

# Year-End Financial Health Review and Planning Checklist

By *Women Who Money Co-Founders, Amy Blacklock and Vicki Cook*

As the weather turns colder and the daylight becomes shorter, you may be busy planning for the holidays. But something else worth focusing your attention on during this season is your finances.

Like your physical health, your financial health needs a check-up at least annually. Before the year that's been like no other winds down, take some time to check in on your financial matters.

Review the important items listed below to maintain or improve your financial wellness for the next year and beyond.

## 2020 Financial Review

A great place to begin is looking back over the year and assessing how well you stuck to your financial plans. Be sure to include your spouse or partner in these discussions!

Remember, no one but you is grading how well you did this year, so be honest. Then, you can identify what does and doesn't work so you can keep moving forward.

So, as you consider the questions below, don't just jot down a yes or no answer; also include reasons for why or why not.

1. Did you **stick to your monthly budget**?
2. Was your **financial mission statement** top of mind when making financial decisions this year?
3. Did you follow your **investment policy statement** when the markets got crazy?
4. Were you able to meet your **financial goals**?

## Next, check your financial health

Give your financial health a check-up by completing the following tasks:

1. **Update net worth.** Is it trending in the right direction? Are you nearing your goal of debt-freedom or financial independence?
2. **Order credit report.** Review your credit report for any errors, question anything that doesn't look right, and **consider freezing your credit.**

3. **Review emergency fund.** 2020 has taught many a financial lesson, one being the **importance of an emergency fund**. Many financial experts who once recommended 3-6 months of expenses saved now say you should consider saving more, such as 9-12 months worth.
4. **Rebalance portfolio.** The volatility of the stock market may have shifted your desired allocation. Review your IPS and make the moves necessary to **get your portfolio in shape**.
5. **Audit insurance policies.** Too little coverage leaves you open to financial devastation, but as life circumstances change, you may not need as much as you previously did. Review all your coverage, including:
  - auto
  - health
  - homeowners (or renters)
  - life
  - disability
  - umbrella insurance

## Complete important year-end financial tasks

Use this handy year-end financial checklist to track the completion of many important tasks.

- **Fund tax-advantaged savings accounts**, including:
  - **401(k), 403(b), most 457, and the Thrift Savings Plan** – contribution limits for employees participating in one of these plans in 2020 is \$19,500, and \$26,000 for those over age 50.
  - **IRA** – contribution limits for 2020 are \$6,000, or \$7,000 if you're age 50 or older.
  - **HSA** – 2020 contribution limits are \$3,550 for an individual/\$7,100 for a family; an extra \$1k may be contributed by those 55 and older.
  - **529 or other college savings account**
- **Rollover** old retirement plans
- **Convert** Traditional IRA to Roth IRA
- **Harvest tax losses** – reduce up to \$3,000 (or \$1,500 if married filing separately) of regular income or other non-investment taxable earnings when you have more investment losses than gains (you can carry additional losses over to future years).
- **Take any RMDs (although not required in 2020)** – the CARES Act allows those typically needing to take RMDs from a defined-contribution retirement plan (i.e.,

401(k), 403(b), IRA) to skip them this year. This includes those who turned 70 1/2 in 2019 who would have been required to take their first RMD by April 1, 2020.

- **Start prepping for tax returns** – Ensure all your financial institutions and current or previous employers have your correct address. Establish a spot to accumulate the documents you'll need to file your taxes and start gathering them now – prior returns, bank and credit card statements, receipts, etc. Make a list of forms you expect to receive and keep track as they come in to ensure you have everything you need to **prepare your return** – think W-2s, 1099s, a 1099-G if you collected unemployment insurance, 1098-E for student loans, etc.
- **Estimate taxes and check current withholding amounts** – Review last year's return and **online calculators** to estimate this year's taxes and see if you're on track with having enough withheld. If not, make adjustments to your **withholding on your W-4**.
- **Donate** – In prior years, charitable contributions could only be deducted by taxpayers who itemize. But thanks to the CARES Act, even taxpayers who don't itemize deductions can take a charitable deduction up to \$300 for cash contributions made in 2020 to qualifying organizations such as those with educational, literary, religious, scientific, or other charitable purposes. For those that do itemize on your tax return, the CARES Act allows you to deduct as much as 100% of Adjusted Gross Income (AGI) instead of the usual 60% if you give your gifts in cash. More information about these and other changes can be found **here on IRS.gov**.

## **Complete Open Enrollment through employer or [healthcare.gov](https://www.healthcare.gov)**

November and December are typical **open enrollment** periods for many company benefit plans and **healthcare.gov**. If that's the case for you, it's important to review your options as plans and premiums may have changed this year.

- **Health insurance.** When the premiums have gone up, prepare your budget for the increased expense.
  - When you work for one of the many companies moving to a high deductible health care plan, check how your deductible has changed. If it's gone up, plan on adding to your savings to cover the difference. You may be able to do this in a health savings account. If that's not available to you, consider **establishing a sinking fund**, or add to your emergency savings.
- **Add coverages.** Open enrollment is also the time to add any **benefits** you may not already be taking advantage of (i.e., dental, optical, disability, flexible spending accounts, supplemental plans) or increase coverage amounts (life insurance).

- **Review retirement savings.** Review your selections in your retirement savings plan. Make sure you are contributing at least enough to get the employer match. If you have a fully-funded emergency savings account and eliminated your non-mortgage debt, increase your contribution.
- **Check beneficiaries.** Review the beneficiary designation on your retirement account and life insurance. Update them if appropriate. Your beneficiary designation determines who gets your retirement savings and insurance benefits regardless of a will or other documentation you may have. Children younger than eighteen should not be the beneficiary of either as they cannot receive distributions until they become legal adults.
- **Spend FSA funds.** **Flexible spending accounts (FSAs)** can save you money — as long as you spend the pre-tax dollars before the end of the year (unless your employer offers a grace period). Otherwise, you run the risk of losing it.

### Additional items to review

- **Estate plan** – do you need to make any changes to your will, powers of attorney, or advance health care directives
- **Beneficiaries** on additional insurance or retirement accounts and those named on **Transfer on Death, or Payable on Death Accounts**
- **Social Security** – visit [www.ssa.gov/myaccount/](http://www.ssa.gov/myaccount/) to review your SS account and preview estimated benefits

## Prepping for 2021

With a new financial health baseline, and year-end financial tasks checked off your list, it's time to **create goals** for 2021.

Do you want to become debt-free? Increase your emergency fund to one-year of expenses? Create your estate plan?

Will this be the year you buy a home, purchase a new vehicle, update your kitchen, or get braces for your teen?

Following a spending plan can help you allocate your money to your most important financial goals first. Planning for anticipated expenses by establishing sinking funds will help you **avoid taking on additional debt**.

### Anticipate change and create goals

Be sure to think ahead to any significant life changes you anticipate in the next year or two, such as marriage or moving in with a significant other, divorce, birth or adoption, college, a **career change**, or **entrepreneurship**.

These or other major life events are best done with some financial planning. You might want to speak with a [financial professional](#) or [hire a money coach](#) for guidance.

Once you identify your financial goals, make sure you write them down, and create some milestones to help motivate and keep you on track.

Finally, revisit your household's financial mission statement with your family to ensure any new money goals are keeping with it – or modify the mission statement to address new circumstances.

## **Final Thoughts**

Just like a home, your financial house needs constant upkeep. It can be easy to forget what all you must maintain once you've put it in place. So bookmark this page or download a free pdf of this article to use as your year-end checklist.

Then calendar time each year for a regular review to ensure your essential decisions don't become out of date.

With the change of seasons and the sun going down earlier, the end of the year can be a good time to review your financial wellness and prepare for a healthy and happy new year.

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