YOUR ANNUAL PLAN: THREE STEPS TOWARD YOUR FINANCIAL SUCCESS

As the days get shorter and cooler, it's a good time to conduct a comprehensive annual financial review. And while there is no such thing as a one-size-fits-all financial plan, the three-step review process outlined below can help you do a better job of keeping your financial house in order from one year to the next.

Step 1: The Year's Not Over Yet—Make Time for a Progress Check

The main reason for creating an annual financial plan is to plot out the most efficient route to follow as you pursue essential short- and long-term goals for the upcoming year. However, it's difficult to get a clear vision of the future without first reviewing any existing plans to gauge whether you've managed to stay on the right track this year—and to make sure you're not overlooking any opportunities that might present themselves between now and the end of the year.

It's still not too late to make significant progress before putting a new calendar on the wall. For example, ask yourself the following questions:

- Have you taken full advantage of gifting strategies as part of your overall estate plan this year? This can be an effective way of supporting loved ones (or a charity) while simultaneously reducing your future estate tax burden.
- Have you considered selling "losing" investments in order to offset taxes on gains elsewhere in your portfolio?
- Are you certain that all of your beneficiary designations and other information on important legal documents remain up to date?
- Have you maximized IRA contributions yet? Technically speaking, the contribution deadline isn't until the April tax-filing deadline, but you probably shouldn't wait until the last minute to fund your IRA.

Step 2: Plan for Next Year Before Next Year

In all likelihood, you probably already know about some of the financial goals you'd like to chip away at in the coming year. The key to success, however, is to begin working on next year's priorities before next year actually arrives. For example, you may want to make sure you're in a position to:

- Set aside enough money in an employer-sponsored retirement account. If you're not yet contributing to one, find out when your employer allows new participants to enroll for next year, and then make plans to do so. If you're already participating, but not yet contributing the maximum, start looking for ways to afford bigger contributions in the year ahead.
- Accumulate enough money for other major financial priorities. If you're still working, for example, what more could you do to reach your goal of buying a home, funding an education, or paying off debt, etc.?
- Confirm the effectiveness of income-stream strategies. If you're already retired, what income sources have you been relying on, and do they provide enough money to meet your planned and unplanned expenses? Also, are you maintaining a sustainable withdrawal rate from your retirement accounts? Taking out too much money this year could leave you shortchanged later in life.
- Rebalance your portfolio. This could be necessary if market performance has altered your asset allocation since the last time you adjusted it, or if your personal outlook has changed at all since then. Keep in mind, rebalancing may trigger a taxable event.

Step 3: Give Your Plan a Long-Term Vision

There's an old adage that declares, "The only constant in life is change." Whoever coined that phrase probably wasn't talking about financial planning, but the words certainly apply to the task of conducting an annual review.

With that in mind, try to maintain a flexible outlook regarding your strategies for the future and make a point of considering priorities that will still be need to be addressed well beyond next year, including:

- Estate planning: Many people have done nothing to prepare financially for the post-death management of their assets. Have you? Failure to do so could leave your heirs shortchanged.
- Insurance coverage: Generally speaking, it's better to have insurance and not need it than to need it and not have it. Conducting an insurance needs analysis and reviewing your existing coverage should be on your financial "to do" regardless of what year it is.
- Meeting with your investment professional. A lot can change in 12 months. Be sure to touch base at least once a year, if not more often, in order to make sure all your bases are covered.

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