Here are 6 financial moves you really should make by Dec. 31

The advice runs the gamut from retirement savings to insurance coverage to savvy tax shelters.

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We're edging toward the end of 2023. What are the financial moves you really should make before the clock runs out?

Luckily, financial planners spend the final weeks of the year thinking about just such things. We asked several of them for their thoughts, and we made a list of six key financial steps to take by Dec. 31.

The advice runs the gamut from retirement savings to insurance coverage to savvy tax shelters.

Update the beneficiaries on that 401(k) or life insurance policy

Your typical investment account or life insurance policy requires you to name beneficiaries, the loved ones who will get the money upon your demise. For many of us, beneficiary designations function as an estate plan: they're legally binding and dictate what happens to a large portion of your assets.

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Some people don’t get around to naming beneficiaries. Births, deaths and family feuds can change the estate-planning landscape. The end of the year is a good time to take stock.

“I suggest making sure your beneficiaries are up to date on your investment accounts,” said Colin Day, a certified financial planner in St. Louis.

“It might not be the first thing people think of, but you will be surrounded by loved ones during the holiday season,” Day said. “It's a great reminder that you love and support these people, and you want to make sure your hard-earned dollars will get to them if something were to happen.”

Review your estate plan and insurance coverage

More broadly, the year’s end is a good time to review your estate plan, powers of attorney and insurance coverage, said Paul Mendelsohn, a certified public accountant in Livingston, New Jersey.

“Do you have life insurance, long-term disability insurance and long-term care insurance?” Mendelsohn said. Long-term care insurance, perhaps the least-known of the three, helps cover the costs of assisted living and nursing homes.

And remember, Mendelsohn said, that if one spouse has an insurance policy through work, “it does not cover the other spouse.”

If you haven’t done so recently, “schedule a meeting with an estate planning attorney to create or update your will, health care directives, and other legal documents,” said Niv Persaud, a certified financial planner in Atlanta.

Make charitable donations and give gifts

Charitable giving is a big part of the holidays. And the IRS allows you to deduct cash donations to qualified charities, potentially up to 60% of your income.

Donations are tax-deductible only if they go to recognized charities. You'll need documentation for larger donations, NerdWallet says.

And charitable giving works as a tax shelter only if you itemize your deductions, rather than claim the standard deduction, at tax time. (Most of us don't itemize.)

"Charitable gifts should be made before the end of the year if one wants the deduction for 2023," said Seth Benjamin Mullikin, a certified financial planner in Charlotte, North Carolina.

The season of giving is also a great time to make financial gifts to loved ones, Mullikin said.

"Individuals can gift up to $17,000 per recipient in 2023 without having to file a gift tax return," he said.

The gift tax is a federal levy on transfers of money or property to someone who doesn't give you something of equal value in return, according to NerdWallet.

If you give more than the annual gift-tax limit, of $17,000 in 2023 you must report it to the IRS.

Maximize your pretax retirement savings

December is a good time to "make sure you've maxed out your retirement planning contributions," said Catherine Valega, a certified financial planner in Winchester, Massachusetts.

Tax-advantaged retirement accounts allow investors to save a portion of their income before taxes are taken out.

But there's a limit. For individual retirement accounts, or IRAs, the annual contribution limit is $6,500, or $7,500 for anyone 50 or older.

For employer-sponsored 401(k) plans, the maximum employee contribution is higher: $22,500, or $30,000 for people 50 and over.

Those limits go up in 2024. So now is also a good time to update your payroll deductions and IRA contributions to reflect the new caps, said Rob Schultz, a certified financial planner in Encino, California.

Over 73? Take the required minimum distribution on your retirement account

A required minimum distribution, or RMD, is an amount you must withdraw from an IRA or 401(k) once you turn 73.

"If you haven't already, you need to complete your required minimum distributions from your IRA by Dec, 31," said Devin Pope, a certified financial planner in Salt Lake City.

In exchange for the tax perks, the IRS requires that savers begin to withdraw from retirement plans when they reach a certain age. The RMD is a means for the taxing authorities to take their cut from your retirement account.

A financial adviser can tell you how much you need to withdraw by year's end, or you can consult an RMD table. Fail to withdraw the funds and you will face a 25% excise tax on the sum you didn't cash out.

More: Half of Americans leave FSA health care money on the table. Here are 10 ways to spend it.

Harvest tax losses

The close of another year is an ideal time for an investment strategy called tax-loss harvesting.

The technique, a tax-time staple for the wealthy, turns an investment loser into a tax winner.

You sell an investment that is down, replace it with something similar, and leverage the losses to offset gains you have made by selling other investments.

“Harvest tax losses, if you have them,” Mullikin said.

Tax-loss harvesting can reduce your taxable capital gains. It can even reduce your taxable “ordinary income” (such as wages) by up to $3,000.

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