BLB&B Advisors, LLC
FINANCIAL GUIDANCE SINCE 1964

Year-End Financial Planning Quick Tips

As we approach the end of the year consider the following financial tips:

1. Maximize your annual contributions to your retirement and health savings accounts.
   - In 2021, and assuming you have earned income, you may be able to contribute up to $6,000 in pre-tax dollars to your IRA ($7,000 if you are 50 or older) and up to $19,500 to your employer-sponsored retirement plan (plus an additional $6,500 in “catch-up contributions” if you are age 50 or older).
   - Even if you are not able to make the maximum contribution, you should at least take advantage of any and all company match contributions. For example, if your employer matches up to 5% of your salary provided you also contribute 5% to your retirement account, you should strive to take full advantage of this match.
   - Do not forget about your Health Savings Account (HSA). For 2021, the maximum HSA contribution amount is $3,600 (single coverage)/$7,200 (family coverage) with a $1,000 catch-up amount for those age 55 or older.
   - Discuss with your tax professional whether you should consider doing a full or partial Roth IRA conversion; especially if you find yourself in a lower tax bracket in 2021.

2. Take your required minimum distributions (RMD) from your IRA account(s).
   - If you were born before July 1, 1949 you must start taking an annual RMD at age 70 ½.
   - If you were born after June 30, 1949 you must start taking an annual RMD at age 72.
   - Note, you may also have an annual RMD obligation if you have an inherited IRA.

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3. Don’t forget to make all your charitable donations before year end -
    - Qualified Charitable Contributions of up to $100,000 can begin at age 70 ½ from your IRA.
    - A $600 cash donation can be deducted from your taxes in 2021 even if you don’t itemize.
    - 100% limit on eligible cash contributions for those who itemize.

4. Spend any remaining balance in your Flexible Spending Accounts, these are considered “use it or lose it” accounts.

5. If you have any realized gains in a taxable account, consider offsetting these gains with any unrealized losses you may have in a taxable account.

6. Review your asset allocation and rebalance if necessary.

7. If you are recently retired, review your tax situation to ensure your withholding amount is appropriate for your tax situation.

8. If you are thinking about family gifting, consider first discussing this with your tax professional or estate attorney. You are allowed to gift up to $15,000 per recipient per year without any of it being subject to gift tax. However, you may be able to gift more per recipient and still not have to pay gift tax so long as you have not already used up your $11.7 million lifetime gift tax exemption. As this exemption amount could be reduced in the coming year, it might be worth accelerating your gifting plans and reviewing and updating your estate plan.

9. Make your annual college fund account contribution.

10. Review and, if necessary, update your beneficiary designations on retirement accounts, annuities, insurance policies, estate documents, etc.

11. Use the 4th quarter open enrollment period to review and update your benefit selections with your employer.

Your BLBB Advisor is here to help provide any guidance you may need 215-643-9100.

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