

2023 · WHAT ISSUES SHOULD I CONSIDER WHEN FUNDING AN UNEXPECTED EXPENSE?

FUNDING SOURCES (CONTINUED)	YES	NO
<ul style="list-style-type: none"> For short-term needs, consider using a credit card with a 0% intro APR (or other favorable offer to avoid the high interest rates typically charged by credit card companies) to pay for the full expense, allowing you time to pay off the balance over the favorable interest rate period. 		
Do you have a family member who is willing to provide assistance? If so, consider an intrafamilial loan. This can be structured to permit a low rate (tied to the AFR) and payments can be forgiven gift tax-free up to the annual exclusion amount.	<input type="checkbox"/>	<input type="checkbox"/>

CASH FLOW ISSUES	YES	NO
Do you need to assess how this expense will impact your regular budget this year? If so, consider the following: <ul style="list-style-type: none"> Reassess discretionary spending and eliminate unnecessary costs in order to free up funds and/or redirect savings. Adjust the timing/amount of other discretionary expenses. 	<input type="checkbox"/>	<input type="checkbox"/>
Are there future carrying costs associated with this expense?	<input type="checkbox"/>	<input type="checkbox"/>
If you incurred debt to cover the expense up front, do you need a debt reduction/consolidation plan? If so, treat repayments as a fixed expense in your future budget.	<input type="checkbox"/>	<input type="checkbox"/>
After covering this expense, do you expect to have excess cash flow in the future? If so, consider replenishing your emergency fund (if needed) and saving toward new or other goals. See the "What Accounts Should I Consider If I Want To Save More?" checklist.	<input type="checkbox"/>	<input type="checkbox"/>

TAX ISSUES	YES	NO
Is the expense an unexpected tax bill? If so, adjust your tax planning to avoid large payments and penalties in April, spreading withholdings and/or estimated payments throughout the year. (continue on next column)	<input type="checkbox"/>	<input type="checkbox"/>

TAX ISSUES (CONTINUED)	YES	NO
Will you withdraw funds from a tax-preferred account (e.g., 529 plan or HSA)? If so, consider the tax impact and any potential penalties, keep proper records, and report withdrawals, if necessary.	<input type="checkbox"/>	<input type="checkbox"/>
Will you need to raise cash from your taxable investment account(s)? If so, consider the capital gains consequences. Choose securities and lots that tie with your gain and loss harvesting goals, as well as your investment goals.	<input type="checkbox"/>	<input type="checkbox"/>
Will you borrow to fund the expense? If so, consider whether any interest payments will be tax-deductible.	<input type="checkbox"/>	<input type="checkbox"/>
Do you need to determine whether the expense is tax-deductible (in whole or in part)?	<input type="checkbox"/>	<input type="checkbox"/>
Is this a home improvement expense? If so, keep proper records to document any increase in your cost basis.	<input type="checkbox"/>	<input type="checkbox"/>
Will your future tax bills (real estate, auto, etc.) increase as a result of this expense?	<input type="checkbox"/>	<input type="checkbox"/>
If you can control the timing of the expense, does it make sense to delay into the next tax year, or to spread across multiple tax years?	<input type="checkbox"/>	<input type="checkbox"/>
Does your method of funding the expense push your income above certain limits that expose you to various additional taxes and surcharges (e.g., NIIT exposure, IRMAA surcharges)?	<input type="checkbox"/>	<input type="checkbox"/>

MISCELLANEOUS ISSUES	YES	NO
After making this expenditure, will you need to update any existing or add any new insurance coverage?	<input type="checkbox"/>	<input type="checkbox"/>
Will you need to consider your debt relief options (e.g., debt management, settlement, bankruptcy)?	<input type="checkbox"/>	<input type="checkbox"/>
Do you need to consider any collateral effects the expense may have on your financial health (e.g., credit score, premium rates)?	<input type="checkbox"/>	<input type="checkbox"/>