

Year-End Planning

The end of the year presents a unique opportunity to look at your overall personal financial situation. With factors like tax reform, life changes or just working towards your goals, now is an especially important time to review things. Taking what we now know about the new tax law and weaving together all of the other areas of your personal finances is one of the key ways we provide value to you as your trusted adviser. Below are some things we'd like to help you think through before the year ends.

Income Tax Planning – Ensure you are implementing tax reduction strategies like maximizing your retirement plan contributions, tax loss harvesting in portfolios and making charitable contributions can all help reduce current and future tax bills. It is also good to review your current year tax projection based on your income and deductions year to date and how that may be different from before.

Estate Planning – Examine a flowchart of your current estate plan to visualize what would happen to each of your assets and how the current estate tax law will impact you. Be sure that your estate planning documents are up to date – not just your will, but also your power of attorney, health care documents, and any trust agreements – and that the beneficiary designations are in line with your desires. If you have recently been through a significant life event such as marriage, divorce or the death of a spouse, this is especially important right now.

The basic lifetime exclusion amount in determining estate tax for an estate of a decedent dying during calendar year 2019 will increase to \$ 11,400,000 or double that amount (\$22,800,000) for a married couple. The exclusion amount is currently (2018) \$11,180, 000. The \$11,400,000 exemption amount will also be available for lifetime gifts and lifetime or at death generation-skipping transfers. If you use the entire exemption and the exemption amount increases in a future year, you may claim the additional amount in the future year. In 2026 the increased exempt amount will sunset and presumably will return to the 2017 exempt amount of approximately \$5,500,000. Therefore, you may wish to gift to your loved ones while the large exemption is available. Finally, the amount of gifts that you may make to any number of persons without effecting your lifetime exemption amount (annual exclusion gifts) will remain at \$15,000 in 2019.

Investment Strategy– Recently, we've seen increased market volatility and it may feel uncomfortable. Market declines are a natural part of investing and understanding the importance of maintaining discipline during these times is imperative. Regular portfolio rebalancing will allow you to maintain the

appropriate amount of risk in your portfolio. And, if you are retired and living off your portfolio, you also want to maintain an appropriate cash reserve to cover living expenses for a certain period of time so that you do not have to sell equities in a down market.

Charitable Giving – There are many ways to be tax efficient when making charitable gifts. For example, donating appreciated stock could make sense in order to avoid paying capital gains taxes. Further, you may want to consider bunching charitable deductions by deferring donations to next year or making your planned 2019 donations ahead of time. If the numbers are large enough, you might even consider a private foundation or donor advised fund for your charitable giving.

Retirement Planning – Think about your future when working becomes optional. Whether you expect a typical full retirement or a career change to something different, determining an appropriate balance between spending and saving, both now and in the future is important. There are many options available for saving for retirement, and we can help you understand which option is best for you.

Cash Flow Planning – Review your 2018 spending and plan ahead for next year. Understanding your cash flow needs is an important aspect of determining if you have sufficient assets to meet your goals. If you are retired, it is particularly important to maintain a tax efficient withdrawal strategy to cover your spending needs. If you have not yet reached age 70.5, it is prudent to ensure you are making tax-efficient withdrawal decisions. If you are over age 70.5 make sure you are taking your required minimum distributions because the penalties are significant if you don't.

Risk Management – It is always a good idea to periodically review your insurance coverages in various areas. Recent catastrophic events like hurricanes serve as a powerful reminder to make sure your property insurance coverage is right for your needs. If you are in a Federal disaster area, there are additional steps necessary to recover what you can and explore the tax treatment of casualty losses. Other areas of risk management that may need to be revisited include life and disability insurance.

Education Funding – Funding education costs for children or grandchildren is important to many people. While the increase in college costs have slowed some lately, this is still a major expense for most families. It is important to know the many different ways you can save for education to determine the optimal strategy. Often, funding a 529 plan comes with tax benefits, so making contributions before the end of the year is key. With the added flexibility of funding k-12 years (set at a \$10,000 limit), 529 accounts become even more advantageous.

Elder Planning – There are many financial planning elements to consider as you age, and it is important to consider these things before it's too late. Having a plan in place for who will handle your financial affairs should you suffer cognitive decline is critical. Making sure your spouse and/or family understands your plans will help reduce future family conflicts and ensure your wishes are considered.

The decisions you make each year with your personal finances will have a lasting impact. We hope this letter has begun to generate some insight to areas of your personal finance that need attention. We are honored to be your trusted adviser and partner. Please contact us when you are ready to talk through year-end planning.