

January 22, 2024 – Wealth Planning Commentary

Annual Financial Checkup

January is an ideal time to check in with your Wealth Manager regarding your finances. Start with the issues that are most concerning you, followed by any updates to your balance sheet, income, expenses, insurance, and most importantly, your objectives. A financial check-in is meaningful and can lead to actions relevant to your wealth plan and investing.

This month is a good time to let your Wealth Manager know about your cash needs for this year. Perhaps you're low on cash and have large upcoming expenses, such as remodeling a home, purchasing a new car, or planning a vacation. We recommend keeping at least 6-12 months of expenses in cash, depending on your situation. Dual income households may require less of a liquidity cushion; 6 months is likely sufficient. Retirees who mostly rely on their portfolio to fund their lifestyle may consider setting aside 18-24 months of liquidity. This amount will decrease the probability of needing to withdraw from the portfolio if markets are down for an extended period. Retirees may benefit from a tax plan to efficiently allocate withdrawals from taxable, pre-tax and Roth accounts.

Are you considering taking a new job or thinking about retiring? In the case of retirement or a pause in work, shifting asset allocation may be a means to generate more income. Those who recently left their job may want to consider how to cover expenses efficiently yet stay invested to some degree. It's likely advantageous to review how your risks are covered. Many of us rely on employer benefits such as health and life insurance. When leaving a company, it's important to review health insurance options like Cobra and private insurance. Life insurance policies may be kept depending on the employer's policy. Retirement plans should also be considered. 401(k) plans can be rolled over into an IRA or merged with a new 401(k). Any deferred compensation plans that are accessible should be evaluated for potential payouts or rollovers.

Moving this year? Moving is consistently cited as one of the top 10 most stressful experiences of someone's life. Modeling the cost of purchasing and renovating a new home and the income tax impact of selling and moving to a different state may provide clarity in the transaction. Also, consider how the new property will be insured. Other real estate transactions, such as the purchase or sale of rental properties, should also be reviewed for cash flow purposes.

Don't miss out on savings! Some employers offer Health Savings Accounts (HAS) and Flexible Savings Accounts (FSA), and these plans offer tax benefits. Other tax-deferred opportunities include retirement plans. Remember to max out 401(k)s this year if possible— don't unintentionally leave money on the table.

Share life updates with your Wealth Manager. There may be an addition to the family or, sadly, a recent death. Both events may benefit from planning activities like establishing a 529, estate administration and investing in newly inherited assets. If you are considering selling your business, planning 2-3 years ahead of time helps to minimize taxes.

There is a myriad of planning activities that can improve your financial strength and resilience. Please reach out to your Wealth Manager to schedule an annual financial checkup.

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