10 Financial Planning Tips for Clients to Start 2019 Off Right

(AICPA)

The first few weeks of the new year can be a good time for investors to make sure their financial house is in order and set themselves up to achieve their monetary goals.

**1. Start the New Year with a new plan.** One of Lisa Featherngill’s favorite tips is to begin the year with a fresh plan.

“First you have to update your balance sheet, so you know your starting point. Then set goals — reduce debt or increase investments or something else — and attach a dollar amount,” Featherngill, a member of the AICPA PFP Executive Committee, suggested.

Then, a plan can be created to achieve those goals.

“It’s that simple, but you have to know where you are now in order to determine where you want to be,” Featherngill said.

**2. Review 2018 spending in conjunction with 2019 budgeting.**

Early January provides an ideal window for reviewing prior-year expenses and developing a reasonable budget for the current year, according to Michael Landsberg, a member of the AICPA PFP Executive Committee.

Landsberg suggested to strip out one-time nonrecurring expenses — such as emergency room visit or housing repairs — and then plot a course for 2019 spending that includes a buffer for future unforeseen expenses.

**3. Review automatic payment subscriptions and renewals.**

The start of the new year is a good time to review all the various automatic payments and subscriptions set up in the past, Brooke Salvini, a member of the AICPA PFP Executive Committee, said.

“Some expenses, such as entertainment streaming services, a gym membership or an old magazine subscription may no longer fit into your budget, lifestyle, or new year priorities,” Salvini said in a statement. “It’s easy for money to slip away by losing track of all the small payments scheduled through automatic payment methods.”

Salvini suggested making a review of these payments a part of one’s general New Year cleanup.

**4. Update your Form W-4 for withholding.**

As Julie Welch pointed out, “2018 saw major changes to individual taxes. The IRS substantially revised the withholding tables in early 2018.”

Now that 2019 has begun, Welch, a member of the AICPA PFP Executive Committee, suggested that individuals check their withholding to see if they need more or less withheld in 2019.

**5. Make an early calculation of 2018 taxes.**

The new tax bill has likely made significant changes to individuals’ tax opportunities, according to David Stolz, a member of the AICPA PFS Credential Committee.

“Don’t wait until April to understand what those opportunities are for you,” Stolz said. “You may need to adjust your withholding, change your charitable giving strategy, take advantage of new tax brackets or depreciation rules among many other strategies.”

**6. Revisit workplace retirement plan contributions.**

The beginning of the year is a good time for individuals to review their workplace retirement plan contributions.

Robert Westley, AICPA PFS Credential Committee member, suggested that employees strive to increase their retirement plan contribution percentage from 2018.

“Pairing the deferral increase with a salary raise is a painless way to boost retirement savings. For example, if you received a 4% raise in salary and increased your contribution rate by 2%, your net paycheck and savings will both be higher,” Westley said.

**7. Make an IRA and HSA contribution for 2018 (if you haven’t already).**

David Oransky pointed out that individuals have until April 15 to make eligible IRA and HSA contributions for 2018.

According to Oransky, a member of the AICPA PFP Executive Committee, the combined traditional and Roth IRA contribution limit is the lesser of $5,500 or an individual’s taxable compensation.

If the individual is filing a joint return but doesn’t have any taxable compensation of his or her own, that individual may still be able to contribute under the spousal IRA provisions, Oransky noted.

Meanwhile, for an HSA, the contribution limit is $6,900 if the individual has a family high-deductible health plan (HDHP) or $3,450 for self-only HDHP coverage, according to Oransky.

**8. Contribute to your IRA now.**

David Desmarais, member of the AICPA PFP Executive Committee, has some tips on how individuals should contribute to their IRA.

“For married couples with modified adjusted gross income over $203,000, you cannot make direct Roth contributions. However, there are no income limitations on doing a Roth conversion or nondeductible IRA contribution,” Desmarais said.

Individuals can make a nondeductible IRA contribution and immediately roll it over into a Roth, according to Desmarais.

“The reason why you roll it over immediately is if there are no earnings in the IRA before it is rolled into a Roth, there is no income to pick up on the conversion,” he explained.

However, he noted that this doesn’t work if the individual has other traditional IRAs that have untaxed earnings — whether it be from unrealized gains or prior deductible IRA contributions.

**9. Take a look at your current allocation.**

“With increased market volatility during 2018, your various asset classes may have drifted out of balance,” said Michael Landsberg, member of the AICPA PFP Executive Committee.

Landsberg suggested individuals use the beginning of January to analyze any material shifts that may have occurred due to 2018 performance.

“Diversification is important for managing portfolio risk, so rebalancing may be necessary,” he added.

**10. Make annual exclusion gifts to heirs now.**Robert Westley, a member of the AICPA PFS Credential Committee, suggested that individuals consider making gifts to beneficiaries at the beginning of the year.

“For those looking to reduce their estate tax exposure, individuals can give up to $15,000 to an unlimited number of beneficiaries per year without utilizing their lifetime estate tax exclusion amount or paying a gift tax,” Westley said.

According to Westley, completing these gifts at the beginning of the year allows an individual’s beneficiaries to receive a few additional months of potential appreciation.

By [**Emily Zulz**](https://www.thinkadvisor.com/author/profile/Emily-Zulz/) | January 11, 2019 at 10:53 AM

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