# Why now is the perfect time to look over your IRAs, 401(k)s and other retirement accounts

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If you haven't started investing yet, these tips will help get you on the right track for retirement.
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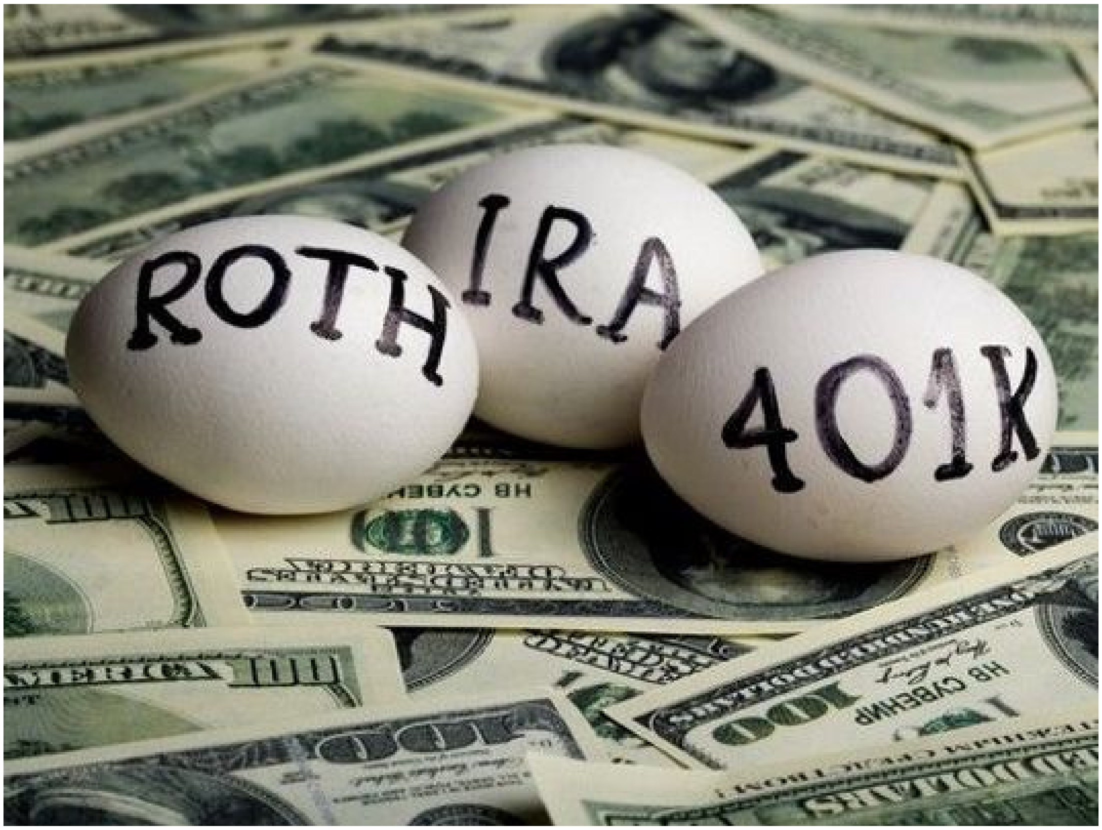

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No doubt the holiday season got the best of your plans to review your financial plan. If that's so, now would be good time to make sure you start the new year off on the right foot – especially when it comes to your retirement accounts.

What should you be doing? Well, there's the usual stuff. If you didn't rebalance your investment portfolio back to its target asset allocation at year-end, do that now.

If you don't have a target asset allocation, create one. To do that, you'll need to draft what's called an investment policy statement. That statement, often called an IPS, captures your time horizon, investment goal and risk tolerance, and specifies how much of your money you should invest in stocks and how much in bonds and cash.

Here's some other things you should look at:

## Review your primary and contingent beneficiary designations

A good new year's resolution is to check your individual retirement account (IRA) beneficiary forms and employer plan beneficiary forms, says Sarah Brenner, an IRA analyst with Ed Slott and Company.

Begin by updating for major life events. "For example, if you got married or divorced, had a child or grandchild born, or had a death in the family in 2018, your beneficiary forms may need to be updated," she says.

And don’t stop there. “You don’t want to forget contingent beneficiaries,” she says. “Many times, these beneficiaries are overlooked. You may think that if you name a primary beneficiary you are done, but contingent beneficiaries are critical.”

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Why so? Because they generally will inherit the retirement plan if the primary beneficiary predeceases the retirement account owner, says Brenner.

“Every retirement account owner should have both a primary and contingent beneficiary named,” she says. “Also, don’t forget successor beneficiaries. You may have an inherited IRA. As the population owning retirement accounts ages, inherited IRAs are becoming increasingly common. Who will inherit these inherited IRAs? Be sure that in 2019 your inherited IRAs have named successor beneficiaries.”

## Check your risk tolerance

One of the benefits of rocky markets is that we now are provided the opportunity to test our true risk tolerance in real life, says Lynn Ballou, a certified financial planner with EP Wealth Advisors. “Given what we've experienced this past year, it's time to have an honest conversation with yourself about what you can tolerate and what makes you too queasy.”

Her advice: “Examine your specific holdings in your retirement accounts and determine what measures up and what doesn't for your newfound insight,” Ballou says.

Up your contribution. In January, the amount you can contribute to your 401(k) increases to $19,000 per year and if you are turning 50 in 2019, you'll also be able to add another $6,000 using the catch-up provision rules. Also, Ballou suggests “changing your withholding amounts early in the year so you aren't scrambling in the fall to contribute all that you can.”

Early 2019 is also the time to think about making IRA contributions, says Brenner. “A prior year contribution for 2018 can be made up until the tax-filing deadline, not including extensions,” she says. “Be sure that you have clearly indicated that contribution is for the prior year, 2018. Failing to do so can result in the IRA custodian reporting it for the current year – 2019 – which will cause a tax headache.”

It's also a good idea, she says, to go one step further and get a jump-start on 2019 by making your 2019 contribution. “Making a contribution early in the year instead of waiting until the last minute can greatly increase the value of your IRA by retirement,” she says.

It’s also a good idea – given the changes that came with the Tax Cuts and Jobs Act of 2017 – to evaluate whether to save for retirement using pretax retirement accounts such as a 401(k) and IRA or post-tax retirement accounts such as a Roth 401(k) or Roth IRA. “I have had older millennials and GenXers increase pretax and reduce post-tax because of the limit on deductions for state and local taxes," says Rita Cheng, the chief executive officer of Blue Ocean Global Wealth.

## Review your required minimum distributions or RMDs

If you're over age 70½ check whether your required minimum distributions or RMDs from your retirement accounts were indeed done and whether the withholding from RMDs was "enough" to cover tax liability for the year.

"Often there is other taxable income such as mutual fund capital gain distributions in taxable accounts that have no tax payments attached and can be covered by adjusting withholding on RMDs," says Steven Podnos, a certified financial planner with Wealth Care.

## Consider a Roth conversion

Think about the year ahead and if you find that you won't be paying much if anything in taxes because you are living only on your after-tax investments or cash reserves for the year, this might be an excellent time to start moving qualified retirement plan holdings into a Roth IRA, says Ballou.

She recommends working closely with a certified financial planner and a qualified tax adviser to be sure you spot on in your numbers and your thinking. "You can no longer undo any Roth conversions after the year closes, so stay on top of the math and make any necessary adjustments before Dec. 31," she says.

*Robert Powell is the editor of TheStreet's Retirement Daily www.retirement.thestreet.com and contributes regularly to USA TODAY. Got questions about money? Email Bob at rpowell@allthingsretirement.com.*