2019 Reminders & Checklists

HENSSLER Financial

It's the time of the year when counting down toward Jan. 1, also means crossing critical items off your financial to-do list. With the holiday season upon us, we know it can be tough to find the time to organize your financial life. To help you get started, we've put together a list of key planning items to consider. As tempting as it may be to sit back and enjoy the holiday season, there are several items on this list that may need your attention before year-end.

Establish and Fund Retirement Accounts

I have done this ______ I will do this by __________

If you earn income, you can save for retirement. You may have retired, but do you still provide consulting services as an independent contractor? You may be able to fund a SEP IRA. Is one spouse retired while the other continues to work? You may be able to fund a Spousal IRA. Did you establish a new business this year? You may consider a Solo 401(k). Did your child earn money this past summer mowing lawns or babysitting? You may be able to help them establish a Roth IRA.

Retirement Plan Timetable

Deadlines to establish and contribute to retirement accounts vary depending on the type of account.

Type of Account	Deadline
Traditional IRA and Roth IRA	Account must be opened and funded by the Individual Income Tax Filing deadline, usually April 15.
Individual 401(k)	Plan must be adopted by the last day of the business's tax year (usually December 31) for which contributions are made. Employer profit-sharing contributions must be made by the employer's tax filing deadline, including extensions. Salary deferral contributions should be made as soon as they can reasonably be separated from the employer's assets. If paid periodically throughout the year, salary deferrals should be made no later than the 15th business day following the month in which salary amounts are withheld (and never later than the employer's tax filing deadline, including extensions).
SEP-IRA	Plan can be adopted and funded up until the employer's tax filing deadline, including extensions.
SIMPLE-IRA	Plan may be set up as late as October 1 for the year in which contributions are intended. Employees must be given at least 60 days' notice to enroll in the plan and can begin salary deferral contributions any time after the plan is established. Salary deferral amounts must be in the employee's account within 30 days of the end of the month in which the deferral occurs. Employer matching or non-elective contributions must be made by the employer's tax filing deadline, including extensions.

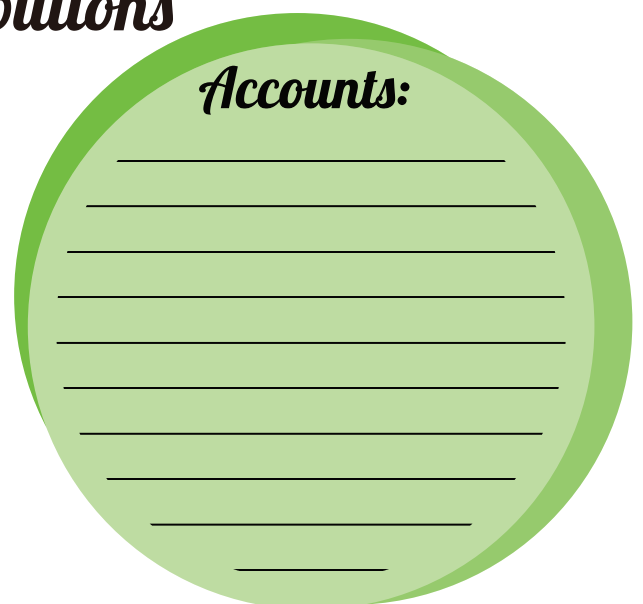
Take Required Minimum Distributions

I have done this ______ I will do this by __________

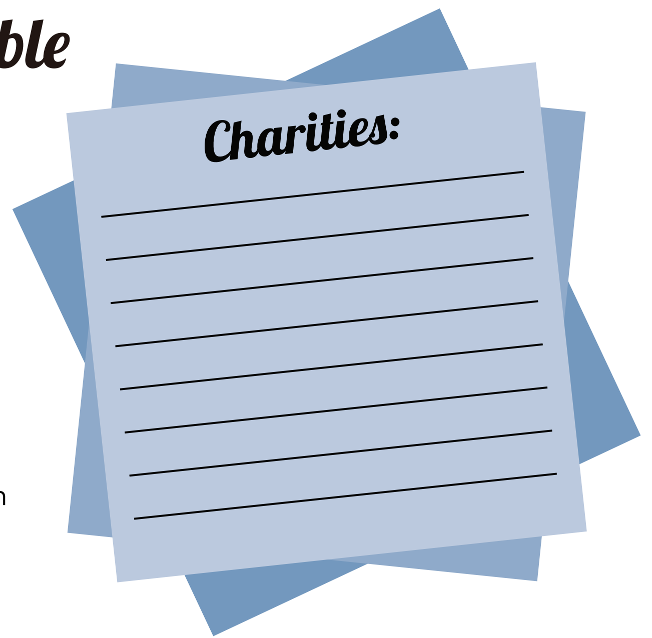
The IRS requires an account owner to withdraw required mandatory distributions (RMD) once you reach age 70½.

As the saying goes, "You can't take it with you," so when it comes to your tax-deferred retirement accounts, you either take the withdrawal and pay the taxes, or pay a merciless penalty of 50% of the amount not withdrawn, in addition to the tax that is due on the withdrawal.

If you turned 70½ this year, you have until April 1, 2020, to take your first RMD, albeit with potential tax consequences.



Make a Potentially Tax-Deductible Charitable Contribution



I have done this ____ I will do this by ________

You may want to consider donating highly appreciated stock. You wouldn't be donating after-tax income, and you could avoid the capital gains tax you may owe if you sold the stock. This is a win-win because you may be eligible for a deduction for the full fair-market value of the stock at the time of the gift, and tax-exempt charities won't have to pay capital gains when they sell the stock.

If you are older than 70½ in 2019, you can donate to charity from your IRA, which satisfies your required minimum distribution for the year.

If you give to charity regularly, you may want to consider setting up a Donor Advised Fund for an immediate income tax deduction that will provide future gifts to charity over time. Please know that any distribution from your IRA account to a donor-advised fund is not a Qualified Charitable Distribution (QCD) for tax purposes.

Gifts to Charitable Organizations Outside of Schwab

Type of Contribution	Requirements for 2019 Tax Deduction
Restricted stock	Schwab must have received letter of authorization by close of business Nov. 13 2019 for physical certificates, or by December 13, 2019 for Control/Affiliate book-entry shares.
Stock transfers via physical certificate (except restricted stock)	Any physical certificate delivery that is not DRS eligible was due by November 1, 2019. Schwab no longer requests the issue of physical certificates.
Mutual funds	Letter of authorization by close of business December 2, 2019.
Stock transfers via DTC or DRS (except restricted stock)	Letter of authorization by close of business December 18, 2019.
Cash/securities journals (except restricted stock)	Letter of authorization by close of business December 27, 2019.
Qualified charitable distributions	Check with your service team for processing deadlines.
Wire transfers to another financial institution	Must receive wire transfer request by December 13, 2019.

Fund a Health Savings Account

I have done this _____ I will do this by __________

For 2019, those in high-deductible health insurance plans can sock away as much as $3,500 before taxes. For families, the figure is $7,000, and those age 55 and older can contribute an additional $1,000. These funds can be invested, which may allow you to leverage the amount you are setting aside for potential healthcare expenses. If your money then grows as a result, you receive tax-free growth on those earnings, causing it to compound more quickly than if you invested after-tax dollars. You also get tax-free withdrawals on all your qualified healthcare expenses—ones you would otherwise be paying for with after-tax money.

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Spend Flex Dollars

I have done this _____ I will do this by __________

Flexible spending plans allow employees to save pre-tax dollars from their paychecks to pay their out-of-pocket health care expenses, such as co-pays, deductibles, prescription eyewear, and vaccines. Unlike a Health Savings Account, flexible spending plans also have a "use-it-or-lose-it" rule.

Generally, unused dollars left in the plan at the end of the plan year are forfeited. Some plans have a two-and-a-half-month grace period to use funds following the end of the plan year. Others have adopted a carryover rule, so you may be able to carry over up to $500 of unused money in your flexible spending account to the following year.

FSA Eligible Items Needed:

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Contribute to a 529 Plan

I have done this _____ I will do this by __________

Such contributions must be made before the end of the year to take advantage of any state income tax benefits or to be eligible for the federal gift-tax exclusion. Georgia taxpayers can take up to a $4,000 deduction for contributions to Georgia's Path-2-College 529 Plan per year per beneficiary for those filing a joint return, and up to $2,000 per year per beneficiary for all others regardless of their income level.

If you are in a position where you do not need your required minimum distributions for living expenses, you can direct those funds to a 529 Plan for your grandchildren. You can contribute up to $15,000 a year without incurring a gift tax or up to $30,000 for joint filers. You can also "superfund" a 529 Plan by contributing up to five years of contributions at once—$75,000 for single filers and $150,000 for joint filers. The donors must elect to treat the contributions as having been made over five years. No exceptions!

If your estate is large enough to be subject to estate tax, super funding a 529 Plan can be a good way to remove assets from your estate.

529 Plans:

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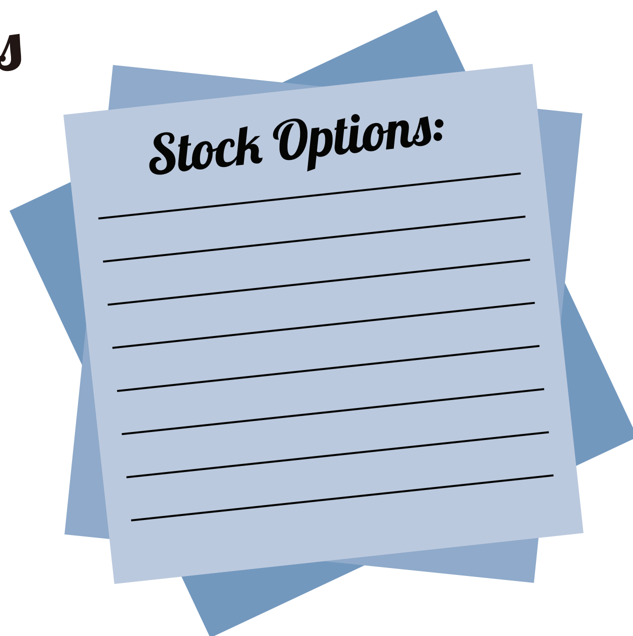
Make a Strategy for Stock Options

I have done this ____ I will do this by ________

The two most common types of stock options are Incentive Stock Options (called ISOs) and Nonqualified Stock Options (NQSOs). These two types are treated very differently on your annual tax returns and differ greatly in the amount of tax owed. When NQSOs are exercised, an employee will recognize ordinary income (on their W-2) equal to the difference between the market value of the company stock on the date of exercise and the grant price. On the other hand, in the year that you exercise an ISO, the difference between the market value of the stock on the exercise date and the exercise price is reported as income under the Alternative Minimum Tax rules. Unless you sell the stock in the same year, you may create an AMT liability. ISOs are reported along with other preference items. Consider using a tax professional to ensure you minimize your tax liability and help with developing an investment strategy associated with your stock options.



Postpone Income and Accelerate Deductions

I have done this ____ I will do this by ________

Postpone income until 2020 and accelerate deductions into 2019 if doing so will enable you to claim larger deductions, credits, and other tax breaks for 2019 that would otherwise be phased out because of adjusted gross income (AGI). These include deductible IRA contributions, child tax credits, higher education tax credits, and deductions for student loan interest. Postponing income is also a good move for taxpayers who anticipate being in a lower tax bracket next year due to changed financial circumstances. In some cases, you may benefit from accelerating income into 2019. For example, if you will have a more favorable filing status this year than next (e.g., head of household versus individual filing status), or you expect to be in a higher tax bracket next year.

Consider Roth IRA Conversions

I have done this ____ I will do this by ________

If you believe a Roth IRA is better than a traditional IRA, consider converting traditional IRA money invested in beaten-down stocks (or mutual funds) into a Roth IRA in 2019 if eligible to do so. Currently, there is no income limit for a Roth conversion; therefore, it may be beneficial to convert funds in a pre-tax IRA to a Roth, potentially avoiding higher future tax rates on your eventual withdrawals. Qualified withdrawals from a Roth IRA are free from federal income tax. Additionally, withdrawals are not required, so a Roth may result in additional money being transferred to your heirs. Keep in mind, however, that such a conversion will increase your AGI for 2019, and possibly reduce tax breaks geared to AGI (or modified AGI).

Check on Your and Your Parents' Long-Term Care Coverage

I have done this _____ I will do this by __________

If you are in your 50s, consider taking the time to talk to a trusted insurance agent about your options for long-term care. The interest rate environment today may work to your advantage. There is a real benefit to obtaining long-term care policies early. Statistically speaking, the average long-term claim begins at age 80. Using that as a benchmark, the closer you get to that age, the more expensive policies become. Likewise, the further you pull back from age 80, the lower the premium you should be able to get.

It's also a good time of the year to gently review long-term coverage with parents or elders. Long-term care coverage for older parents is one area often overlooked, as many retiring seniors fail to consider how much they will have in the way of out-of-pocket health care costs post-retirement.

If you are concerned about the high costs of a traditional long-term care insurance policy, you might consider a hybrid life-LTC policy that combines permanent life insurance coverage with long-term care benefits. Keep in mind that any payouts for covered LTC expenses reduce (and are usually limited to) the life insurance death benefit that would go to your heirs, and benefits can be much less than those of traditional long-term care policies.

My LTC Coverage:

Parents' LTC Coverage:

Review Your Beneficiaries

I have done this _____ I will do this by __________

Making sure your Will is updated is not the only step to creating an estate plan. Many assets pass outside of your Will, so it is important to fully understand how assets transfer. Retirement accounts, such as 401(k)s and IRAs, transfer via beneficiary designation, while bank accounts or brokerage accounts may pass according to how the assets are titled. Life insurance policies also use beneficiary designations.

Life events often equal significant financial events. Marriage, divorce, birth of a child, and death all may require you to re-evaluate your beneficiary designations and Will.

Beneficiaries:

Use Your Annual Gift Tax Exclusion

I have done this _____ I will do this by __________

Make gifts sheltered by the annual gift tax exclusion before the end of the year, as doing so may save gift and estate taxes. The exclusion applies to gifts of up to $15,000 made in 2019 to individuals of an unlimited number of recipients. If the gift giver is married and both spouses agree, gifts to recipients made during a calendar year can be treated as split between the husband and wife, even if only one of them made the cash or property gift. Thus, by using this technique, a married couple can give $30,000 a year to each recipient under the annual limitation.

You can't carry over unused exclusions from one year to the next. Such transfers may save family income taxes where income-earning property is given to family members in lower income tax brackets who are not subject to the kiddie tax.

You don't have to gift cash—you can gift highly appreciated stock shares to pass along the tax liability to someone in a lower tax bracket, or you can gift shares or other business interest in your closely held company as part of a planned business exit strategy.

Gifts to Make:

Higher Standard Deductions, Less Itemized Deductions

I have done this _____ I will do this by __________

Many taxpayers won't be able to itemize because of the high standard deduction amounts that apply for 2019 ($24,400 for joint filers, $12,200 for singles and marrieds filing separately, $18,350 for heads of household). Furthermore, many itemized deductions have been reduced or abolished. No more than $10,000 of state and local taxes may be deducted; miscellaneous itemized deductions (e.g., tax preparation fees and unreimbursed employee expenses) are not deductible; and personal casualty and theft losses are deductible only if they're attributable to a federally declared disaster and only to the extent the $100-per-casualty and 10%-of-AGI limits are met.

You can still itemize medical expenses but only to the extent they exceed 10% of your adjusted gross income, state and local taxes up to $10,000, your charitable contributions, and interest deductions on a restricted amount of qualifying residence debt. However, these items won't save taxes if they don't cumulatively exceed your standard deduction.

A workaround to consider is to apply a bunching strategy to pull or push discretionary medical expenses and charitable contributions into the year where they will do some tax good. For example, if you know you will be able to itemize deductions this year but not next year, then you may benefit by making two years' worth of charitable contributions this year, instead of spreading your donations over 2019 and 2020.

Itemized Deductions:

Delay Until Next Year:

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