

Corbett Road

In The Media

Your Annual Financial Planning Checklist

It's Vital to Stay on Top of What You Have and Haven't Accomplished

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If you've taken on the task of mapping out your annual financial plan, you deserve a pat on the back. Making sure you've covered all the bases is important to both your short-term and long-term financial health. Keeping track of your progress with an annual financial planning checklist makes it easier to see which tasks have been completed and which you still need to tackle.

KEY TAKEAWAYS

- An annual financial plan allows you to determine your financial situation at any given moment.
- It should include examining all your assets and liabilities, deciding on your goals, and selecting the methods you intend to employ to achieve them.
- The annual plan can be broken up into items to be done quarterly, not all at once.
- Your annual plan should change or be updated if there are major events (birth, death, marriage, etc.).
- Check off every strategy you've considered, even if you decide not to pursue it.

What Is an Annual Financial Plan?

An [annual financial plan](#) takes a snapshot of the state of your personal finances. It balances your assets against your liabilities while considering your financial goals and what you may need to do to realize them. Your liabilities should include any loans, credit cards, and other personal debts. Don't forget to include your mortgage, rent, utility bills, and other monthly expenses. It's a good idea to look at your financial plan annually, as well as after any major life event, such as marriage, divorce, birth, a death in the family, or any major event that can substantially affect your finances.

Kim Abmeyer, founder of Abmeyer Wealth Management in Dallas, Texas, suggests what her firm does with many clients. She breaks down the annual financial plan into quarterly reviews, "addressing cash flow planning for the year ahead, estate planning, risk management, and end-of-year gifting and retirement planning. It seems less daunting for clients to work through it this way."

Tip: Nate Creviston, manager of wealth management at Capital Advisors in Shaker Heights, Ohio, said the rise in fraud means everyone should consider the need for cybersecurity insurance as part of their annual checklist. "This is a rider that can be added to most homeowner or renter policies to protect against cyber and identity theft," he said.

While it's less overwhelming to break up your financial checklist into quarterly tasks, Georgia Lord, a certified financial planner at Corbett Road in Brooklyn, New York, said this doesn't mean revamping your annual plan more often. "I stress to clients that a financial plan is a living, breathing document that can and should be reviewed periodically. However, there is such a thing as reviewing or changing your financial plan too often. Typically, once a year is sufficient—or when you have a significant life event such as a large purchase, birth, death in the family, or retirement."

Your financial plan for the year should factor in your goals and what you'll need to accomplish to achieve them. This can include retirement planning, tax planning, and investing.

You need a checklist so that you don't forget something important that you should be monitoring. It is vital to check off every item on the list, even if you don't intend to implement some of them, like refinancing a mortgage, for example. It's helpful to know that you considered all options and possibilities. Build a list with the ideas below, and check off each step below as you go. This will help you get a complete picture of your finances.

What To Include on Your Annual Financial Checklist

Task	Description	Tips and Examples
Create a Personal Financial Inventory	Compile a list of all assets, liabilities, credit utilization, and your credit report.	Include emergency fund, retirement accounts, investment accounts, real estate, and valuables.

What To Include on Your Annual Financial Checklist

Task	Description	Tips and Examples
Set Financial Goals	Divide your goals into short-term, mid-term, and long-term objectives.	Short-term: Establish a budget, emergency fund. Mid-term: Life insurance, home purchase. Long-term: Retirement savings.
Create a Family Plan	Plan for children's education, caring for aging relatives, and timing your retirement.	Choose college savings accounts, consider long-term care insurance, and plan Social Security strategy.
Review Your Retirement Savings	Evaluate your retirement accounts and consider Roth conversions and rollovers.	Decide between Roth or traditional IRA, maximize contributions, and review old 401(k) accounts.
Review Your Investments	Assess your asset allocation and ensure investments meet your financial goals.	Consider adding real estate or fixed-income investments to offset stock volatility.
Rebalance Your Portfolio	Adjust your portfolio to maintain your desired asset allocation and risk level.	Refocus investments as needed and consider the cost of managing your portfolio.
Review Your Taxes for Investments	Consider tax implications of selling assets and explore tax-loss harvesting.	Sell "losing" assets to offset gains, donate appreciated securities, and ensure tax withholding accuracy.
Update Your Emergency Plan	Ensure you have a enough of an emergency fund and necessary insurance coverage.	Aim for three to six months of expenses, consider disability insurance, and update financial/medical powers of attorney.
Cut Costs	Identify ways to save money and increase contributions to savings accounts.	Refinance mortgage, compare insurance premiums, reduce utility bills, and use FSAs or HSAs.

Create a Personal Financial Inventory

Your financial inventory is important because it gives you a snapshot of the health of your bottom line. The annual self-check-in should include the following:

- A list of assets, including items such as your [emergency fund](#), retirement accounts, other investment and savings accounts, real estate equity, and education savings (any valuable jewelry, such as an engagement ring, belongs here too)
- A list of debts, including your mortgage, student loans, car loans, credit cards, and other loans
- Your [credit utilization ratio](#), which is the percentage of a borrower's available credit that you are using
- A [credit report](#) with your credit score. Creviston said you should be looking to identify fraudulent activity and errors.

- Lord suggests assessing your spending and expenses to see if there are costs that can be cut, such as subscriptions you no longer use or need.
- A review of the fees you're paying to a financial advisor, if any, and the services they provide

Even though you'll want to procrastinate on this—as people do with their tax filing and other financial duties—doing it can have real benefits, Abmeyer said. "We've uncovered life insurance needs as well as opportunities to stop premiums on policies clients no longer need. We've uncovered misaligned investment strategies when their planning needs are reviewed."

Set Financial Goals

Once you have completed a personal financial inventory, you can move on to setting goals for the next 12 months. You should divide them into short-term, midterm, and long-term goals. This is the time to ask yourself if any of your goals have changed, Lord said.

Short-Term Goals

- [Establish a budget](#), which can be made easier by using budgeting apps to manage your money.
- Create an emergency fund or increase your emergency fund savings. "Make sure you have a fully funded emergency savings account with three to six months of your expenses in cash," Creviston said.
- Plan to pay off your credit cards.

Mid-Term Goals

- Get life insurance and [disability income insurance](#).
- Think about your dreams, such as buying a home, renovating a house, saving money to start a family, or sending children to college.

Long-Term Goals:

- Determine how much of a nest egg you'll need to save for a comfortable retirement. "If you're in your working years, make sure you're contributing 10% to 20% of your salary to your retirement accounts," Creviston said.
- Figure out how to increase your retirement savings.

Create a Family Plan

You should think about certain things on the financial front if you want to have children or if you plan to care for aging relatives. These are some of the items that should be on your family plan list:

- If you have children, determine how much you'll need to save for future college expenses.
- Choose the right college savings account.
- If you are caring for older parents, explore whether long-term care insurance or life insurance can help.
- Consider whether you should [purchase long-term care insurance](#) or life insurance for yourself or your spouse.
- Start planning how you will time your retirement, including your strategy for when you will [claim Social Security](#).

Review Your Retirement Savings

Saving for retirement in an [individual retirement account \(IRA\)](#) or a 401(k) plan is a smart way to receive some tax advantages while preparing for the future. As you review your annual financial plan, consider the following:

- Decide whether a Roth or traditional IRA is best for you.
- Consider if there's a need to [convert a traditional IRA to a Roth IRA](#). When either your income or the value of your account is lower, it can be a good time to make this change at the lowest possible cost.
- Do the same for your 401(k), which can also be [Roth](#) or regular.
- Roll over any old 401(k) accounts from any previous employers.
- If you're self-employed, get an update on the limits for a simplified employee pension plan or other self-employment retirement accounts and maximize your contributions.
- Increase or decrease your annual contribution to your retirement account.

Review Your Investments

Investors need to take stock of where their investments are during the annual financial planning process. This is especially true when the economy undergoes a shift.

- Check your [asset allocation](#). For example, if stocks are taking a dive, you may consider adding real estate or fixed-income investments into your portfolio mix to offset some of the volatility.
- Determine which investments will best meet your asset allocation goals and whether your current investments still fit that profile.

Rebalance Your Portfolio

Periodically [rebalancing](#) your portfolio ensures that you're not carrying too much risk or wasting your investment dollars on securities that aren't generating a decent rate of return. It also ensures that your current portfolio reflects your investment strategy, as changes in the market often cause a shift that needs to be corrected to maintain the diversification you originally planned.

- Look at which [asset classes](#) you have in your portfolio and where the gaps are. If necessary, refocus your investments to even things out.
- Consider the expense of managing your portfolio and decide whether it's time to try a robo-advisor or another strategy to reduce costs.

Warning: When making your plan, don't forget to consider the tax implications of any financial changes you make.

Review Your Taxes for Investments

While you're looking over your portfolio and rebalancing, don't forget to factor in how selling off assets may affect your tax liability. If you're selling investments at a profit, you'll be responsible for paying short- or long-term [capital gains tax](#), depending on how long you held the assets. This step can wait until the end of the year. When you get to that point, you'll want to consider these strategies:¹

- Look at possibilities for [tax-loss harvesting](#). This is when you sell off "losing" assets before year end to bank the negative to offset gains in other parts of your portfolio, thus lowering your overall income and hence your tax bill.
- Explore whether it makes sense to use appreciated securities to make charitable donations or support lower-income family members.

David Flores Wilson, a certified financial planner at Sincerus Advisory in New York City, said his firm uses a special checklist near the end of the year, which you can do on your own or with an advisor. His fourth-quarter list looks at if you're up to date with your tax withholding amounts (have you been making quarterly payments to the Internal Revenue Service for freelance and other income to be taxed?), charitable giving, and tax-loss harvesting.

Update Your Emergency Plan

A sizable [emergency fund](#) is helpful when financial troubles descend, so be sure you have saved enough.

- Building your emergency savings should be a top priority if you don't have three to six months' worth of expenses tucked away.
- Invest in insurance. Are you covered in case of a temporary disability, for example?
- Make sure you have both [financial and medical powers of attorney](#) in place.

Look Ahead to Future Savings

As you move through the year, think about where else you could be saving money to fully fund your emergency savings and put aside more for the future. Consider whether you can do any of the following:

- Refinance your mortgage

- Compare car insurance premiums across different companies
- Lower your food bill
- Use [flexible spending](#) or [health savings accounts](#)
- Cut spending on cable TV or streaming services
- Curb your energy bill
- Divert your paycheck to savings by contributing more to retirement accounts or funneling money directly from your paycheck into an emergency savings account

Getting Help With Planning

Finally, you can certainly do this on your own, but if you have an advisor, Lord suggested going through your checklist with your advisor. "I enjoy having conversations with clients while going through a checklist. Through this, I am able to hear firsthand any changes to a client's financial goals or circumstances and the nuances within."

You can also use financial planning apps to track your expenses and income, simplifying your financial life, but not all programs are created equal. As you wrap up your annual financial plan, review the apps and software you're using to see if they still fit your needs. If you're not putting any [budgeting](#) and other apps to work yet, take the time to review the options and see how they can help you manage your money.

What Are Some Alternative Sources of Income?

These are ways to supplement your income beyond your main job or retirement and Social Security benefits, if retired. Some sources include investing in a rental property and becoming a landlord, which can provide regular income. If funds are tight, you are old enough, and you own your home, explore whether a [reverse mortgage](#) could be a good solution for you. There are also dividend stocks, which can provide distributions throughout the year.

What Is a Robo-Advisor?

A [robo-advisor](#) is an automated, online financial planning service that provides algorithm-driven investment management advice with almost no human involvement. Clients typically complete a questionnaire about their financial goals, risk tolerance, and investment preferences. Based on this information, the robo-advisor creates and manages a diversified portfolio, often using low-cost exchange-traded funds. They are particularly appealing to investors seeking a low-cost, hands-off approach to managing their investments.

Do I Need Professional Help to Complete My Checklist?

If your finances are relatively simple, you should be fine creating and checking your own list. However, the more complicated your finances are, the more you should consider hiring a tax specialist, financial advisor, and perhaps an [estate-planning](#) lawyer to help you see the fullest

picture possible. A professional can help you understand your asset allocation, taxes, estate planning needs, and insurance requirements.

The Bottom Line

An annual financial plan is an exceptionally valuable tool for maintaining peace of mind about your finances today and in the future. Best-case scenario: You've checked off all the items on this punch list by now. If not, don't hesitate to put time on your calendar to do so.

You'll gain a clear understanding of where your money is going, how much your investments are earning, and how much you're putting away for retirement. You may also find easy ways to save money you wouldn't notice otherwise.

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1. Internal Revenue Service. "[Topic No. 409 Capital Gains and Losses](#)."

The information presented is not intended to be a substitute for specific, individualized advice. We suggest that you discuss your financial situation with your financial services professional.