

## 16 financial moves to make before the end of the year

It's almost 2026... do you have a customized financial plan to help you reach your goals and dreams?

Although we can all think of more exciting ways to spend our time, organizing our financial future will pay huge dividends in the long run. We recommend to use the calm before the year-end holiday busy season to make some smart money and tax moves.

**Tax-planning is an important part of investing. Proper planning and strategies help you save money and accelerate wealth building to reach your goals.**

The last two months of the year are often a mad rush so we thought that it is a good time to share the BFM checklist of important items to consider before the calendar year ends, all related to your investments and finances so that you can **reach your goals and dreams faster**.

Here is a list of recommendation thanks to our friend at Bourbon Financial Management's yearly checklist.

### **Summary**

1. Review your IRA - 401(k) / 403(b) retirement accounts - Are you on track for a comfortable retirement?
2. Start tax planning! It's not too early to think about taxes - Asset location & Tax efficiency
3. Rebalance your portfolio
4. Harvest your capital losses
5. Check your emergency fund
6. Review your insurance policies
7. Contribute to your Health Spending Account
8. Contribute to your 529 Plan
9. Determine your net worth
10. Check your credit score

11. Check your beneficiaries
12. Update your estate plan
13. Maximize your business deductions
14. Spending and automated savings - You want to look ahead
15. Manage income tax brackets
16. Take retirement account distributions

### **1. Review your IRA - 401(k) / 403(b) retirement accounts - Are you on track for a comfortable retirement?**

You could increase the funding of your IRA and company retirement plan (401(k) or 403(b) accounts).

Usually, avoid taking distributions prior to age 59½ otherwise a 10% early withdrawal penalty may apply.

401(k) and 403(b) accounts allow individuals younger than 50 to contribute \$23,500 in 2025, and individuals 50 and older to contribute \$31,000 (more if you are 60 to 63). Some plans allow workers to make additional contributions of after-tax money. For those under 50, the maximum is \$70,000 (or \$77,500 with catch-up if above 50 years old). Taxes are deferred on any earnings that the after-tax money makes. Later, some people roll these contributions into a Roth IRA (mega backdoor) or Roth 401k so the **money would then grow tax-free and avoid the Required Minimum Distribution** during retirement.

Traditional and Roth IRAs allow individuals younger than 50 to contribute \$7,000 each year and individuals 50 and older to contribute \$8,000 each year. Even if you earn too much to contribute to a Roth IRA directly, it may be beneficial to you **to open a traditional "nondeductible" IRA and convert it to a Roth**; there is no income limit on traditional nondeductible IRAs or conversions. You just need to file IRS form 8606.

Maybe it is time to roll over an old and expensive 401(k) to your IRA?

### **2. Start tax planning! It's not too early to think about taxes. Asset location & Tax efficiency**

Review your taxable and non-taxable accounts to ensure they are **optimized for tax efficiency**.

Evaluate if you should delay purchasing mutual fund shares until 2026 to avoid taxes on brand new investments.

If you have foreign bank accounts, make sure you comply with FATCA and FBAR (forms FinCEN 114, 8938, 8621 for PFIC...). If you have forgotten, you may look into the Streamlined procedures.

If you have some French SCI for your real estate, make sure you file IRS form 8865 or 5471. If you have forgotten, you may want to contact a tax expert to minimize the penalties.

The federal income tax rates on long-term capital gains and qualified dividends are 0%, 15%, and 20%. High-income individuals can also be hit by the 3.8% NITT. It is still lower than the top regular tax rate of 37%. **Holding on longer to your appreciated securities can lower your taxes.** Owning them for at least one year and a day is necessary to qualify for the preferential long-term capital gains tax rates.

**Selling the right shares may also lower your taxes.** It may be beneficial to you to sell shares that have been held a year or less rather than those held longer. Selling recently purchased shares at little or no gain may be better than selling shares held for more than one year if that sale would produce a significant gain. In that case, you should notify your broker regarding the specific shares you want to be sold.

Morningstar estimates that approximately 1%-2% are lost annually to tax-inefficient investing. If a fund had a tax cost ratio of 1.5% for a three-year time period, it means that on average each year, investors in that fund lost 1.5% of their assets to taxes.

Asset Class (Data as of 8/30/17)	Tax Cost Ratio 1yr	Tax Cost Ratio 3yr	Tax Cost Ratio 5yr	Tax Cost Ratio 10yr
Foreign Large Blend	1.32	1.05	0.82	1.05
Global Real Estate	2.02	1.64	1.74	1.61
High-Yield Bond	2.23	2.42	2.45	2.57
Intermediate-Term Bond	1.15	1.15	1.2	1.37
Large Value	1.25	1.6	1.41	1.1
Long Term Bond	2.11	2.25	2.27	2.27

Source : Morningstar-JeffNat

**You can also invest in tax-free accounts or in tax-free securities.**

### **3. Rebalance your portfolio**

Make sure you have rebalanced your portfolios to keep them in line with your goals, time horizon and risk tolerance. The market movements may have thrown off your portfolio balance between stocks and bonds. **U.S. Stocks went up more than 1000% since March 2009.**

While it requires investors to do what is emotionally uncomfortable (buy low, sell high), benefits include addressing unintentional portfolio allocation "drift", and reducing overall portfolio volatility with potential for higher returns.

#### **4. Harvest your capital losses**

Maybe it is time to sell some funds, ETF, or stocks to generate some capital losses?

Tax-loss harvesting is a **method of reducing your taxes** by selling an investment that is trading at a significant loss.

Find out if you have any loss carryovers from prior years to be applied against capital gains (from sale of funds, ETF, stocks... in your taxable/brokerage accounts). If your current year's capital losses exceed your capital gains, you have a net capital loss. You can use up to \$3,000 of that loss to **offset other taxable income** such as your salaries, wages, interest and dividends. If the capital loss is more than \$3,000, you can carry over the excess and apply it against capital gains next year.

If you sell a security and want to buy it again, you should avoid the wash loss sales rule (can re-purchase after 30 days).

If your taxable income is below \$96,700 (if filing jointly), long term capital gains tax rate is 0% so you may want to recognize some capital gains.

#### **5. Check your emergency fund**

Don't forget to establish or tune up your emergency fund. It is an account that is used to set aside funds to be used in an emergency, such as the loss of a job, an illness or a major expense. This is also a good time to set aside money for the next year's cash needs (in Dollar, Euro...).

#### **6. Review your insurance policies**

Do you have a life, disability, long term care, or an umbrella insurance? Make sure you and your loved ones are well protected if something happens to you. Your life may have changed (birth, marriage...). If you do have enough coverage, it is also a good time simply to review the different types of coverage you

have.

## **7. Contribute to your Health Spending Account**

Did you maximize your contribution to your healthcare HSA if you have a high-deductible health coverage?

The **interest and earnings in this account are tax free!**

The maximum contribution for 2025 is \$4,300 for an individual and \$8,550 for a family (\$1,000 catch-up if you are over 55). The **contributions are tax deductible and withdraws are non-taxable** if they are used for medical expenses. Over the age of 65 you can withdraw funds with no tax (if the distribution is used for unreimbursed medical expenses so don't forget to keep your medical receipts starting today).

You may want to pay medical expenses out-of-pocket and save HSA for retirement use.

Fidelity estimates that a 65-year-old couple retiring will need \$330,000 for health care costs in retirement, in addition to expenses covered by Medicare. The HSA can be a **great source of tax-free money** to pay those bills.

If you have a Flexible Spending Account, make sure that you have spent the entire balance in your FSA.

## **8. Contribute to your 529 college savings plan**

Did you contribute to your 529 educational plan?

You can contribute \$19,000 per year (annual gift tax limit if you don't want to use your lifetime gift exemption) per person and you can pre-fund in a single instance for up to five years' worth of contributions, i.e. up to \$95,000 (5 x \$19,000). Together, that means a married couple can open a 529 plan with \$190,000. The maximum annual contribution to a 529 plan is set by individual state plans, with limits ranging from \$235,000 to over \$597,000 total per beneficiary.

Money saved in a 529 plan **grows tax-free** when used for eligible educational expenses (including tuition only for grades K-12, limited to \$20,000 annually starting 2026). You can change beneficiaries.

It reduces taxable estate and may provide state income tax deduction. Note that you can contribute more than \$19,000 in one year or \$95,000 over five years. Any gifts above the annual exclusion amounts will have to be reported on the federal tax Form 709, and these will be counted against the lifetime

exclusion (\$15+ million).

### **9. Determine your net worth**

Add up what you own (home, car, savings, investments, French wine...) and subtract what you owe (mortgage, loans, credit cards, ...).

This will allow you to track your progress year to year. It may also give you some incentive to save more and create a better budget for next year.

### **10. Check your credit score**

Go to [annualcreditreport.com](http://annualcreditreport.com) and request a free credit report from each of the three nationwide credit reporting agencies. You're entitled to **one free report** from each agency every 12 months.

**Monitor your credit score regularly** (Cybersecurity-Equifax was breached) with companies with [myfico.com](http://myfico.com). A service like [lifelock.com](http://lifelock.com) may be useful too.

### **11. Check your beneficiaries**

You can check the beneficiaries, and contingent beneficiaries on your financial accounts or insurance policies at any time, but it's a good idea to do this at least annually.

### **12. Update your estate plan**

New baby? Newly married or divorced? Make sure your beneficiary designations reflect any changes.

Don't yet have an estate plan? Make that a new year's resolution!

Estate planning may include updating or establishing a "will", a **trust that can help avoid the costs and the public disclosure of assets in probate**, a Power of Attorney...

### **13. Maximize your business deductions**

**You may want to increase your participation in passive activities** since the rules prevent taxpayers from deducting losses from business activities in which they do not "materially participate." To meet the material participation standard, there are some tests (e.g., spending more than 500 hours per year in

day-to-day operations, performing substantially all the work in the activity, or completing more than 100 hours per year and more than anyone else). It may be very beneficial if you're expecting a loss from your activity.

#### **14. Spending and automated savings – You want to look ahead**

Did you review your budget and set up automated savings?

You may have started the year with a clear budget, but did you stick to it?

Fall can be a good time of the year for your financial checkup and to reflect on your spending, and develop a budget for next year.

It is also a very good time to **put whatever you can on automatic**. Bills, recurring payments, even savings - the more you can put on auto pay now, the easier your financial life will be next year.

With this year's facts and figures in front of you, it will be easier to plan and prioritize your expenditures for next year.

#### **15. Manage income tax brackets**

During a higher tax year, you may want to increase retirement plan contributions, recognize capital losses, avoid capital gain recognition, defer retirement account distribution, and accelerate charitable giving.

During a lower tax year, you may want to recognize capital gains, accelerate income recognition, delay pass-through business expenses, consider Roth IRA conversions, and defer charitable giving.

#### **16. Take retirement account distributions**

When you reach age 73 / 75, take the IRA required minimum distributions (RMD) before December 31 annually. There may be penalties if you forget.

Contrary to qualified account like 401ks, traditional IRAs/SEPs and SIMPLE IRAs can combine balances to determine RMD (can be withdrawn from one account).

## **Annual Reminders**

At 50, you may be eligible to make catch-up contributions to an IRA and/or employer plan (e.g. 401(k), 403(b), SIMPLE IRA or governmental 457(b) plan)

At 55, you may be eligible to take a distribution from 401(k) without being subject to the 10% early distribution penalty. You may also be eligible to make catch-up contributions to a health savings account (HSA)

At 59 ½, you may be eligible to take penalty-free distribution from IRA and company plan; You may be able to take tax-free distributions from Roth IRA (must be open for at least 5 years)

At 62, you are eligible to apply for Social Security benefits

At 65, you are eligible to apply for Medicare

At 73 / 75, you must begin taking RMDs from IRAs (incl. SEP and SIMPLE) but not Roth

## **Conclusion**

Segment and prioritize your personalized goals for 2026. Discuss major life events, such as a marriages or divorces, births or deaths in the family, employment changes, and significant new expenses (real estate, college tuition, new car...).

## **You want to look ahead!**

This letter is intended to give you a few ideas and a checklist to get you thinking about planning for a better 2026.