MAI Capital Management Insights

New Year's Resolution: Evaluating Your Financial Plan

By Chris Brennan, CFP®

A new year presents an opportunity to hit the "reset" button. Losing weight, exercising, and reading more are common New Year's resolutions that many of us have committed to throughout the years. Assessing your financial health is another important topic to consider adding to your list. For those interested in a financial "checkup" to start the new year, we've identified several matters that tend to fall through the cracks.

Engaging with your estate planning attorney

When was the last time you had a conversation with your estate planning attorney? Has it been longer than 7 to 10 years? Do your documents reflect outdated intentions? Do you live in a state other than the state in which your documents were executed? Have individuals who are identified as an agent, trustee or beneficiary passed away? If the answer to any of these questions is "yes," consider engaging with your attorney to determine whether any changes are warranted.

Updating beneficiary designations and account registrations

Are your beneficiary designations still appropriate? It's not unusual for an individual to have beneficiary designations that are "stale" for no other reason than they haven't been paid enough attention. Do you have bank accounts that are in your name only without a joint owner or beneficiary designation (typically "payable on death" or "POD" for bank accounts)? Does your state allow you to effectively attach a beneficiary designation to your house so it can avoid probate in the event of your death? Updating beneficiary designations and account registrations is just as important as making sure your estate planning documents reflect your wishes.

Reviewing your existing property and casualty coverages

Homeowners and auto insurance, in addition to excess liability (umbrella) coverage, are integral components of a well-constructed risk management plan. Whether your investment portfolio is up or down will be somewhat of a moot point if you are found liable in an accident and your property and casualty coverage is insufficient. If you haven't done so in a while, consider reaching out to your agent to make sure your coverage is appropriate and adequate.

Evaluating life, disability and long-term policies

Are you properly insured against an unexpected death, disability, or long-term care event? Circumstances change as time goes by– younger individuals are generally more concerned about having enough life and disability insurance while older individuals are usually more interested in how long-term care insurance can protect their assets due to unexpected long-term care expenses.

Reviewing retirement plans

The contribution limit for 401(k)s and 403(b)s and 457 plans increased from $19,500 to $20,500 in 2022. Are you taking advantage of this? And if you're 50 years of age (or older), are you utilizing the catch-up provision (an ability to contribute an additional $6,500/year over and above the $20,500 threshold)?

Additionally, many employers offer matching contributions within their retirement plans. Are you contributing enough to be eligible for the full match?

Revisiting employee benefits

Although it's likely not the time of year when you'll be expected to make open enrollment elections, consider taking a closer look at your benefits to determine whether you're making the most of what's available to you. Are you contributing to an HSA? Do you have access to a dependent care FSA? Are you paying for supplemental life insurance and how much does it cost relative to what you might be eligible for with an individually owned policy?

Evaluating your financial plan and focusing on the areas outlined above is advisable as doing so may be impactful in the long run. We encourage you to contact your advisor with any questions or for additional information related to these topics. We appreciate the confidence you've placed in our team at MAI to help you navigate your unique situation.

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