EP 126: Tax Changes to Know About Before Year-End: Detailed Version

Well, 2018 is almost over and it's the first year of the new Tax Cuts and Jobs Act that dramatically overhauled our tax code as we know it. So, what do you need to know? And what things should you make sure you address before year-end? Stay tuned because I'm going to cover all of it in today's show.

Let's discuss how the largest and most anticipated tax reform act passed by Congress since 1986 will affect you. There is lots packed into the Tax Cuts and Jobs Act. Today's conversation should help you prepare for a successful 2019 and beyond. With the new Tax Cuts and Jobs Act taking effect this year, most of us are wondering how these new rules are going to impact us personally. Fortunately, you're already getting ahead of the changes by reading this detailed description of the changes and what they could mean to you!

And now is a perfect time to find out how the new laws will impact your tax situation so that you can take steps before the end of the year to lawfully minimize your taxes and maximize your nest egg.

All right, let's jump in.

Before I just right into tax talk, it is always important to review that there are five key areas of financial planning since they so directly coordinate with your taxes. They are:

- Asset Protection often in the form of insurance,
- Retirement Income Planning, which means how you take your savings and turn it into income that actually pays your bills without spending too much of that savings,
- Investments,
- Tax Planning, and
- Estate Planning.

As a comprehensive wealth management firm, my firm and I always consider the impact of any recommendation we make on not just one, but all of these areas for our clients. It's so important to look at the big picture of your financial life when we talk about taxes, because everyone's financial and tax situation is different.

While I won't be providing tax advice here, as a financial advisor, I help people understand how these wide-ranging tax changes could affect your financial future, and how we can develop a plan to maximize the benefits available, and minimize any costs.

So this is not tax advice, but what I propose today is to help you identify important questions you'll need to answer as you take up the challenge of understanding what the new tax rules mean to you.

Overview: The New Tax Rules

Any new law, particularly one as far reaching as this one, will provide many planning challenges and opportunities for years to come. So let me start out with high level observations about the new tax act formally titled The Tax Cut and Jobs Act of 2017:

- It's the most far-reaching and complex tax reform since 1986
- It impacts nearly every person and every business
- Many people will see a net positive to their bottom line
- Interpretation and revision of the rules will continue
- Most individual changes are temporary and, as of right now, will expire after 2025—business-related changes don't expire
- It adds an estimated $1.8 trillion to the national deficit
- It wasn't passed with bipartisan support, unlike previous big tax revisions

As with any law, the act is subject to possible revisions in the future, which of course means more uncertainty. Certainly, any significant political shifts in the future could significantly change the law.*

It is important to understand these additional challenges and opportunities under the new tax laws, so you can maximize the benefits to you, your family, and your business (if you have one). Some Americans thought the new Tax Act would allow an individual to complete a single page tax return. Not even close!

And the truth is, many tax professionals are still waiting for additional guidance from the IRS and US Treasury Department. The Act will have both positive and negative impacts on your financial plan and it is essential that you take the time to review your situation and goals in detail.

And beware! Although the corporate tax cuts are permanent, most of the changes for individual taxpayers expire in 2025, unless they are extended through additional legislation.

So, what's changed and what has stayed the same? Congress approved the Tax Cuts and Jobs Act and on December 22, 2017, President Trump signed into law the most sweeping overhaul of the U.S. tax code in 31 years.

Key policy highlights that could impact most investors are:

- It kept seven tax brackets but reduced rates
- The standard deductions increased
- It created State and Local Tax limitations (referred to as SALT)
- The Child Tax Credit Doubled
- Mortgage interest rate deductions available for NEW mortgages decreased
- Alternative Minimum Tax (AMT) increased
- Medical expense deductions were modified
- It eliminated the Affordable Care Act's individual mandate penalty tax
- It lowered corporate tax rates
- Pass through income will be taxed differently
- Estate taxes remained but exemption levels doubled

The Good News

2018 Tax Rates Lowered

For 2018, we have seven tax brackets from 10% to 37% (where previously the highest income tax bracket was 39.6%) and 0 to 20% brackets on capital gains.

It's important to remember that we have a marginal tax system, which means, for example, if you are a married couple who has taxable income of $250,000/year, you land in the 24% tax bracket for the last 85 thousand dollars of income, but that does NOT mean that all of your income is taxed at 24%! To the contrary, all of your earnings still pass through all of the 7 brackets. So, for our couple earning $250,000, as an example, your weighted or what we call net effective tax rate is actually far less than 24% before deductions.

Many people make that mistake, I hear people say, oh I don't want to earn that extra dollar because it'll kick me into a higher tax bracket. Well, no, only that extra dollar is actually taxed at the higher rate!

Capital gains rates are also important to understand because after this 8+ year bull market, so many investors are in a position where there are LOTS of capital gains in those taxable investment accounts. If you've maxed out your 401k and tax deferred savings then you should be saving in a taxable account, also called a brokerage account or perhaps a trust account and all of those gains are taxable. That means in order to rebalance or reallocate or spend any of that money you have to sell those investments with all of those gains.

For one new client in particular who came in with almost $250,000 of unharvested gains in their taxable account. Even though they had big gains, when we looked at the underlying performance of the account relative to its size, which was over $1M, it was lackluster. Many accounts have actually *doubled* in size over the bull market since 2009. We both agreed that we wanted to take this opportunity to move them OUT of that underperforming portfolio, but wanted to avoid that painful 20% capital gains tax bracket if possible.

To illustrate, let me share a specific example of a client of mine. Their taxable income is $300,000 and taxable dividends were $25,000, so if they sold the entire existing portfolio, their taxable income would be $575,000, they'd definitely be in that 20% capital gains tax area, and would owe $50,000 in LTCG. So what we did for them is we sold only a portion of those investments, kept them in the 15% capital gains tax bracket, so instead of paying $50,000 this year, they'll only pay $23,100 for 2018. Next year we'll sell the remaining appreciated stock and their estimated capital gains obligation will be $14,400 at that 15% rate, and saved them $12,500 in taxes!

So that's just an example of how effective planning can save you from paying unnecessary taxes!

Tax rates cut across the board

The NEW tax rates after the Tax Cuts and Jobs Act were cut by approximately the same percentage across the board regardless of your tax filing status (married vs single, etc.)

The gist is that most rates are down with the big winners rate-wise residing in the lower brackets. The only real increase is on a slight piece of income between $400,000 and $424,950.

Not taking the use of deductions into account, taxes paid on income should go down for most people.

What you can do: Check your Individual Income Tax Rates

I won't drill you with numbers and tax rates, but if you haven't checked out the new individual income tax rates, be sure that you do so you know where you fall.

If you recall, the stated purpose of this tax reform bill was to lower income taxes for those with $250,000/year of income or less and according to the Tax Policy Center, the average tax savings will be $1600. I went ahead and calculated what your new federal tax obligation will be at various income levels.

If you are married and have $100K of income, your tax savings is likely to be just under $2600.
$250K: $9,138
$500K: $16,852

New Standard Deduction Amounts Nearly Double

If you don't already, you'll likely start taking the new standard deduction under the new tax law. A standard deduction is the specific dollar amount subtracted from a taxpayer's income before the income tax is applied. According to the Tax Foundation, 68.5% of households took a standard deduction in 2016. But now, it's expected that over 90% of Americans will be taking the higher standard deduction, according to the Treasury Department. Most, but not all, are expected to be "better off" with the increased standard deduction.*

Here are your new standard deductions:

$12,000 (single) – was $6,350
$24,000 (married filing jointly) – was $12,700

The new tax law eliminates the personal exemption of $4,050, which means the large increase in the standard deduction won't be that large for some families.

According to *Kiplinger's*, 38 million of the 45 million taxpayers 'would be better off' with the higher standard deduction, rather than itemizing.
Please note that the additional standard deduction for taxpayers 65 and older still applies. Note that these new deduction amounts sunset in 2025

What you can do: Make Sure to Check Your Withholding Amounts

Be sure you're having the right amount withheld. The IRS believes there will be further changes to the tables in 2019, so you can continue to check the IRS website on that one if you want to. I take that to mean that they aren't totally sure what the impact of the tax act will be on some people's financial lives, so they're reserving the right to continue to update their calculator. Of course, the link to that calculator is in the show notes.

Significant favorable changes to the estate tax

The estate tax exemption doubles.

Republicans in the house proposed a total repeal of estate taxes. The Tax Act doesn't quite go that far, but it does double the unified estate and gift tax exemption amounts from their current levels, which raises the scheduled 2018 exemption of $5.6M into an $11.2M individual estate tax exemption and a $22.4M exemption for married couples if you pass away after December 31, 2017. Step-up in basis remains, as does the top 40% tax rate on gifts and estates, as well as the existing rules on generation skipping taxes.

But it wasn't that long ago that people with estates under $1 million had to worry about the estate tax. So the number of wills and trusts that need to be reviewed and revised in light of the changes in the law is enormous. Many of these documents have formula clauses tied to the amount of the exclusion, which could now result in unintended estate dispositions. Many of these estate plans should be reviewed in light of the tax act.

And the federal estate tax is not the only reason for estate planning. There are state taxes that apply in many situations. There are family circumstances to consider in determining how much to leave beneficiaries and in what manner. Trusts are important to control the disposition of assets even if estate taxes are no longer a factor. For people under $22.4 million of assets, which is most of them (99.92%), it is still important that their estates are distributed to the right beneficiaries, the right way.

What you can do: Re-examine wills, trusts, estate plans

According to the Center on Budget and Policy Priorities, only 2 out of every 1,000 estates owed federal estate tax in 2017. With the new rules, you're looking at only eight per 10,000 estates will owe federal estate tax. But this doesn't mean you should just forget about your wills or trusts. The new rules applied to old wills and trusts could trigger unintended consequences.

Be sure to check your wills and trusts with your estate planning attorney to ensure their formulas are still applicable or need to be changed.

Also note, some estates under exemption levels may no longer need life insurance policies to pay federal estate taxes. And of course, you may still owe state-level estate taxes.

Some things to think about as it pertains to your estate plan: Does your will protect your spouse and children with a flexible trust? Are your aging relatives protected with a robust revocable trust? While many people like simple wills, a simplified document may not cover all your needs or have the flexibility to address evolving laws.

You may have signed a will many years ago when the exemption amount was significantly lower. Because Congress has changed the estate tax many times, it's definitely worth reviewing your documents.

Some people may be fooled into thinking that because the estate exemption amount has doubled, that there is no need to meet with a financial advisor or attorney. This change doesn't eliminate estate planning issues. In fact, any changes to estate planning laws often necessitate a new conversation. So be sure that you're having this conversation sooner rather than later!

You're Less Likely to Pay the Alternative Minimum Tax (AMT)

The Alternative Minimum Tax, aka the "AMT," which was created to ensure taxpayers with many itemized deductions still end up paying some taxes. If you're hit with AMT, you pay your regular lower tax plus the AMT difference. In the past, that has applied to a lot of people. But now you're less likely to pay the alternative minimum tax.

The act increases the exemption amount so fewer taxpayers are subject to the AMT. According to the Tax Foundation, 10.3 million households were subject to the AMT in 2015, which mainly affected those who live in a high-tax state with a household income between $200,000-$500,000.

Important: The increased standard deduction means many households won't itemize deductions AND won't get hit with the AMT. That will mean more money in pockets of high earners. And those who still owe AMT may end up owing less than previous years.

AMT has tended to disproportionally affect those with large families. In fact, families with two children are nearly three times as likely to pay the AMT compared to those who have no children. Historically, Families with three or more children have been almost four times as likely to pay AMT than those without children, according to the Tax Policy Center. Therefore, because significantly fewer Americans will pay AMT, larger families will likely keep additional tax savings.

Exercising Stock Options Could Trigger AMT—Planning Is Needed!

Still, for high earners, AMT is not going away. Certain actions, like exercising stock options, may trigger AMT. So, it may be a good idea to talk with your accountant and financial advisor about delaying the exercise of any stock options, to avoid increasing your tax bill, and therefore being subject to the AMT. Stock options could be exercised over a series of different tax years.

Your Child Tax Credit Doubles to $2,000 Per Child

This may be the one item that is very straightforward. Your child tax credit doubles to $2,000 per child and you may be eligible for this refundable credit. The child tax credit was originally designed to help working families with the costs of raising their children. Prior to the new law, the child care credit was $1,000, and only a portion of that amount was refundable. Taxpayers could only claim a refund on a percentage of income over $3,000, which mainly benefited lower-income households. The credit phased out when a taxpayer's AGI exceeded $75,000 for single filers and $110,000 for married couples filing jointly.

Now taxpayers can claim up to $2,000 for each child under age 17. And the credit won't phase out until a single filer's income is $200,000 or $400,000 for married couples filing jointly. This change in the phase out limit will allow more middle and upper income families to claim the credit.

You'll need to provide a child's Social Security number to receive the credit. Taxpayers can also reduce their tax bill by $500 for other dependents who are not children, such as elderly parents. This is an incentive for families to take care of loved ones, other than children.

Your 529 Plan Can Now Pay for K-12 Tuition, Too

529 plans were created in 1996 as a vehicle to save for higher ed. Most states offer these plans. Because California doesn't offer tax benefits on contributions, as a resident of California, you can use any state's plan—you should just use the best plan you can find. For example, the 529 accounts I recommend for clients are out of West Virginia. These plans have become so popular that according to College Savings Plans Network, they had $275 billion in assets in 2016.

Now 529 plans are no longer limited to post-secondary education, allowing a $10,000 annual distribution to pay for K-12 private or parochial school. This is obviously really good for private schools.

Also, student loan forgiveness is no longer taxable income to the student in the event of the student's death or disability. So that's pretty much the only way to get out of student loan debt, thank you very much.

The increased flexibility of 529 accounts is clearly a victory for private schools. Almost thirty-six states already offer an income tax deduction or credit for a contribution.
One possible disadvantage is that private schools may want to know about the existence of 529 plans when making any financial aid decisions. Given this drawback, it is more crucial than ever to discuss contributions with your financial advisor.

Also, you will need to consider that withdrawing money from a 529 plan to pay for private school shrinks the time your assets can compound tax-free. Of course, to take full advantage of a 529 plan, establish the account as soon as possible and research the plans that are available.

Starting in 2019, new rules for how alimony is taxed

Now, this is good news if you're going to be receiving alimony, and conversely bad news if you are going to be paying it. Alimony is no longer a deductible expense for the payer, nor is it considered income to the payee.

Before the new law, and for the last 75 years, alimony has been a deductible expense for the payer and reportable income for the recipient. Now, that has been totally turned around for divorces after 2018. Divorces that are already complete are not affected.

Some critics of the new tax code argue that the change to the way alimony is handled gives married couples an advantage. The Ways and Means Committee, which assists in writing the tax code, called the previous alimony deduction a "divorce subsidy." The committee noted in November 2017 that, "A divorced couple can often achieve a better tax result for payments between them than a married couple can."

You Can Deduct More Out-of-Pocket Medical Expenses in 2018 Only

This relates to how much you pay for out-of-pocket health care in 2018 only.

Every dollar spent on out-of-pocket health care beyond 7.5% of the Adjusted Gross Income, or AGI, is deducted at the individual's tax rate. In 2018, the floor to deduct medical expenses for an AGI of $50,000 is $3,750. That floor will be increasing to 10% in 2019.

The 7.5% floor benefits those with low income and high medical expenses. This benefit is not just limited for people who are very ill or who have significant medical expenses, but many individuals with large insurance premiums paid with after-tax dollars or large deductibles can take advantage of this deduction.

After 2018, the limit for deducting medical and dental expenses goes back to 10% of AGI, so, if it makes sense for you, incur those medical expenses this year.

Also, the individual mandate to purchase health insurance through the new exchanges has been repealed, so there is no penalty for not having medical insurance, though that doesn't mean it's a great idea to go without it.

The BAD News…

Ok, we just covered a whole range of positive outcomes from the new tax reform. But there are some downsides you need to be aware of, especially for my fellow Californians or residents in other high-tax states. Here is the bad news when it comes to the new tax laws.

Homeowners in High-Tax States Lose Ability to Fully Deduct State and Local Taxes (SALT)

Homeowners in high-tax states lose their ability to fully deduct state and local taxes (SALT). The SALT (State And Local Taxes) deduction had been around since the modern introduction of the federal income tax in 1913. It allowed for UNLIMITED deduction of state, county, school, and municipal taxes to avoid being taxed twice on the same income and to promote home ownership. Now deductibility of state and local taxes is capped at $10,000.

For Some, New Tax Savings May Disappear With SALT Limits

Reducing the so-called SALT deductions will be felt most acutely in California, Illinois, Maryland, Massachusetts, New Jersey, New York, and Connecticut, states that account for more than half of the value of these deductions.

Some news outlets were encouraging residents to “pre-pay” their property or other local taxes, but the IRS seems to be weighing in against this, they have published articles that lead us to believe they won’t be allowing this strategy at all, so I’m not recommending it.

High-tax states don’t want their constituents to be burdened by these changes and are considering some “creative” solutions. Make sure you ask your financial advisor and accountant if there are any state-specific plans in your area. Keep watching your state governments for new ways to reduce the sting of losing 100% deductibility of SALT.

You May Not Be Able to Fully Deduct Mortgage Interest Anymore

This is a major change to the way Americans deduct interest on their mortgage and home equity loans.

Existing mortgages are grandfathered to the extent of the original amount of the loan (but not over $1 million), and should not be increased in a refinance if it exceeds the $750,000 limit. If the new debt is over $750,000 the additional mortgage interest will not be deductible.

Another major change is that home equity loan interest is not deductible, unless it is used in connection with home acquisition or improvement. And these loans are NOT grandfathered in. If you took out a home equity loan two years ago and used it to pay for college tuition or a family vacation, it is not deductible. Only for home acquisition or improvement, in the past and going forward.

Some think this could cause housing prices to fall, but this may be an advantage in some overpriced housing markets.

Tax Insight: Homeownership costs are going up!

So the new tax rules around homeownership have changed. For certain people, it might cause you to at least evaluate the relative benefits of homeownership in your specific case.

When considering homeownership costs, some key considerations:

Con: you can’t deduct a new mortgage over $750,000 and your property tax deduction is limited.

Pro: of course, home ownership plays a strong role in building wealth for mortgage payers and owners.

But the new tax rules certainly will put a crimp in the finances of some second home owners: You’ll want to consider future costs under new tax laws and whether you need or want to continue owning it.

If you’re retired, semi-retired, or on course to retire in a few years, you may want to evaluate downsizing or moving to a low-tax state.

Your Itemized Miscellaneous Deductions Are Eliminated

Our fifth item in this group has to do with miscellaneous itemized deductions. With the new standard deduction and elimination of personal exemptions, Congress also decided to end many favored miscellaneous deductions. THEY ARE NO LONGER ALLOWED. For example, in the past you could deduct moving expenses, home office expenses, investment management fees, tax preparation fees, professional dues, and casualty losses in some instances, but only if they were at least 2% of your Adjusted Gross Income (AGI). Now you can't. These deductions are no longer permitted.

What you can do: "Bunching" Your Deductions in Alternate Years

Before we leave our discussion of how deductions and brackets have changed in the new law, it's worth looking at one Tax Insight that may hold some promise for some of you, especially as we get ready to talk in a second about what has changed with the loss of the deductibility of state and local taxes. It's called "bunching deductions."

What that means is that you would take the standard deduction in one year and then itemize your "bunched" deductions the next year, which would entail prepaying such things as real estate taxes, mortgage payments, medical expenses, student loans, and future charitable contributions. This strategy will enable you to take advantage of the higher itemized deductions in alternate years. Of course, you will need to write a check for these expenses! Consult your accountant before acting.

Also, remember that student loan interest is an "adjustment" and not a deduction, so you do not need to itemize your deductions to take advantage of the benefits. And, another benefit is that student loan forgiveness as a result of death or disability is no longer treated as taxable income.

You can also consider other charitable giving strategies. For instance, instead of donating cash to charity, it may be advantageous to donate appreciated stock. This strategy tends to work best when stocks are highly appreciated and they are owned for more than a year. You can take a deduction for the market value on the day you donate the security.

Another benefit is that you may avoid capital gains taxes which you would have to pay if you sold the stock yourself and gave the proceeds to charity. You can deduct the fair market value if you held the stock for more than a year. Unfortunately, if you've held the stock for less than a year, your deduction is limited to your cost basis. If you are holding stocks with long term capital gains based on when you purchased them, one option is to gift those appreciated stocks to a charity. The charity gets the full current value of the stock, and you get the deduction without ever paying the capital gains tax!

Roth Conversions Just Got Trickier—No More Do-Overs

As you probably know, contributions to a Roth IRA are NOT tax-deductible, but distributions from Roth IRAs are 100% tax free assuming the 5-year hold period has passed. Also, there are no Required Minimum Distribution (RMD) for Roth IRAs.

There are strict income limits on who can contribute to a Roth but technically there is no limit on amounts you can convert.

Prior to the tax act, if you converted an IRA into a Roth IRA and then the market went down, or you changed your mind about a conversion because of cash flow issues, you could recharacterize the Roth back to an IRA before October 15th of the following year. As a rule of thumb, many people requested their conversions early in the year because it could be reversed.

Now, you cannot change the Roth back to an IRA. Ever. Once it is converted, there are no more "do-overs." Which is why you'll likely want to do conversions in October or later.

What you can do: Make smaller conversions over different tax years

Roth IRAs remain a great retirement planning tool. Making smaller conversions over different tax years will eliminate doing a large conversion in one year and the difficulties connected with tight cash flow near the tax filing date, or if the market pulls back, decreasing the value of the account. Roth IRAs are still an attractive retirement account for many reasons, including the ability to take qualified tax-free withdrawals and the availability to make contributions at any age, as long as you have earned income. In addition, a taxpayer can avoid Required Minimum Distributions (RMDs) with a Roth IRA, which is a huge benefit.

So, with the new conversion restriction, what I've been doing with many clients is simply completing smaller conversions over several tax years

So, with the new conversion restriction:

- Consider smaller conversions over several tax years
- Consider future cash flow carefully and your ability to pay the tax bill when it comes due
- Consider the potential for market slide when deciding whether to convert
- Consider timing the conversion for later in the year.

What else you can do:

Diversify between Traditional IRAs and Roth IRAs when possible because future tax laws remain unknown.

Traditional IRAs may give you more disposable retirement income if future tax rates are lower. Roth IRA may benefit you if there are higher future taxes because you don't have to pay taxes on qualified Roth distributions.

According to a study cited recently by the *Wall Street Journal*, savers who plan to retire in 30 years may provide themselves with a hedge against changes in the tax code if they split their contributions between pre-tax and Roth accounts.

Here's an easy formula to consider: Contribute to a Traditional IRA based upon your age plus 20%. As an example, a 40-year-old should contribute 60% to a Traditional IRA and 40% to a Roth IRA.

If you save in a Traditional IRA, tax rates that are lower in the future may mean you could have more disposable income at retirement. If you save in a Roth IRA and there are higher taxes, you won't have to pay those taxes because the money will come out tax-free from qualified Roth IRA distributions. Note that this proposed strategy does not protect against all tax-based risks.

The Business News

Ok, so I just covered personal tax changes as a result of the new tax reform. But what do you need to know if you're a business owner? I'll run through the tax changes for businesses quickly.

Corporate Tax Rates

Businesses will pay a much lower tax rate than in the past. Under the New Law: Top corporate tax rate starting in 2018 is just 21%, when last year it was 39.6%. The U.S. has had some of the highest corporate taxes in the world. Now, corporate taxes will be the lowest since 1939.

Corporate AMT is eliminated. The belief is that lower taxes could spur increased business investment. We'll see how that shakes out.

And here's one difference between the business and personal changes to the tax code. Remember, the new tax rules for individuals are set to expire after 2025. But for businesses, there is no such expiration. The changes are permanent for now. *

20% Deduction

Our next item is good news: Small business owners get a 20% deduction for "pass-through" income. Pass-through may be a phrase that's new to you. Here is its definition: Individual business owners pay taxes on their firm's income on their personal income tax return.

Prior to the new tax law, small business owners usually paid taxes based on their individual tax rates up to 39.6%. Now, owners will be allowed to take a 20% deduction for qualified business income and these individuals will only be taxed on 80% of their pass-through income. Combined with the new 37% top individual rate, the top tax rate for eligible pass-through business income is 29.6%. Most small businesses will see at least modest relief from their taxes.

Some details of note here: Roughly 92 percent of private businesses in the U.S. are organized as pass throughs. Pass-through businesses may include: sole proprietorships, partnerships, limited liability companies, and S corporations.

The deduction phases out for highly compensated professionals, such as dentists, lawyers, and investment managers, beginning at incomes of $157,500 for singles and $315,000 for joint filers. The deduction is unavailable when total income reaches $207,500 or $415,000 for single filers or married filing jointly, respectively.

Here's an example: A couple with a small business that has less than $315,000 of total income could pay $20,000 less in taxes. Of course, seek the counsel of your tax advisor.*

So a question you might ask your tax preparer is should you consider changing your business structure for better tax treatment?

Get Started Developing a Plan

Taking action to succeed under the new tax laws means you should:

- Seek professional help from your financial advisor and tax advisor
- Ensure that you understand how all the new rules impact you
- Review your tax situation and ensure that your expected investment returns will exceed tax costs in the long-run,
- And ensure that your taxable investments are “tax savvy”.

Now, I’m not an accountant and I don’t give tax advice. But I am a fiduciary financial advisor and I help my clients to stay on top of the important financial planning issues that impact their lives.

As we’ve seen, the new tax rules have introduced a range of uncertainty about their full impact. Everyone’s taxes are different. At least temporarily, you may have more income to save and invest. There may be new issues and challenges to address in your family financial planning or how you structure and run your business. All of those items you’d ultimately address with your accountant or tax preparer.

If you think that now might be the right time for you to consider hiring and working with a fee-only, fiduciary financial advisor, I invite you to schedule a no-obligation Discover meeting. Together, we’ll review your current situation, how you got to where you are now and where you’d like to go. We’ll have time to get to know one another to determine if we might be a good fit to work together.

We can also review these tax law changes and consider how they’ll impact your financial situation and what actions you might take now to get ahead of the changes.

Over the years, I’ve seen people make some serious tax and investment planning mistakes and that’s why I do this sort of meeting for clients and attendees at my workshops.

After meeting and completing the checklist review, you’ll have a fuller picture of the types of questions and issues you’ll want to ask your accountant as you decide what approaches you may want to take.

Closing

I just hit you with a ton of information. So – to wrap up, what should you do in 2018 to set yourself up for financial success in 2019?

Some planning strategies that you should be doing not just this year, but every year are:

- Rebalance all of your accounts, including retirement plans and taxable investments.
- Analyze sources of income and cash flow requirements.
- Review your overall tax planning strategies.
- Review your Curveball Account (most call this an emergency fund).
- Fund your retirement accounts early in the year.
- Monitor your portfolio regularly. It’s important to keep it aligned with your goals. We monitor your portfolio for you regularly and can help you with specific options and choices.

Best of luck with your taxes and thank you for being a Profit Boss® Radio listener!

Hilary Hendershott, MBA, CFP®

This is a summary of tax code changes and how they might affect you. Nothing in this document is to be construed as customized financial advice. I have not considered your individual circumstances. Please consult your tax preparer and financial advisor before taking any actions that impact your money.

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