Northwestern Mutual®

Year-end planning

When we work together to make sure next year is your best year, that's a better way to money™

ANNUAL REMINDERS

You're going places. At least once a year, you'll want to sit down with your advisor and make sure your money is keeping up. The end of the year is a great time for a review.

- Establish or update your budget: Creating an itemized budget can help you understand where your money is going and whether or not it's time to reevaluate some expenses. If you already stick to a budget, the end of the year is a good time to take another look at your goals, check your progress, and adjust your spending for life changes that may have occurred or are set to occur.
- Review rates on your outstanding debt: Check current interest rates on your outstanding debt, including mortgages, personal loans and credit card balances, to determine if there are opportunities to reduce your interest expenses.
- Review your credit report: The Fair Credit Reporting Act requires credit reporting companies to provide a free copy to consumers once every 12 months. If you haven't already this year, ask for your free report to see where your credit rating currently stands and make sure there are no errors or suspicious activity.
- Use your credit card reward points: Check with your credit card company to make sure your rewards points don't expire at the end of the year so you don't lose out on benefits.
- Plan for life events: If you're expecting a job change, marriage, home or car purchase, surgery, or other big life event in the coming months, you may want to reach out to your advisor to see how it could impact your long-term financial plan.
- Set up automatic contributions: If you're not already investing automatically, it's worth considering for your investment or retirement goals. If you've already set up automatic contributions, think about making an annual increase to the amount you're already saving.
- Sign up for eDelivery: Simplify your life next year with eDelivery. Access your documents anytime online. It's easy, convenient and simple. Sign up today at NorthwesternMutual.com/simplify.

RISK PLANNING

Life is good. And managing risk is key to keeping it good. Talk with your advisor to make sure you have the right amount of coverage, especially if you experienced a major life event this year.

✓ Review emergency funds	It's a good idea to set aside enough cash to cover three to six months' worth of expenses in a bank account in case you get hit with an unexpected expense or experience a job loss. This helps you avoid taking on more debt or using other savings.
✓ Review insurance policies	If you're anticipating a big life event this year or entering a new stage in your life, consider adding life or disability income coverage or a long-term care solution. This foundation helps protect your family and income and sets you up for short- and long-term growth no matter what happens.
✓ Review beneficiary designations	Check the beneficiaries on your insurance policies and financial accounts to make sure they reflect your wishes. Marriage, divorce and the birth of a child are key events that should prompt you to review your designations.
✓ Consider ways to make the most of your health care plan	If you've already met your health insurance deductible for the 2024 calendar year, taking care of additional health care needs may be significantly less expensive or may not cost you anything out of pocket. See if you can schedule your doctor appointments before the end of the year to take advantage of reduced costs.
✓ Contribute to a Health Savings Account (HSA)	An HSA is a tax-advantaged way to save for health care expenses. You can contribute pre-tax income, contributions grow tax-free, and withdrawals are tax-free so long as they're used for qualified medical expenses. If eligible, you may want to consider contributing.
✓ Spend your Flexible Spending Account (FSA) funds	An FSA is a tax-advantaged account that's used to reimburse qualified medical expenses. Unlike an HSA, which allows you to carry over the entire balance from year to year, you typically need to spend your FSA contributions before a given deadline. According to the IRS, you can "carry over" up to $640 in 2024 in an FSA, which means you'll want to check the spending deadline and use funds that can't be carried over to next year.

INVESTMENT PLANNING

Now's the perfect time to see if you can take your investments to the next level. Look to your advisor for guidance about your portfolio, long-term goals, risk tolerance and liquidity needs.

Consider recognizing capital gains	If you are currently in the 0% capital gains tax bracket, consider recognizing some long-term capital gains before year-end to take advantage of this 0% rate.
Consider tax-loss harvesting	If you've already realized capital losses in 2024, now may be the time to consider offsetting those losses by selling investments to produce capital gains. If you've realized capital gains, consider selling other assets that are underwater to realize offsetting losses. If capital losses exceed capital gains, up to $3,000 of that excess can offset ordinary income now, while remaining losses can be carried over and deducted in future tax years.
Assess your risk tolerance and your portfolio's risk	Talk with your advisor about any changes in your risk tolerance so that your portfolio can be rebalanced or aligned properly. Even if your risk tolerance hasn't changed, you still need to check your portfolio's risk. If it has drifted significantly from your target, that's also a reason to rebalance.
Potentially delay large mutual fund purchases in taxable accounts	Typically, at the end of the year, mutual funds distribute income earned within the fund in the form of dividends and capital gains. Review the timing of these distributions before you purchase a mutual fund, as they could increase your taxable income for the year. You may want to delay a large purchase, depending on your situation.
Review college savings plans	Consider opening a 529 plan for your child, a grandchild or even yourself if you plan on going back to school. Assets in a 529 plan grow tax-deferred and, if used for education expenses, are completely tax-free. Some states may even offer a state tax deduction for contributing to a 529 plan, depending on the state you live in and the state plan you contribute to. If certain conditions are met, some 529 assets not used for education expenses could be transferred penalty- and tax-free into a Roth IRA for the beneficiary.

RETIREMENT PLANNING

A good retirement plan can use a little housekeeping to make sure you're leveraging tax-advantaged accounts, taking required minimum distributions (RMDs), and reviewing other sources of income.

Consider making additional IRA and/or 401(k) contributions	If your budget allows, it's a good idea to contribute the maximum amount allowable to a Roth IRA, traditional IRA or 401(k). It makes the most of your tax-advantaged growth potential, and contributions may be deductible and reduce your taxable income for the year.
Check with your employer to see if your retirement plan has a Roth option	Some employer-sponsored plans, such as a 401(k) or 403(b), may offer a Roth option. You can contribute up to $23,000/year ($30,500/year if you're age 50+) into a Roth 401(k) or Roth 403(b) regardless of your income. Taking advantage of this option may mean more tax-free income for you in retirement. Talk with your financial advisor to see if this option is best for you.
Consider Roth conversions	If you're in a lower income tax bracket for the year, or if you think income taxes will be going up in the future, it might be a good time to convert your traditional IRA to a Roth IRA. This triggers current income tax, but it could reduce your overall long-term tax burden.
Consider an IRA rollover	If you have a 401(k) from a previous employer, you could roll it over to an IRA or other eligible retirement plan to simplify your finances or perhaps expand investment options. A direct rollover allows you to avoid a mandatory 20% tax withholding.
Determine if you need to take an RMD	Once you reach age 73, you must take required minimum distributions (RMDs) from your retirement accounts.This applies to IRAs (traditional, SIMPLE and SEP) and certain defined contribution plans, including 401(k), 403(b) and 457(b) plans. If you don't withdraw your RMD by the deadline, the amount not taken is taxed at 50%.
Review Social Security and Medicare elections	You may be eligible for Social Security as early as age 62, or you can wait until age 70 to collect a larger monthly amount. Your advisor can help you decide the best time to claim. And if you're 65 or over, don't forget about Medicare's annual enrollment period (Oct. 15 – Dec. 7) to make changes to your coverage.
Consider establishing a source of guaranteed income	Now is a great time to consider how a guaranteed source of income will help you feel secure in retirement—one way to do that is with an annuity. There are many types of annuities, so talk to your advisor to see what option is best for you.

WEALTH AND LEGACY PLANNING

Let's take a look at your estate plan and make sure your wishes are carried out and that your legacy lives on as you intended.

Keep wills and trusts up to date	Review your will and/or revocable living trust to make sure your wishes will be carried out.
Review annual and lifetime gifting	You may want to consider making annual exclusion gifts ($18,000 in 2024) to children in lower income brackets to reduce the extended family's overall tax burden. If you have a large estate, you may want to take advantage of favorable current tax exemptions to make large gifts to dynasty trusts that can endure for multiple generations. The Tax Cuts and Jobs Act (TCJA) of 2017 effectively doubled the gift, estate and generation-skipping transfer (GST) tax exemptions. However, that will change if the TCJA sunsets at the end of 2025.

A good retirement plan can use a little housekeeping.

MILESTONE BIRTHDAY

If you have a milestone birthday, consider changes to eligibility.

Age	Eligibility
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 457(b)).
55	If you leave your job after your 55th birthday, you may be eligible to take a distribution from a 401(k) without being subject to the 10% early distribution penalty. You may be eligible to make catch-up contributions to a health savings account (HSA).
59½	You may be eligible to take penalty-free distributions from IRA and company plans. For Roth IRAs that have been open for at least five years, you may be eligible to take tax-free distributions of earnings.
62	You can claim Social Security between ages 62 and 70. Consider the impact of when you claim on the amount of your benefit.
65	You are eligible to apply for Medicare.
70	Ensure you are taking your claimed Social Security benefits if not doing so already. Remember, your benefit doesn't get any bigger if you wait past age 70.
73	Determine if you need to begin taking required minimum distributions (RMDs). Generally, individuals are required to begin taking RMDs by April 1st of the year following the year they turn 73 and by December 31st every year after that.

TAX CONSIDERATIONS

Together, we can make sure your money keeps working, even when you've stopped. We're here to find you opportunities, so you can focus on the moments that matter.

✓ Avoid tax withholding penalty	Check to see if you may be "under-withholding" income taxes—married taxpayers with multiple children, those who have nonwage income and those who are self-employed are more likely to under-withhold. If you fall into this category, you may need to increase your W-2 federal withholding amount in preparation for a significant tax bill or to avoid tax penalties for not withholding enough.
✓ Review deduction strategies	Take the higher of the standard deduction or itemized deduction. Tax law changes have caused more taxpayers to take the standard deduction. However, there's an opportunity to engage in multi-year planning by maximizing itemized deductions in a given tax year so they exceed the standard deduction. Then the taxpayer uses the standard deduction in the alternate years. Talk with your tax advisor about this strategy.
✓ Consider federal estate tax reduction	Discuss planning and tax strategies with your advisor and/or tax attorney. They may be able to find ways to help reduce your overall tax burden.
✓ Consider a Qualified Charitable Distribution (QCD)	Consider a Qualified Charitable Distribution (QCD). If you are 70½ or older, a QCD allows you to gift up to $105,000 annually to charity, and the distribution counts toward your RMD (if you're over 73). The QCD isn't taxable as income, but you also won't get a charitable deduction. Talk with your tax professional to ensure this distribution properly qualifies as a QCD.
✓ Avoid tax surprises from unemployment compensation	Unemployment compensation is taxable and must be reported on a federal income tax return. Those unemployment checks may not have withheld taxes unless you filled out form W-4V for voluntary withholding. If you received unemployment compensation this year, you may want to talk with your tax advisor now so you don't get hit with an unwanted surprise on your tax bill next year.

Change happens. So if you got married, had a baby, got a promotion, or had any kind of life-enhancing event this year, you may need additional life or disability insurance coverage to keep your finances secure.

A BETTER WAY TO MONEY™
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