

# Tis' the Season to be Merry and Smart

December 2014

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November gave investors a nice Thanksgiving rally. This aging bull market just keeps storming ahead with positive economic news. The current low interest rates, low oil prices, and improving unemployment rates, coupled with higher GDP, higher corporate earnings, and record levels of cash all lead consumers to feel better and get a little more hopeful about the future.

All of the above mentioned things are unequivocally good for the equity markets. We will get some stormy days ahead, which is normal, but generally things look good to most economists in this goldilocks environment. Not too hot and not too cold.

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## 10 Year-End Planning Moves

As 2014 draws to a close, you may want to review the progress you have made in various facets of your life, which certainly includes any smart year-end financial planning ideas. Here are a few things for you to consider:

1. **Tax loss deadline.** You have until December 31, 2014 to harvest any tax losses and/or offset any capital gains. Be careful as there are distinctions between short-term and long-term capital gains and you must be aware of wash-sale rules. We review all of our client accounts for possible tax loss harvesting.
2. **Begin gathering the tax documents you'll need to complete your tax returns.** W-2s and 1099s will not be available until next year, but everything from donation receipts to business expenses will be needed if you are to minimize this year's tax bite.
3. **Is it time to rebalance your portfolio?** Changes in the market can cause your asset allocation targets to shift. Now may be the time to consider adjustments. We like to rebalance portfolios in keeping with what your tax brackets are in 2014. If you are in the 15% federal tax bracket, you'll pay 0% capital gains.

Many times we'll wait until January before taking profits. It all

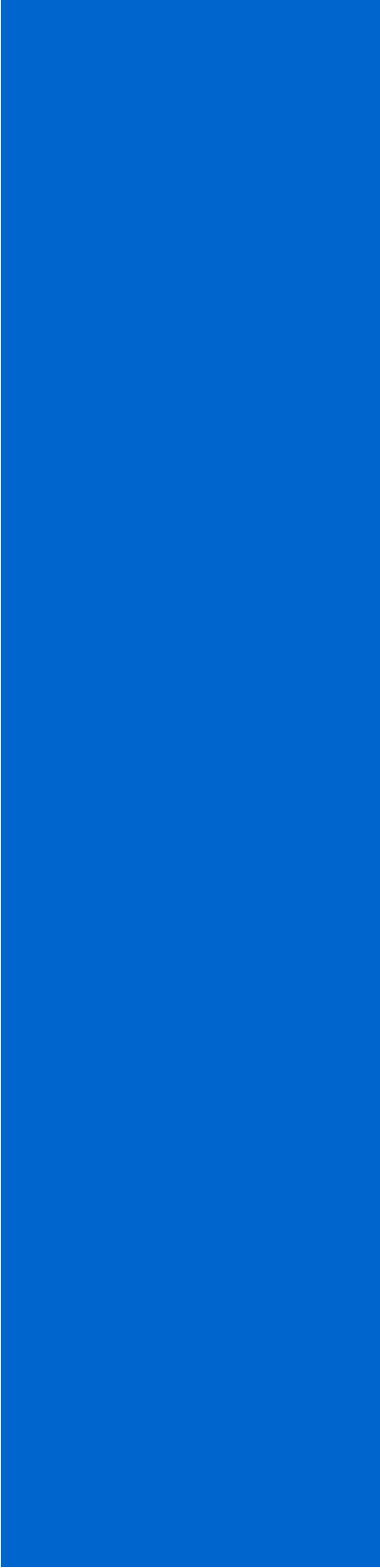
depends upon taxable income in 2014 and forecasted 2015 income. Tax planning is critical.

- 4. Be aware about mutual funds and taxable distributions.** You may have held that mutual fund for just one day, but if it paid a distribution after you purchased it, you will be responsible for reporting the entire distribution, even if that distribution covers capital gains and dividends for the entire year.

We like index funds, ETF's, individual stocks, and tax efficient investments for most taxable accounts. The less taxes you pay the more you keep for yourself.

- 5. Take stock of changes in your life and review insurance and beneficiaries.** Let's be sure you have adequate insurance coverage in place. At the same time, it's a good idea to update beneficiaries if the need has arisen. Circumstances in your life may have changed in the last year. Documents must be updated or you may deny an intended beneficiary their rightful inheritance.
- 6. Use it or lose it.** As the year draws to a close, many people with a flexible spending account (FSA) for medical expenses must spend any savings or forfeit them. Some FSAs offer a grace period, and the money in the accounts can carry over from year to year. When that grace period ends, the cash is gone forever.
- 7. Consider contributing to a Roth IRA for tax-free growth.** This allows for federal-tax-free withdrawals if certain requirements are met. There are income limits, but if you qualify, you may contribute \$5,500 or \$6,500 if you are 50 or older.
- 8. Consider converting a traditional IRA to a Roth IRA.** There are a number of items you may want to consider, including current and future tax rates, but if the situation is right, it can be very advantageous to convert some or all of your IRA accounts to a Roth IRA.
- 9. Speaking of IRAs, is it time to take a required minimum distribution (RMD)?** RMDs are minimum amounts that retirement plan account owners must withdraw annually starting with the year they reach 70 ½ years of age. Don't miss the deadline or you could be subject to steep penalties!
- 10. Do your charitable giving.** Whether it is cash, stocks, or bonds, you can donate to your favorite charity by December 31, potentially offsetting any income. Make sure to get a receipt from the charitable organization.

We appreciate the confidence you have placed in us to help you manage and optimize all of your financial affairs. If you have any year-end planning questions we have not answered yet, please feel free to give us a call.



May you and your family have a joyous holiday season filled with much love and laughter. We wish you all the best.