Your Annual Review Checklist

Preparing for an annual financial review may be easier with a checklist to help you focus on important matters. With that in mind, here is a list of key considerations that you may want to discuss with your financial advisor.

**DO I NEED TO REBALANCE MY ASSET ALLOCATION?**

Depending on the performance of your investments so far this year, you may want to examine whether your mix of stocks, bonds, cash, and other assets is close to your target. If not, it may be time to rebalance to a mix that more closely resembles your desired exposure to risk and potential return.\(^1\) Rebalancing can be accomplished in two ways: You can sell existing assets and use the proceeds to bring your portfolio closer to your desired mix. Or you can leave your portfolio as is and allocate new investments to the areas that you want to increase. Rebalancing may involve tax consequences, especially for non-tax-deferred accounts.

**AM I ON TRACK TO FUND MY RETIREMENT?**

Making sure you are on track to amass the assets you will need for your later years should be one of your key concerns. If you participate in an employer-sponsored retirement plan, consider investing as much as you can afford. If you do not have access to an employer-sponsored plan, or if you do and can afford to contribute even more, consider funding an IRA.

**WHAT WERE MY YEARLY CAPITAL GAINS AND LOSSES?**

If your year-end planning entails selling certain assets, be aware of rules regarding capital gains and losses. Gains on investments held less than one year, known as short-term capital gains, are taxed as ordinary income. Gains on investments held for one year or longer, considered long-term capital gains, are taxed at a maximum rate of 20% for federal income tax purposes. State tax rules may differ. On the federal level, capital losses offset capital gains and are netted against each other. If net capital losses still remain, up to $3,000 may be used to offset ordinary income. Capital losses not used in a given year can be carried forward to future years. Note that different rules apply for gains on the sale of collectibles, or qualified small-business stock.

**AM I TAKING FULL ADVANTAGE OF TAX-ADVANCED ACCOUNTS?**

Remember that certain types of investments receive favorable tax treatment. Employee contributions to traditional 401(k)s, for example, are deducted from your paycheck before taxes are assessed, which lessens taxable income during the year the contribution is made. Contributions may potentially grow free of federal income taxes until qualified withdrawals are made during retirement. If you are age 59 1/2 or older and have maintained the account for a minimum of five years, qualified withdrawals from a Roth IRA are tax free.\(^2\) (To contribute to a Roth IRA, investors must meet income thresholds established by the IRS. Learn more at www.irs.gov.)

You may have additional concerns unique to your situation, but this checklist may help you keep your investment portfolio in order.

\(^1\)Asset allocation and rebalancing do not assure a profit or protect against loss in a declining market. There may be a potential tax implication with a rebalancing strategy. Please consult your tax advisor before implementing such a strategy.

\(^2\)For nonqualified withdrawals, restrictions, penalties, and taxes may apply.

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