself? You have to answer that question for yourself. I recommend speaking with a financial advisor to get help building a plan that uses a range of financial options that reinforce each other. If you already have a financial plan, check it yearly. If you don't have a plan yet, get one! Your plan can help show you the best path to achieving whatever is important to you in life.