Your Best Path Financial Planning
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New Year Planning Checklist

The New Year brings new opportunities. Make 2019 your strongest and wisest financial year yet by making sure you hit all these important checkpoints.

Contribute More to Your Retirement Plans this Year

- □ Contribute up to $19,000 to any kind of 401(k), 403(b), or 457 Plan with a $6,000 catch-up contribution if you are 50 or older.
- □ If you are self-employed, look into whether you can establish and fund a Solo 401(k) before the end of 2018. You may direct $56,000 into one of those plans.
- □ Make your 2019 tax year contribution to a Roth or Traditional IRA as early as possible ($6,000 – or $7,000 if age 50 or over).
- □ Consider making *after tax* contributions to your employer sponsored retirement plan up to $56,000 in total.

Go Roth in 2019

- □ Understand that if you are a high earner, income phase-out limits may affect your chance to make Roth IRA contributions.
    - For 2019, phase-outs kick in at $193,000 for joint filers and $122,000 for single filers and heads of households.
- □ Contribute to a Traditional IRA in 2019 and then convert to a Roth IRA if your income prevents you from initially contributing to a Roth IRA.
- □ Don’t forget that partial Roth conversions are always possible.

Make a Charitable Gift the Smart Way

□ Claim the charitable deduction on your 2019 return, provided you itemize your deductions on Schedule A.

- If you give cash, document it with a bank record or written communication from charity with the date and amount.
- If you gift appreciated securities that you have owned for more than a year, you will be in line to take a deduction for **100%** of their fair market value and avoid capital gains tax that would have resulted from simply selling the investment and donating the proceeds.

□ Consider a donor advised fund if you will not be itemizing your deductions in 2019.

Open a Health Savings Account (HSA)

□ Set up and fund a Health Savings Account in 2019 if you are enrolled in a high-deductible health plan.

- Make fully tax-deductible HSA contributions to of up to $3,500 (singles) or $7,000 (families); catch-up contributions of up to $1,000 are permitted for those 55 or older
- HSA assets grow tax deferred and withdrawals from these accounts are tax free if used to pay for qualified health care expenses

Pay Attention to Asset Location

□ Make sure your least tax-efficient securities go in pre-tax accounts and your most tax-efficient securities should be held in taxable accounts

Review Your Withholding Status

□ Make sure to adjust your withholding status due to any of the following factors:

- You pay a great deal of income tax each year
- You get a big federal tax refund each year

- You recently married or divorced
- A family member recently passed away
- You have a new job and are earning much more than before
- You started a business venture or became self-employed
- You back-ended contributions to your employer sponsored retirement plan last year

If You're Getting Married in 2019

- ☐ Make changes to the relevant beneficiary forms.
- ☐ Adjust and revise your retirement savings and investments accounts.
- ☐ Make sure to get a new Social Security card if your last name is going to change.

If You're Retired and Older than 70½, Remember Your RMDs

- ☐ Make sure you begin taking Required Minimum Distributions from traditional IRAs and 401(k), 403(b), and profit-sharing plans by December 31st of each year
  - IRS penalty for failing to take an RMD equals **50%** of the RMD amount that is not withdrawn
- ☐ If you turned 70 ½ in 2018, you can postpone your initial RMD from an account until April 1, 2019

Consider the Tax Impact of Upcoming Transactions if You Are:

- ☐ Planning to sell or buy real estate this year
- ☐ If you are going to exercise stock options in the coming months
- ☐ If any large commissions or bonuses are coming your way this year
- ☐ If you anticipate selling an investment that is held outside a tax-deferred account

While this check list can start as a guide, speaking to us is the best way to get your 2019 financial life in order. Reach out to us today!

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Disclosures:

For a comprehensive review of your personal situation, always consult with a tax or legal advisor. Neither Your Best Path Financial Services nor any of its representatives may give legal or tax advice.

Limitations and Early Withdrawals: Some IRAs have contribution limitations and tax consequences for early withdrawals. For complete details, consult your tax advisor or attorney.

Retirement Plans: Distributions from traditional IRAs and employer sponsored retirement plans are taxed as ordinary income and, if taken prior to reaching age 59 ½, may be subject to an additional 10% IRS tax penalty.

Roth IRA: Converting from a traditional IRA to a Roth IRA is a taxable event. A Roth IRA offers tax free withdrawals on taxable contributions. To qualify for the tax-free and penalty-free withdrawal or earnings, a Roth IRA must be in place for at least five tax years, and the distribution must take place after age 59 ½ or due to death, disability, or a first-time home purchase (up to a $10,000 lifetime maximum). Depending on state law, Roth IRA distributions may be subject to state taxes.