

A CHECKLIST FOR CONDUCTING YOUR ANNUAL FINANCIAL ASSESSMENT

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The start of the New Year represents an important milestone for measuring our progress. As your year-end statement arrives, it's time to assess—where were we a year ago? Did we achieve what we set out to accomplish?

These questions also apply directly to our financial lives. From reviewing readiness, to measuring performance, to setting goals, conducting a thorough yearly assessment is a necessary exercise. Affluent families will arguably have an even greater need for an annual review given the complexity of their financial plans.

As financial advisors, we're constantly reminded why it's so important to ensure that annual assessments are exhaustive, touching on both the quantitative and qualitative aspects of your financial life. With this in mind, we've outlined items that should be evaluated at least once per year.

Profits & Losses | It's not unusual to have a working familiarity with your account balances. But the numbers don't tell a full story. Wealthy investors may find it difficult to track their assets accurately across taxable brokerage, IRA, 401(k), trust, 529, personal and business banking, and elsewhere. Calculating your total net worth can become an intractable challenge on a day-to-day basis.

Make time to take account of your accounts. More importantly, determine how your investments performed within

each of them. If they're supposed to be running identical strategies, does their performance align? Did your investments perform in line with their market benchmarks, or did they trail behind significantly?

Progress Toward Goals | Goals come in two forms: hard targets and aspirations. The first kind is fairly easy to measure—think of a savings or budget goal—while the second may pertain to a less-precise lifestyle or charitable engagement.

Whether a specific number or a personal ambition, they're similar in that both kinds of goals are susceptible to change. Financial targets can evolve if you earn a career promotion or reconsider your future retirement date; aspirational goals can change depending on your preferences. An annual assessment can help you incorporate the implications of these changes into your financial projections.

The Stuff of Life | Our plans are only as good as the people they rely upon. New children and grandchildren can alter your goals and estate plans; the passing of a close family member can have the same impact.

Sometimes it's our own developments that trigger changes. The impact of a career decision—something as simple as a shift in your employer's benefits—or an unexpected change in your health, may necessitate an alteration of your financial plans.

Dividing the Pie | The mix of investments that comprise your investment strategy—your asset allocation—will slip over time from its intended target weights. Investments that have been performing well will grow as a share of your overall allocation, while investments that have been lagging will shrink their share.

While this should be expected, it's not an intentional shift, and those allocations should be rebalanced from time to time. An annual assessment provides occasion to review your asset allocation, determine whether it's still consistent with your goals, and rebalance where needed.

Taxes Touch Everything | We've addressed asset allocation, but it's also important to consider asset *location*. Do you have assets that can be moved from taxable to tax-advantaged accounts, or into more tax-friendly investments?

Taking a broader perspective, career changes, investment performance, retirement income strategies, and asset valuations all have tax implications. Major changes to tax law will create risks and opportunities for affluent families; even minor tweaks to tax regulations can trigger the need for a financial plan review.

What's Your Exposure? | Life changes and financial decisions often have a knock-on effect that can render your existing insurance coverage inadequate. An annual review can be the staging ground for policy expansions or renewals, trust-structure planning, and beneficiary updates.

Ultimately, an annual assessment provides an opportunity to take stock of your progress over the course of the year, and to consider whether your goals and targets are still relevant. The more comprehensive your review, the more likely your plan will help you achieve your goals in the New Year and over the long term. Consider working with a financial advisor to conduct a comprehensive annual assessment.

For more information, please call [407.585.1160](tel:407.585.1160)