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Financial Solutions for the Life You Are Living and the One You Want to Live

financial $UCCESS

EARLY WINTER 2018/2019

Tax Planning throughout Life

Most people do not plan their taxes throughout the year or in the future. They file their taxes and then shunt the whole process aside until the next year. This is a huge mistake and often made because most people believe that tax planning is only for the ultrawealthy. In reality, anyone who earns money and files taxes can save money by planning throughout their life.

In Your 20s

The good news is that you're probably not heavily taxed yet, but the bad news is this is because you are not making very much money. Chances are this is the first time you start filing taxes on your own without being claimed as a dependent of your parents. Make sure you have all of your key financial documents organized and identity information like your birth certificate and Social Security card in a secure place. If your parents opened any accounts for you when you were younger, make sure you have all relevant paperwork now. Consider meeting with an accountant or advisor to make sure you start off on the right foot. Tips:

- ✔ Contribute to a tax-deferred retirement account, like a 401(k) plan or IRA. Take full advantage of any employer-matching contributions, even if you want to pay off student loans quickly. That free money will most likely grow in your account at a higher rate of return than your low-interest loans.
- ✔ Keep track of what you pay on student loans. You can deduct interest paid on your loans when you file taxes and can sometimes qualify for an income-based repayment plan if you owe more than you make.
- ✔ Save receipts and records if you relocate for a job, since these expenses can be deducted.

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Happy Holidays!

Thank you for your business in 2018. We wish you and your family a Happy Holiday and a Healthy 2019!

From: Andrew Wade, Polly Rosenstein, and Connie Collins

Tax Planning

Continued from page 1

✔ Make sure you are withholding the correct amount. Getting a big refund at tax time lets the government sit on your cash instead of making it work for you during the year.

In Your 30s

Now your finances get significantly more complicated as your savings increase along with your expenses. Tips:

✔ Keep saving in tax-deferred accounts, but also consider opening a tax-free account like a Roth IRA or Roth 401(k) plan, so you will have more income options in retirement.

✔ If you plan to get married or have children, meet with a tax or financial advisor to ensure you are making the best financial decisions for this point in your life. Consider setting up a 529 plan for your children's future educations.

✔ Review the credits and deductions available to you, especially the ones related to child and dependent care. Make sure you are getting everything you qualify for.

✔ Use a flexible spending plan and reimbursement accounts for any medical bills.

In Your 40s

This is when you will probably hit your earning peak. This may bump you into a higher tax bracket, so maximizing possible deductions (like contributions to a retirement account) is more important than ever. Tips:

✔ Upgrade your charitable giving and keep track of any eligible gifts made. Keep all documentation so you can deduct your giving at tax time.

✔ Make sure to meet with an advisor before drawing money from taxable investment accounts for large expenses (such as your child's college tuition), as there may be complicated tax ramifications. Also stay abreast of any tax credits for education

In Your 50s

Retirement is edging closer and you should now focus on saving as much as possible. Tips:

✔ Max out your contributions to IRAs and 401(k) plans. Now that you've turned 50, you can contribute an extra $6,000 to your 401(k) plan and an additional $1,000 to your IRA in 2018.

✔ Start planning for future healthcare expenses. Open a tax-free health savings account to reduce taxable income now and provide a fund for health expenses in retirement.

✔ Know the tax implications of cashing out any stock options or other perks from your employer.

In Your 60s

This tax-planning decade is crucial to your retirement years. Tips:

✔ Plan for all taxes that may apply to you in retirement. For example, your retirement income level will determine whether you have to pay taxes on Social Security benefits.

✔ Consider converting a tax-deferred IRA to a Roth IRA for tax-free income in retirement (but know you will have to pay any taxes owed when converting).

✔ Be careful and strategic about how you make withdrawals to avoid paying higher taxes than necessary. Form a plan with your advisor to ensure you are not paying more than necessary.

Please call if you'd like to discuss this in more detail. ❍❍❍

Factors to Consider before Switching Jobs

When considering a job switch, it's tempting to just look at the difference in salary between the two positions. But before deciding whether to change jobs, consider these factors:

✔ **401(k) plan** — Compare the 401(k) plan features at both employers. How long will you have to wait before making contributions to the new plan? What matching contributions does each employer offer? What investment alternatives are available with each plan? 401(k) plans are becoming increasingly important to help fund retirement, so you thoroughly review each plan.

✔ **Health insurance** — How much of your health insurance premium do you have to pay at each employer? How does the coverage compare? What out-of-pocket expenses are you likely to incur with each plan?

✔ **Other fringe benefits** — Thoroughly compare the fringe-benefit package at each employer, looking at vacation days, sick days, life and disability insurance, dental and optical insurance, and other benefits.

✔ **Commuting costs** — How far is each job from your residence? Will there be additional commuting costs involved, including gasoline, parking fees, and wear and tear on your automobile? Will you have to spend additional time commuting, keeping you away from your family longer?

✔ **Other costs** — How do you have to dress at each job? Will you need to purchase new or more expensive clothing? Will you have to go out to lunch more frequently?

✔ **Advancement opportunities** — While this is difficult to quantify, what are the advancement possibilities at each job? You might want to stick with a lower-paying job, if you'll have better advancement opportunities in the long run. ❍❍❍

What did Arethra Franklin and Prince Have In Common?

Two prolific long-term stars passed away without an Estate Plan. This is more common than one would think. It is human nature to hold off on such an exciting 'plan' that is really of no consequence once we are gone.

My recommendation is to at least have a basic Estate Plan in place. This would include a Will, which designates your wishes upon your demise. For young families, it is even more essential, as a Will can also name a guardian for your children.

The second instrument is the Advance Medical Directive (also called a Living Will). This is critical in decision making as to what measures can and should be taken to extend your life. I have found that hospitals also have their own version of a Living Will as most people don't carry around these documents with them. End-of-life decisions are difficult enough for your kin, but if the Advance Medical Directive is lacking as well, decisions are that much tougher on the caregiver/family member(s).

The third and final document for a simple plan is for the here and now; the Power of Attorney (POA). This is essential should you become incapacited and/or unable to care for yourself. The person you choose for your POA needs to be informed and willing to serve. There needs to be a back-up POA, in case the original person serving as your POA has passed or is unable or unwilling to serve.

There are more extensive Trusts that can also be created. There are many pros and cons to both a simple Will or Trust. Each person and family is different. What may work for one family may not work for another. My advice here is to do something, even if you get the basic Will, Advanced Medical Directive, and Power of Attorney. Get it done and file them with a trusted family member or advocate, as I have discussed before.

Another estate-planning tool is the Transfer On Death (TOD) designation to investment accounts. This type of designation transfers the asset without any Will or Trust. There are pros and cons to this type of designation. Please consult an attorney to see what is right for you and your family.

Sincerely,

Andrew D. Wade, CFP®
President

5 Reasons to Start Saving More

If you're interested in getting started with savings or want to save more, here are five reasons to help keep you motivated.

1. You'll be prepared for emergencies — Here's an alarming fact: most Americans don't have enough money saved to cover even relatively small, unexpected expenses, such as emergency room copays, minor car repairs, or a broken furnace. Without cash on hand to cover these irregular but inevitable costs, you're more likely to turn to credit cards or loans when the need arises. Not only will you be forced to take on debt, but you won't have time to shop around, making it more likely you will end up with an expensive, high-interest loan. Plus the more debt you have, the more difficult it is to save.

2. You'll be more independent — With a healthy amount of savings, you can feel more free to take risks, like starting your own business, heading back to school to train for a new career, purchasing a home of your own, or moving to a new city. Without savings, you're living on the financial edge and are more likely to find yourself stuck in situations you may not be satisfied with — working just to pay off debt, trapped in an unfulfilling job, or stuck in a less-than-desirable neighborhood. Committing to saving today will start to give you the freedom to make different choices.

3. You'll be able to reach your goals — Whatever your dreams, they likely have one thing in common — you're probably going to need some money if you want them to become a reality. Few of those dreams are achievable if you don't save for them.

4. You'll be able to earn more money — Saving isn't just about setting aside what you've already earned. It's also about putting your money to work for you. Depending on where you save and invest your money, you can earn more just by being diligent about saving rather than spending. And because of the power of compound earnings, even relatively small amounts can grow significantly, provided you don't touch your principal.

5. You'll be happier — No one wants to suggest that money is the only thing that can make us happy. But there's also evidence that *saving* money, even in small amounts, can make you happier. In contrast, having debt (often a consequence of a lack of savings) tends to lead to more unhappiness. ❍❍❍

A Tax-Planning Mentality

While it can be easy to think tax planning is synonymous with tax preparation, each serves a different function. When you plan for taxes throughout the year, you can make decisions that may save you tax dollars. By the time you get to tax preparation — when it's time to file your taxes — it's too late to do much that can lower your tax bill. That's why it's best to have an all-year mentality when it comes to tax planning.

Early in the year, take time to assess your tax situation and take steps to become better informed about ways to reduce your tax bill, like doing self-research or speaking with a tax professional. Consider the tax consequences throughout the year before making important financial decisions and transactions. In the fall, take another look at your situation and give yourself enough time to implement any additional tax-planning strategies before the end of the year.

By taking the time throughout the year to assess your tax situation and plan accordingly, you can ensure you won't look back and regret not implementing small changes that would have lowered your tax bill. ❍❍❍

"We should not permit our grievances to overshadow our opportunities"

~ Booker T. Washington