

END OF YEAR REVIEW

The end of year is an ideal time to check up on the basics of financial health and long-term planning.

PORTFOLIO REVIEW & REBALANCE

Review your portfolio in detail to ensure that your overall asset allocation is appropriate. It's important to consider asset location regularly to maximize tax efficiency. To whatever extent possible, you should own your tax-inefficient asset classes in your IRA, 401(k), and other tax-deferred accounts.

MUTUAL FUND CONSIDERATIONS

Pay particular attention to mutual funds this time of year. Year-end is typically when mutual funds declare and make their income and capital gains distributions. Each year, mutual funds are required to pay out capital gains to their shareholders; these can be significant for investors. Even in times of slow market growth, a mutual fund may have a highly appreciated holding that, when sold, would generate a taxable event if you own that mutual fund in a taxable account.

Mutual fund companies will communicate when they expect to make capital gains distributions, so be on the lookout for any large distributions expected for you. Your advisor can review your holdings and help to lessen the impact of a large capital gains distribution. If you're considering purchasing additional shares of a mutual fund at the end of the year, research when and if that fund will pay out capital gains distributions. If you buy into the fund at the wrong time, you could be distributed capital gains that were realized in the portfolio before you bought it. On the flip side, if you're planning on rebalancing out of mutual funds or raising cash from a mutual fund portfolio, you can sell your shares before the deadline and not get hit with the capital gains distribution. You would still pay taxes on the difference between the value and your cost basis, but you can at least avoid the capital gains taxes if you plan accordingly.

FIDUCIARY APPOINTMENT/BENEFICIARY DESIGNATION REVIEW

Year-end is a key time to review the fiduciary appointments in your estate planning documents. Are the people you have listed still the people you want to serve in your stead should something happen? Review your beneficiary designations on all accounts that will pass to these appointments upon your death:

- 401(k), 403(b), and 457 plans
- Traditional and Roth IRA accounts
- Life insurance policies
- Annuity contracts
- Deferred compensation agreements

If you are listed as a fiduciary in somebody else's estate planning documents, you have a legal responsibility to ensure that the investments, insurance and other assets held in that plan are performing well and are adequate to the goals of the plan.

EXPENSE BUDGET

Keeping a regular annual budget is one of the central building blocks to sound long-term financial planning. Whether you use Excel, Quicken or an old-fashioned check register, now is the time to review your spending for the past year and to create some goals for the coming year. As always, your advisor ever ready and available to assist with this sometimes daunting task.

In addition to evaluating your annual expenses, we find it useful to set precise yearly savings targets based on your total income and expense structure. As always, your advisor is ever ready to take you through this exercise as well.

CREDIT REPORTS

We encourage you to review your full credit report at least once each year. For those who have not done so already, consider signing up for a credit monitoring service. Though far from foolproof, it can be a valuable tool for protecting yourself from identity theft.

"PLANNING IS BRINGING THE FUTURE INTO THE PRESENT SO THAT YOU CAN DO SOMETHING ABOUT IT NOW."

- ALAN LAKEIN

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