Wealth Planning **Update**

10 financial resolutions for 2019

The New Year brings a few changes that could affect your wealth planning strategy, mostly related to income taxes and retirement plan contributions. It's also a good time to fully review your finances and make sure you're on track toward your long-term goals. Here are 10 resolutions to get you started.

① Take a look at your overall financial picture

Start the year off by meeting with your financial professional to evaluate your asset allocation and holdings across all of your accounts. This helps ensure that your overall wealth plan continues to reflect your financial goals and personal risk tolerance. Consider whether you should rebalance your portfolio due to market performance or other changes. Account aggregation tools, such as BMO Wealth Connection, can give you a holistic view of your financial situation—including a consolidated asset allocation. It also integrates with your wealth plan to show where you stand in relation to your financial goals.

② Maximize contributions to your retirement plans

Many retirement plan contribution limits are higher (see table below). Whether you're contributing through an employer plan or directly into an individual retirement account (IRA), maximizing your contributions is one of the best ways to take advantage of tax-deferred investing. Keep in mind, if you are age 50 or older, you can also make catch up contributions to IRAs, as well as to 401(k), 403(b), 457, and SIMPLE retirement plans.

Contribution Limits	2019	2018
Keogh, profit sharing, money purchase, SEP	$56,000	$55,000
Defined benefit	$225,000	$220,000
Annual compensation limit	$280,000	$275,000
IRAs: traditional[1] and Roth	$6,000	$5,500
Catch-up contributions	$1,000	$1,000
401(k), 403(b), 457	$19,000	$18,500
Catch-up contributions	$6,000	$6,000
SIMPLE	$13,000	$12,500
Catch-up contributions	$3,000	$3,000

③ Adjust tax withholding to keep more money throughout the year

All tax brackets have been redefined and the top tax rate is now 37%, down from 39.6%. Depending on where your income falls and how you file, you may face a higher or lower tax rate. Talk with your tax advisor about whether you should adjust the amount you're withholding from your paychecks, pensions and other income sources. Withholding less may leave more money in your pocket or in your investment portfolio earning interest. If you typically owe income tax at the end of the year, consider increasing your estimated tax payments.

④ Explore ways to keep the tax benefits of charitable donations

The standard deduction is now $12,000 (individual) and $24,000 (married filing jointly). As a result, it is estimated that about 85% of tax filers will take the standard deduction, rather than itemizing, and will lose the additional tax benefit from charitable donations. To help increase itemized deductions above the new standard level, you could consider lumping several years of donations into a donor-advised fund. Then make all of your charitable contributions from the fund in subsequent years.

Additionally, if you're taking required minimum distributions (RMDs) from an IRA, you can use a qualified charitable distribution (QCD) to transfer up to $100,000 from your IRA directly to a qualified charity. The QCD reduces the taxable amount of your IRA distribution. Remember to turn off any automatic RMD withdrawals as a QCD must be made directly to the charity. Also, the QCD is not listed separately on your 1099, so be sure to let your tax advisor know you've made one.

⑤ Leverage a health savings account for health care and retirement

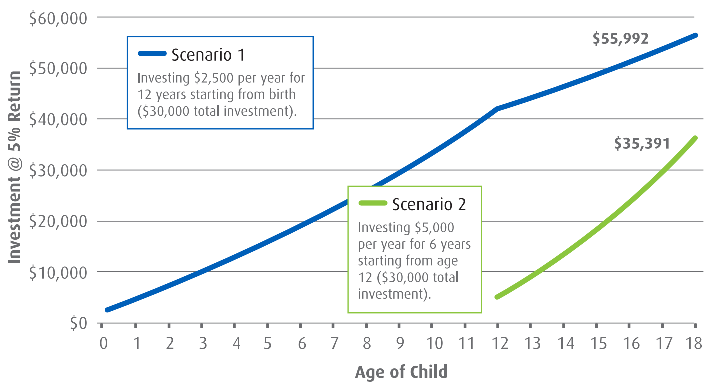
If you have a high-deductible health care plan[2] that counts as minimum coverage under the Affordable Care Act, an HSA can be used to cover out-of-pocket medical, dental and vision costs (though not for health insurance premiums). The money you set aside in an HSA grows tax free.

When you become eligible for Medicare, any money left in the account can be rolled into a qualified retirement plan account.

> The costs associated with accidents, illnesses, disability and death can be overwhelming, and can quickly eat away at savings.
>
> This year, ask your employer and your financial professional about insurance coverage.

⑥ Get a jump on college savings

The Benefits of Investing Early



Source: BMO Bank of Montreal (https://www.bmo.com/pdf/12-782-education-savings-graph-final-en.pdf). For illustrative purposes only, future investment performance cannot be guaranteed.

The sooner you start a 529 college savings plan for children or grandchildren, the longer the assets can grow tax free. Many states offer tax incentives, such as deductions or credits.

⑦ Assess your insurance protection

The costs associated with accidents, illnesses, disability and death can be overwhelming, and can quickly eat away at savings. This year, ask your employer and your financial professional about these types of coverage:

- **Life insurance** to enable a surviving spouse and children to maintain their standard of living, pay off debts and meet other expenses (like tuition).
- **Long-term disability insurance** to replace a portion of lost income if you're unable to work.
- **Umbrella liability policies,** which take effect when other policies are exhausted—often important if you have considerable assets.

⑧ Review your beneficiaries

Family dynamics can change quickly. Make sure you're comfortable with the beneficiaries you have named on your employer retirement plans, IRAs, life insurance policies, annuities and bank accounts that have "payable on death" designations, as well as your executors, trustees and agents under powers of attorney. If your estate plan is more than three years old, or if a major life event has occurred, review your plan with your attorney.

⑨ Consolidate important financial documents

To make it easy to locate important forms if needed, gather together your will, insurance policies, passports, appraisals, trust documents, health care proxy and powers of attorney designations. Choose a safe place to store them, such as a firebox or safe. The Electronic Document Vault in BMO Wealth Connection is a secure, cloud-based location where you can scan, upload and store your documents. Tell your executor, trustee and beneficiaries how they can access the documents if necessary.

⑩ Evaluate debt and check your credit report

If you're carrying credit card debt, student loans or home equity debt, consider ways to pay off any non-deductible, floating-rate balances, which will be impacted by rising interest rates. In addition, review at least one of your major credit reports to prevent unforeseen credit problems from spiraling out of control. Many sources offer free credit reports (including annualcreditreport.com).

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Feel confident about your future

New Year's resolutions are most effective when you act on them early. BMO Wealth Management—its professionals, its disciplined approach, its comprehensive and innovative advisory platform—can provide financial confidence.

For greater confidence in your future, call your BMO Wealth Management Advisor today.

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[1] The ability to contribute pretax dollars to a traditional IRA is subject to income limitations. However, earnings on both pretax and after-tax contributions can grow tax-deferred.

[2] The IRS defines a high-deductible health plan as any plan with a deductible for 2018 of at least $1,350 for an individual or $2,700 for a family.