Dorchester Advisors
Money worked harder

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Things You Control

Year End Investment & Tax Moves

In our ongoing focus on Investment activities you control: Year-end is a good time to do tax planning; you have time to act and take advantage of 2021 opportunities. And it's a best-practice to review your financial matters regularly.

Here is a short checklist of actions that are relevant to Individuals and families. I offer them with the disclaimer that they are not intended as professional advice and may not even apply to you. But you may want to scan these topics and evaluate if you need to take action on them before year-end. Do check with your Tax-advisor before taking action.

- Investing: Re-balance portfolios (401k, IRA, Deferred Compensation etc).Investing: Re-balance portfolios, 401k, IRA, Deferred Compensation etc.
- Investing: Insure you have and keep the cost-basis for your non-covered holdings.
- Plan your saving-waterfall for 2022: (First fund tax-advantaged accounts, then taxable accounts).
- Tax-Planning: Evaluate dividends, realized & unrealized gains and the potential to offset them.
- Tax-Planning: Make gifts and charitable donations to take advantage of the tax code.
- Tax-Planning: Convert traditional IRAs to a Roth IRA to take advantage of "tax-diversification".
- Retired? - Take Required Minimum Distributions (if this applies to your situation).
- Employed? - Maximize contributions into your retirement accounts (401k, IRA's etc.).
- Executive? - Harvest stock options and RSA's.
- Tax rules changes: Tax brackets have changed, Standard deduction is higher, AMT exemption amounts are higher, and estate exemptions are higher. (These are planned changes, but it's useful to be aware of the changes).

Happy Holidays.

Why Things You Control are Important

In Investing (as in Life) we can: hope, worry or plan.

I believe that when we hope or worry, we are largely looking at the future and are focused on things we do not control. We hope the markets will get higher and we will make money. Or we worry that markets will collapse and we may lose all our money. And yet, deep down in our hearts, we know that whether our thoughts are optimistic or pessimistic they simply do not influence future outcomes.

We can also look at the future plan-fully. When we do this we tend to focus on the things that we do control. And, by picking activities that are in our control and that are important to our future we have a far better chance of achieving our goals. Of course, life holds few guarantees! So, for example, while we all hope that our favorite stock pick will be a high performing stock, not implementing a properly diversified portfolio is plainly irresponsible to our financial well-being.

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Our Financial Planning Principles

Without a Purpose, accumulating money can become a soul-less task. A financial plan gives your savings a purpose.

It's OK to be broke when you are young - not so when you are old: Studies show that people typically tolerate risk and uncertainty better when they are younger.

Getting down from Mount Everest is as important as getting up: Pay as much attention to accumulating money before you retire as you do to consuming it after you retire.

Planning is life-stage dependent: The principles of saving and investing money in your early years are very different from the techniques that you use in retirement to generate a reliable income stream.

Financial confidence comes from being on top of your taxes, protecting yourself from risks, having a clear picture of your investments and debt, and specific targets for saving and spending.

Achieving financial independence requires a careful balancing of Income, expenses, taxes, and savings. This balancing act (planning) is not intuitive, nor can it be done well on the back of an envelope, but effective plans do give more peace of mind.

Identify your true risks (in contrast to investment volatility, labelled as risk, or uncertainty) and take action to manage them using the correct risk management tools. Pick the right tools for the job - investments won't manage the risks you face, risk products (insurance) won't deliver the growth and flexibility you need.

Taxes remain important even after you retire. However, in retirement your investments become the principal source of your income and hence drive your taxes.

In matters of health: it's your body but your doctor knows better how your body works. So it is with your money: A partnership with an advisor will help you to reach your financial goals - you save, they help your savings grow. Together you can get there faster.