



Financial professional year-end tactical checklists

The shifting political and legislative landscape makes it more important than ever to review the items on this simple checklist. Obtain written client permission to share confidential information among team members, then work together with the client's professional team to produce and implement goal-driven, tax-efficient tactical solutions.

Investment portfolio checklist

Does your client have enough cash available to satisfy short-term needs?

Develop/revisit/confirm/document your client's strategic investment goals and risk tolerance. Potential changes to tax laws could make this an opportune time to realize gains.

Does your client's portfolio reflect long-term investment goals and risk tolerance?

Rebalance and redeploy the client's portfolio tax-efficiently by offsetting gains with losses. You can coordinate sales and purchases with the client's income tax goals and objectives (see the next section and the Capital Group Wealth Planning Reference Guide).

Has your client fully funded retirement accounts?

Clients can maximize income tax deferral benefits by funding IRAs and 401(k)s. Tax-deferred growth in qualified accounts helps reduce clients' current income tax exposure as well as aid in bracket management.

Consider a Roth conversion of *some or all* of your client's traditional retirement accounts. Taxes on the income realized will be locked in at current rates. Also consider gift-funding Roth IRAs for loved ones.

Does your client have the proper beneficiaries named on the accounts?

Passage of the SECURE Act changed the law regarding distribution options for beneficiaries. The stretch provisions for many inherited retirement accounts have been eliminated and replaced by a 10-year distribution rule. Coordinate with your client's estate plan.



Investments are not FDIC-insured, nor are they deposits of or guaranteed by a bank or any other entity, so they may lose value.



Income tax checklist

Is your client ready for April 15?

Work with your client's tax preparer to create an estimate of 2020 income tax due. Use this estimate to maximize tax efficiency of portfolio rebalancing, deductible expenses and charitable gifts.

Will tax rates go up or down next year? Will your client's income increase or decrease?

Discuss the client's view regarding future changes to income and income tax laws, and position the client's portfolio accordingly. Incur/defer income and increase/decrease deductible expenses as appropriate.

Is your client best positioned at the intersection of investment goals, risk tolerance and tax efficiency?

Consider tax-loss harvesting and, going forward, manage the client's tax bracket exposure. Analyze and avoid AMT exposure.

Has your client given to charity this year?

The CARES Act has changed deductibility of some charitable gifts. In 2020, clients who itemize may deduct up to 100% of their AGI for qualified gifts to charity.

Gifts of qualified appreciated assets can benefit both client and charity. Clients who itemize may deduct market value of the gift. Charities can sell appreciated assets and pay no tax on the gain.

Qualified charitable distributions (QCDs) from IRAs of up to \$100,000/year are still available. Although not deductible, QCDs are excluded from clients' adjusted gross income, which makes them even more valuable to clients who do not itemize deductions.

The CARES Act did not change the age at which an individual may take QCDs. IRA owners are still eligible to take a QCD when they reach age 70½. However, the act does add language that prevents an individual from distributing as QCDs any deductible contributions made to traditional IRAs for the year that the individual reaches age 70½ and for years thereafter.

Consult with the client's tax preparer to coordinate charitable gifts with income tax goals.

Estate and incapacity planning checklist

- Does your client have an updated estate plan in place?**

Have your client arrange to update and execute necessary documents to express their wishes and reflect current law. Review with the client their choice of executor, trustee, agent and beneficiary. Document the secure location of originals and provide access to those who will need it.

- Who will make financial and health care decisions for your client?**

Health care concerns can make this top of mind. Review with the client their choice of agent for financial and health care matters, and confirm that they are able and willing to serve.

- Is your client ready for potential changes to the laws regarding gifts to family and friends?**

In 2020 the gift tax exemption is \$11.58 million. Legislation being discussed could soon reduce this amount by half or more. Gifts to loved ones now can “lock in” the exemption and may reduce income taxes by moving earnings to taxpayers in lower tax brackets. Gifts can also provide financial educational opportunities for recipients and build a multigenerational business for financial professionals.

- Will your client be providing for descendants’ education?**

Use the client’s annual exclusion gifts to establish 529 accounts for loved ones. 529 accounts provide income tax-exempt growth if used for qualified educational expenses. State tax treatment varies. “Superfund” the 529 account by immediately transferring up to five years’ worth of annual exclusion gifts (\$75,000; \$150,000 for married couples).

- Does your client have a life insurance policy in place?**

Confirm the need for the policy still exists (Insure an inheritance? Create liquidity? Income tax deferral? Fund a buy-sell agreement?). Does the policy satisfy that need? Shop the policy for the best terms and pricing.

Disclaimer: No additional gifts can be made to that beneficiary over the next four years after the year in which the one-time gift is made. If the donor of an accelerated gift dies within the five-year period, a portion of the transferred amount will be included in the donor’s estate for tax purposes. Consult with a tax advisor regarding your specific situation.

For more information on these and other tax and wealth transfer topics, please contact your Capital Group representative.

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