Wealth Planning Update

10 Wealth Planning Resolutions for 2017

For many of us, the New Year is a time to reflect and make plans to better our lives. This year, consider adding saving and investing opportunities to your list. These ten resolutions can help you start the year on strong financial footing.

① Take a complete picture of your finances

Make 2017 the year you take the time to look at all of your assets together in one place. Although gathering the information can take some time, the process will help you make more informed investment decisions as you pursue your long-term goals. Account aggregation tools, such as BMO Wealth Connection, can give you a holistic view of your financial situation, enabling you to see your asset allocation and holdings across all of your accounts. BMO Wealth Connection also integrates with your wealth plan, so you can assess where you stand in relation to your financial goals.

② Contribute more to your retirement plan

Maximizing your retirement plan contributions is one of the best ways to take advantage of tax-deferred investing. For 2017, the contribution limits for Keogh, profit sharing, money purchase and SEP plans are increased to $54,000 from $53,000. Defined benefit limits are also higher: $215,000 vs. $210,000. Includable compensation is raised to $270,000 from $265,000. The limits are unchanged for 401(k), 403(b) and 457 plans ($18,000), as well as for SIMPLE plans ($12,500). If you’re not yet investing the max in these plans, consider stepping up your contributions.

③ Adjust tax withholding to keep more money throughout the year

If you tend to receive a large income tax refund each year, review the amount you’re withholding from paychecks, pensions and other income sources. Depending on the size of your refund, withholding less could leave more money in your pocket or help you earn more interest on your money throughout the year. Conversely, if you typically owe income tax at year end, you may avoid penalties by paying 90% of your current year estimated taxes or 100% of prior year taxes (110% if your adjusted gross income exceeds $150,000).

④ Use a health savings account (HSA) to pay health expenses and to save for retirement

If you have a high-deductible health care plan that counts as minimum coverage under the Affordable Care Act, an HSA can be used to cover out-of-pocket medical, dental and vision costs (though it can’t be used for health insurance premiums). The money you set aside in an HSA grows tax-free. Plus, when you become eligible for Medicare, any money left in the account can be rolled into a qualified retirement plan account.

⑤ Get a jump on college savings

It’s never too early to establish a 529 college savings plan for children or grandchildren. The sooner you start, the longer the assets can grow tax free. Although contributions are not tax deductible at the federal level, many states offers tax incentives, including either deductions or credits. In addition, earnings are never taxed if you use the withdrawals for qualified education expenses.
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6 Protect yourself and your loved ones from the unexpected

The costs associated with accidents, illness, disability and death can be overwhelming, and can quickly eat away at savings. This year, evaluate your need for:

- Life insurance, which can enable a surviving spouse and children to maintain their standard of living, pay off debts and meet other expenses (like tuition).
- Long-term disability insurance, which can replace a portion of lost income if you’re unable to work.
- Umbrella liability policies, which take effect when other policies are exhausted. Designed to protect assets, these policies can be important for high-income earners and those with considerable assets.

Your employer and your wealth planner may offer these types of coverage.

7 Update your beneficiaries

Family dynamics can change quickly. Review the beneficiaries you have named on your company retirement plans, IRAs, life insurance policies, annuities and bank accounts that have “payable on death” designations. Also, review those named in your estate plan, including executors, trustees and agents under powers of attorney. Make sure you are comfortable with all of your choices.

If your estate plan is more than three years old, or if a major life event has occurred, review your plan with your attorney for changes in distribution goals and also for changes in federal or state tax law.

8 Create a dedicated saving plan

If you’re not already systematically saving for your future or for a specific goal, consider starting in 2017. Rather than setting aside money from what is left over, create a plan to invest a fixed amount each month. Known as dollar cost averaging, this is a disciplined way to make sure you continue to build wealth.

9 Check your credit report and evaluate debt

Annually reviewing at least one of your major credit reports can prevent unforeseen credit problems from spiraling out of control. Many sources offer free credit reports (including annualcreditreport.com). If necessary, take action to correct your score. If debt is an issue for you, look for ways to pare back in 2017.

10 Review your goals and your plan

Finally, make an appointment with your wealth planner to review your plan, update your situation and quantify your goals. Working together, you can adjust your plan to make sure you remain on track toward pursuing your goals. New Year’s resolutions are most effective when you act on them early. Tap into your wealth planner’s knowledge and experience for help with any of the resolutions discussed above.

Feel confident about your future

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1 The IRS defines a high deductible health plan as any plan with a deductible of at least $1,300 for an individual or $2,600 for a family.

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