

YEAR-END CHECKLIST

RIGHT NOW ...

GO EXTREME WITH 401(K) CASH. To make real cuts to your 2016 taxable income, you'll need to divert a big chunk of the year's last paychecks toward retirement savings. If your December cash flow can take the hit, go to your plan's website to reset the share of income you set aside; most employer plans will let you make that kind of dramatic adjustment, says Rob Austin, research director at benefits firm Aon Hewitt.

SWITCH TO A ROTH. If you're in a lower tax bracket this year than you expect to be later on, change an IRA to a Roth. You'll pay income tax on the converted amount for 2016, then never owe tax on that money again. Just make sure the amount is small enough to keep you in a low bracket, says Mark Wilson, a CFP in Newport Beach, Calif.

SIGN UP FOR A CLASS. The lifetime learning credit lets you cut up to \$2,000 a year from your tax bill, depending on your income. To claim it for 2016, register and pay now for a skills-enhancing class from an accredited school—and start by March 31, 2017.

TAKE REQUIRED MINIMUM DISTRIBUTIONS. Once you hit 70½, you must withdraw a set amount each year from your employer retirement plans (if you've retired) and traditional IRAs. After the first year, the annual deadline is Dec. 31—but don't leave it until New Year's Eve, in case the move takes a few weeks.

\$18,000

Maximum contribution. Or \$24,000 if you're 50 or over.

50%

of required withdrawal is the penalty for a missed deadline.

BY MID-MONTH ...

CLAIM NEXT YEAR'S DEDUCTIONS. If you'll have unusually high income in 2016, you can cut your tax bill by moving up some deductible expenses. Send in your January mortgage payment, prepay any property taxes, and get a jump on next year's professional or union dues and subscriptions, says Scott O'Brien, a CFP in Austin.

SELL STOCK LOSERS. If you have taxable stock gains, you can offset the tax hit—and even cut ordinary income by up to \$3,000—by selling poor performers at a loss, says the AICPA's Labant. Look for candidates this year among biotech companies and European stocks, both of which have taken a beating.

BY MIDNIGHT ON DEC. 31 ...

SPEND YOUR FSA. If you still have a balance and your employer won't give you a grace period or let you roll over up to \$500 for 2017, you need to use the cash fast or lose it. Among the eligible items you can buy online up till midnight: contact lenses, sunscreen, even condoms. (See benefits provider WageWorks' list at money.us/fsa.) Be sure to keep receipts.

MAKE CHARITABLE CONTRIBUTIONS. Before the holiday season ends, give a couple of final online donations to your favorite 501(c)(3) organizations. (See page 82 for more on maximizing the tax impact of your gifts.)