

## Put Your Financial House in Order: A New Year's Resolution You Can Keep

By: Aaron Szager, CFP

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*A new year provides opportunities for new beginnings and new goals. Getting organized financially should be at the top of everyone's list.*

As the new year begins, it's the perfect time to reflect on your financial situation and make meaningful resolutions that will set you up for success. Organizing your financial house doesn't have to feel overwhelming. Think of it as a series of small, practical steps that build momentum toward a stronger financial future. Here's how you can get started:

### Review Estate Plan and Beneficiaries

Your estate plan is like the blueprint for your financial legacy, so it's worth making sure it's in top shape. Here is what to focus on:

- **IRA and 401(k) Beneficiaries:** Life changes fast. Whether you've welcomed a new family member, experienced a divorce, or just haven't checked in a while, now is the time to review your beneficiary designations. Keeping these up-to-date ensures your assets are distributed according to your intentions.
- **Trusts, Powers of Attorney (POA), Medical Directives, and Wills:** These legal documents go beyond basic protection. They create a sophisticated structure for asset distribution, control, and decision-making during unexpected events, ensuring your legacy is preserved and managed effectively.
- **Advanced Estate Planning Tools:** Wealthy families often benefit from strategies like Charitable Remainder Trusts (CRAT and CRUT), Irrevocable Life Insurance Trusts (ILIT), and Intentionally Defective Grantor Trusts (IDGT). These tools can mitigate taxes, support philanthropy, and provide for heirs while retaining strategic control over your estate.
- **Estate Tax Exclusion:** Heads up—the estate tax exclusion is set to potentially drop in January 2026, reverting to pre-TCJA levels. If this could affect your estate, it's smart to plan ahead with a trusted advisor.

### Review Tax Withholding and/or Estimated Tax Payments

Taxes can be tricky, but getting a handle on them early can save you headaches later. Here is how to stay on top of it:

- **W-2 and Estimated Tax Payments:** Check your withholding or quarterly payments to make sure you're not overpaying or setting yourself up for an unexpected tax bill. By proper planning throughout the year, you should never be surprised or, more importantly, be required to pay federal or state penalties or interest by underpaying taxes.

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- **Restricted Stock Unit (RSU) Withholding:** If you have RSUs vesting this year, double-check that enough taxes are being withheld to avoid surprises at tax time. Some employers allow you to change the amount of stock sold to cover taxes but, by default unless you earn over \$1MM per year, the federal withholding on RSUs is 22%. If you are in a 35% or 37% marginal tax bracket, there's a fairly large delta between what is being paid to the IRS and what could be owed.
- **Required Minimum Distributions (RMDs):** If you're age 73 or older and have pre-tax retirement accounts, make sure you're distributing the minimum amount by 12/31 annually as required by the IRS to avoid steep penalties.
- **Incentive Stock Options (ISOs) and Alternative Minimum Tax (AMT):** ISOs can be great, but they come with AMT complications. You should understand the tax implications before exercising.
- **Disqualifying vs. Qualifying Dispositions:** If you own ISOs or stock acquired through an Employee Stock Purchase Plan, you must wait until 2 years after the grant date to receive preferential tax treatment, and cannot sell shares before a 1-year holding period to qualify as a long-term capital gain.

### Set Savings Targets

Setting clear savings goals isn't just smart—it's empowering. Here is where to focus your efforts:

- **401(k), Health Savings Account (HSA), and Taxable Accounts:** Cash flow permitting, attempt to max out your contributions to tax-advantaged accounts during high-income years first. It's one of the best ways to grow your wealth while keeping more of what you earn.
- **Executive Deferred Compensation Plans:** If your employer offers one, these plans can be a powerful way to save for the long term and defer taxes. These plans also have several drawbacks such as creditor risk, tax rate uncertainty, inflexibility of payout schedule, and limited investment options. That said, you should discuss with your financial advisor before making a decision.
- **Educational Funds:** Whether it's a 529 plan, UTMA, or an account in your name earmarked for future education costs, saving for education now means fewer financial worries later.
- **Charitable Giving:** Giving back can be as rewarding as it is impactful. Explore options like donor-advised funds, foundations, or charitable trusts to make your giving go further.
- **Giving to Loved Ones:** In 2025, individuals can give up to \$19,000 to any number of people without triggering gift tax reporting requirements. Married couples can effectively double this amount to \$38,000 per recipient. Given the uncertainty of the estate tax exclusion amount beginning in 2026, this can fulfill dual goals of reducing the tax paid by your estate and allowing you to witness the impact of your generosity during your lifetime.



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### Review Subscriptions and Other Recurring Expenses

It's amazing how those small monthly charges can pile up. Take a close look at your subscriptions and automatic payments. Are there any you've forgotten about? Cancel the ones you don't use and redirect that money to something that adds more value to your life.

### Insurance and Risk Management Review

Insurance might not be the most glamorous topic, but it is essential for protecting what you've worked so hard for. Here is what to check:

- **Employer Benefits:** Make sure you're taking full advantage of any insurance options or other benefits your employer offers.
- **Disability Insurance:** Decide whether pre-tax or post-tax premiums make the most sense for your situation. This choice can affect how much you'll receive and the taxation of benefit payments.
- **Life Insurance:** Reassess your coverage to ensure it aligns with your evolving needs. High-net-worth individuals could benefit from permanent life insurance strategies, which can serve dual purposes: protecting your family and enhancing your estate plan by providing liquidity for taxes or facilitating wealth transfer.
- **Specialized Insurance Coverage:** Review your need for umbrella liability, earthquake, flood, and fire insurance, tailoring policies to the specific risks tied to your assets and location.

### Schedule Regular Financial Reviews

Think of financial reviews like your quarterly check-up—they're a chance to catch small issues before they become big problems. Getting your financial house in order doesn't have to be a daunting task. By breaking it into manageable steps and committing to regular reviews, you can build a strong foundation for the future. Let this be the year you take control and set yourself up for lasting financial success.

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