INVESTOR'S BUSINESS DAILY

December 18, 2015

5 Changes To Make To Your Financial Plan Now

By MARIE BEERENS
INVESTOR'S BUSINESS DAILY

Keep your financial documents up-to-date so you can spend more time worry-free in retirement. View Enlarged Image

With so many regulatory changes affecting retirement, Social Security and estate planning, you should update your estate plan for the New Year. Some key elements:

1. Make gifts to family. In the spirit of the holiday season, plan to give gifts of cash or tangible property of up to $14,000 per person. There is no limit on how many gifts you can make, and there is no gift or estate tax. Couples can combine their gift giving for up to $28,000.

"Many of my clients will give a check to their kids at the holidays, which accomplishes their estate-planning objective and is still a welcome gift," said Erin Thrash, attorney and managing partner at Austin, Texas-based estate planning practice Thrash Law Firm. "In fact, one of the easiest ways to reduce a potentially taxable estate is to establish a long-term strategy and give annual gifts to your beneficiaries."

2. Give to charity. In the same spirit, you can also make a donation to a charity, Thrash says. It's especially important if you've had a large income tax event this year. If you tend to make significant charitable donations, consider establishing a family foundation.

To avoid capital gains tax, donate appreciated assets such as stocks, advises J.J. Burns, CEO and president of wealth manager JJ Burns and a Certified Financial Planner Board of Standards ambassador. A donor-advised fund is another option to get the charitable deduction today and avoid capital gains tax but retain decision power for future use of the money: "Most people are not really sure where they want to make their donations. This is where they can utilize something very valuable, and it costs nothing to set up," Burns said.

3. Check your beneficiaries. This applies not just to your personal estate plan but also to the benefits you get at work, such as life insurance and retirement assets, explained Thrash. "One of the worst situations I had was a gentleman who got divorced and failed to change his beneficiary designations on his 401(k). He did, however, for the next 20 years, review and tailor his benefit package. His first wife received the 401(k) at his death!"

4. Craft health care proxies, powers of attorney and an updated will. It's never too late to schedule a meeting with your attorney to create or update those documents. Now is also a time when family members can gather around a holiday dinner or drinks to discuss important estate planning issues.

Parents can pay for two things, said Lynn Ballou, financial advisor and managing partner at Ballou Plum Wealth Advisors and a CFP Board ambassador. "Pay for a collaborative meeting with their estate planning attorney and their family financial planner to talk to all the generations in one room about the parents' vision about how they want to leave assets. ... Furthermore, they're going to offer to pay for their children to have their estate plan done as well."

5. Apply for Social Security and set up life insurance.

If your need for current income outweighs the benefits of delaying the start of Social Security benefits, and you will be age 62 before Dec. 31, you should use the start-and-suspend claiming strategy by filing a claim by Dec. 31. "One of the best strategies for married couples considering their Social Security and retirement finances goes away by the end of this year, so this needs to be addressed ASAP," said Thrash.

Update or buy life insurance, an important component in a successful estate plan, "particularly in a year like 2015, when your money didn't make much money," said Thrash. "If your family was left without the major wage earner, how long could they survive on the cash currently available to them?"

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