Disclosure

The information contained herein is not intended to be used for avoiding federal, state or local tax provisions, promoting, marketing, or recommending to another party any transaction or matter addressed herein.

Welcome

Ethel K. Fernandez, CPA/PFS
Financial Advisor

- A CPA/PFS has received the most comprehensive financial planning training available in the field of professional accounting. The educational requirements necessary to become a CPA, as it relates to the examination, ethics and professional practice, and the knowledge necessary to operate a business and provide services in a professional manner with an in-depth understanding of investment and estate planning services they render.
- CPA/PFS is third and foremost a CPA - every CPA is qualified to hold the CPA/PFS designation.
- A CPA/PFS is a professional tax advisor and a business partner experienced with the unique complexities of financial planning for individuals, families, and businesses. The CPA/PFS is uniquely positioned to address the financial planning concerns of individuals and businesses, and plan for the future in an objective and informed manner.

Improve Your Financial Wellness Through Tax Planning

Financial House

- What's Important to you
- The Big Picture
- It All Adds Up
- Is It Tax Planning
- Estate Planning
- Filling in the Gaps
Impact of Taxes & Your Plan

- Life Stages & Tax Planning
- Types of Taxes
- Types of Income
- Taxable Income
- Tax Rates
  - Current
  - Proposed
- Strategies to reduce income
- Tax Implications of Moving $
Types of Income

- Wages
- Interest & Dividends
- Tax Refunds
- Alimony
- Business Income
  - Schedule C
  - Schedule F
- Capital Gain

Types of Income (cont.)

- Retirement – IRA & Pension
- Rental Activity – Schedule E
- Pass-through Income – Partnership, S-Corporation, Trust, Royalty, etc.
- Social Security
- Other Income

Taxable Income

- Adjusted Gross Income
- Standard Deduction

<table>
<thead>
<tr>
<th>Status</th>
<th>Deduction Amount:</th>
<th>2016 Filing Station</th>
<th>2017 Filing Station</th>
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<tbody>
<tr>
<td>Single</td>
<td>$6,300</td>
<td>Single</td>
<td>$6,350</td>
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<tr>
<td>Married Filing</td>
<td>$6,500</td>
<td>Married Filing</td>
<td>$6,950</td>
</tr>
<tr>
<td>Married Filing</td>
<td>$12,600</td>
<td>Married Filing</td>
<td>$12,750</td>
</tr>
<tr>
<td>Married Filing</td>
<td>$12,600</td>
<td>Married Filing</td>
<td>$12,750</td>
</tr>
<tr>
<td>Jointly</td>
<td>$9,000</td>
<td>Jointly</td>
<td>$9,350</td>
</tr>
<tr>
<td>Head of Household</td>
<td>$1,050</td>
<td>Head of Household</td>
<td>$1,080</td>
</tr>
<tr>
<td>Per Dependent</td>
<td>$1,050</td>
<td>Per Dependent</td>
<td>$1,080</td>
</tr>
<tr>
<td>Personal Exemption</td>
<td>$4,050</td>
<td>Personal Exemption</td>
<td>$4,050</td>
</tr>
</tbody>
</table>
Deductions From Income

- Itemized Deductions:
  - Medical
  - Taxes – real estate, state & local
  - Interest – mortgage, mortgage insurance premium, investment interest
  - Charitable Contributions – cash & non-cash
  - Causally & Theft Losses
  - Job Expenses & Certain Miscellaneous Deductions
  - Other Miscellaneous – gambling losses
- Personal Exemptions
  - 2016 & 2017 = $4,050.00

Tax Rates

- Ordinary
  - Married filing jointly
  - Single
  - Head of Household
  - Married filing separately
- Capital Gain
  - Short-term
  - Long-term

Tax Brackets for 2016

<table>
<thead>
<tr>
<th>RATE</th>
<th>SINGE</th>
<th>MARRIED</th>
<th>HEAD OF HOUSEHOLD</th>
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</thead>
<tbody>
<tr>
<td>15%</td>
<td>$98,679</td>
<td>$187,350</td>
<td>$187,350</td>
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<tr>
<td>25%</td>
<td>$224,251</td>
<td>$370,850</td>
<td>$370,850</td>
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<tr>
<td>25%</td>
<td>$515,151</td>
<td>$523,100</td>
<td>$523,100</td>
</tr>
<tr>
<td>30%</td>
<td>$542,051</td>
<td>$632,150</td>
<td>$632,150</td>
</tr>
<tr>
<td>32%</td>
<td>$632,051</td>
<td>$911,050</td>
<td>$911,050</td>
</tr>
<tr>
<td>32%</td>
<td>$490,051 and up</td>
<td>$490,051 and up</td>
<td>$490,051 and up</td>
</tr>
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</table>
Tax Brackets for 2017

<table>
<thead>
<tr>
<th>RATE</th>
<th>SINGE 1</th>
<th>MARRIED JOINTLY</th>
<th>HEAD OF HOUSEHOLD</th>
</tr>
</thead>
<tbody>
<tr>
<td>15%</td>
<td>$5,056-8,350</td>
<td>$8,660-12,500</td>
<td>$11,315-16,800</td>
</tr>
<tr>
<td>25%</td>
<td>$8,350-16,700</td>
<td>$12,500-25,300</td>
<td>$16,800-32,000</td>
</tr>
<tr>
<td>28%</td>
<td>$16,700-20,000</td>
<td>$25,300-30,650</td>
<td>$32,000-41,650</td>
</tr>
<tr>
<td>33%</td>
<td>$20,000-50,000</td>
<td>$30,650-80,250</td>
<td>$41,650-80,250</td>
</tr>
</tbody>
</table>

Tax Rates (cont.)

- Alternative Minimum Tax – 28%

<table>
<thead>
<tr>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td>Filing Status</td>
<td>Exemption Amount</td>
</tr>
<tr>
<td>Single</td>
<td>$63,000</td>
</tr>
<tr>
<td>Married Filing Jointly</td>
<td>$63,000</td>
</tr>
<tr>
<td>Married Filing Separately</td>
<td>$41,900</td>
</tr>
</tbody>
</table>

Tax Rates (cont.)

- Medicare Surtax – 3.8%
- Self-employment – 15.3%
- Marginal Tax Rate – The rate at which additional income is taxed
- Effective Tax Rate
  - Total Taxes Paid/Total Income x Effective Tax Rate
Make it less taxing

TAXES

Make It Less Taxing

- 403(b)
- 457
- Student Loan
- IRA
- Alimony

Income Tax

- Section 125 Cafeteria Plan
  - Premium only Plan
  - Flexible Spending Account
- Medical Reimbursement Account
- Dependent Care

Make It Less Taxing

- Roth IRA:
  - Income limits on contributing, but anyone can convert funds to a Roth

403(b): $18,000 + $5,000 for 50 and over

IRA:
- $5,500 + $1,000 for 50 and over
Strategies to Reduce Income (cont.)

- Itemized Deductions:
  - Medical
    - Insurance premiums
    - Long-term care premiums
    - Medical expenses
    - Medical Mileage - 10% of
    - Prescriptions
  - Taxes
    - State & local
    - Real estate
    - Personal property taxes
    - Other taxes – foreign taxes

Strategies to Reduce Income (cont.)

- Itemized Deductions (cont.):
  - Interest
    - Home mortgage interest
    - HELLOC - $100,000
    - Points paid on purchase/refinance
    - Mortgage insurance premium
    - Investment interest
  - Gifts to Charity
    - Gift tax and/or check
    - Gift due to cash in check
    - Charitable remainder trust
    - Casualty & Theft Losses

Strategies to Reduce Income (cont.)

- Itemized Deductions (cont.):
  - Job Expenses & Certain Miscellaneous Deductions
    - Unreimbursed employee expenses
      - Work-related
      - Union
      - Parking
      - Commuting education
  - Other Miscellaneous
    - Gambling losses
    -Casual Taxes
Make it less taxing

Roth IRA
- Contribute after-tax
- Savings grow tax-deferred
- Earnings may be withdrawn tax-free if requirement met

Tax Rules on Retirement Plans
- Must be 59 & 1/2 for no penalty
- Required Minimum Distribution – 70 & 1/2
- Rollovers – Typically not taxed
- Distributions out of 403(b) require mandatory 20% federal withholding
- Distributions out of IRA’s no mandatory withholding

Roll to new plan

How to roll
- Indirect Route
  - You get the check, reinvest yourself
  - Potential for taxes (20%) and penalties
  - More work for you
  - Must rollover within 60 days
- Direct Rollover to IRA or new Plan
  - “Plan to plan transfer”
  - Money stays tax deferred
  - Easier
  - Less expensive
Roll to an IRA

Roll over to an IRA

<table>
<thead>
<tr>
<th>Pros</th>
<th>Cons</th>
</tr>
</thead>
<tbody>
<tr>
<td>Continuous tax deferred growth</td>
<td>No plan-specific investment options</td>
</tr>
<tr>
<td>Continuous contributions</td>
<td></td>
</tr>
<tr>
<td>Many investment choices</td>
<td>No loans</td>
</tr>
<tr>
<td>Access to assets</td>
<td>Must be at least 59½ before</td>
</tr>
<tr>
<td>Consolidate money</td>
<td>Taking a penalty fee is withdrawable</td>
</tr>
<tr>
<td>Estate planning benefits</td>
<td></td>
</tr>
<tr>
<td>No plan restrictions</td>
<td>Potential fees</td>
</tr>
</tbody>
</table>

Important:
Roll within 60 days to avoid taxes and penalties

Roll to an IRA

Pay taxes now or later?
- Roth = tax-free growth
**Estate and Gift Taxes**

- 2016 estate tax exemption: $5.49 million
- Top rate is 40%
- 2016 gift tax annual exclusion: $14,000
- New basis reporting rules
- Estate planning is more than minimizing estate taxes
  - Updating documents
  - Reillustrating insurance
  - Privacy
  - Asset protection

**Education Tax Credits**

- American Opportunity Tax Credit
  - Up to $2,000 for first 4 years post-secondary school
- Lifetime Learning Credit
  - Up to $2,000 for all post-secondary
- Tuition and Fees Deduction

**Charitable Contribution Reminders**

- Non-cash rules on documentation
  - Itemize if applicable, no deduction allowed
- Donation by cash or check
  - More than $100
- Credit or non-cash donation or $100 or more
  - Need transparency and written acknowledgment form the charity
- Non-cash donations over $500
  - Need 8283 form
  - Cash donations: no limit
  - Non-cash donations: donated to local, voluteer and non-deduction (501C3)
- Non-cash donations: donated to local, voluteer and non-deduction (501C3)
  - Need a qualified appraisal
- Clothing and household items:
  - Must be in good, used condition or better
Last-Minute Planning Tips

- Consult your tax adviser about pre-paying deductible expenses before Dec. 31.
- Tuition due in January.
- Fourth-quarter state estimates
- Harvest capital losses
- Maximize retirement savings
- Avoid mutual fund purchases in December.
- Gift appreciated stock.
- Don’t forget your flexible spending account (FSA).

Proposed Trump Tax Rates (cont.)

Standard Deductions:
- Single: increase from $6,300 to $15,000
- Married filing jointly: increase from $12,600 to $30,000

Exemptions:
- Eliminates the personal exemption
- Childcare-related tax provisions - $1,200/child
- Eliminates Alternative Minimum Tax

Proposed Trump Tax Rates

<table>
<thead>
<tr>
<th>Ordinary Income Rate</th>
<th>Long-Term Capital Gain/Dividends Rate</th>
<th>Single/Filers</th>
<th>Married Joint Filers</th>
</tr>
</thead>
<tbody>
<tr>
<td>12%</td>
<td>4%</td>
<td>50 to $307,000</td>
<td>50 to $500,000</td>
</tr>
<tr>
<td>25%</td>
<td>15%</td>
<td>517,001 to $1,250,000</td>
<td>517,001 to $2,500,000</td>
</tr>
<tr>
<td>33%</td>
<td>25%</td>
<td>$1,251,001 and up</td>
<td>$2,501,001 and up</td>
</tr>
</tbody>
</table>
Proposed Trump Tax Rates (cont.)

- Eliminates federal estate and gift tax
  - Elimination in step up in basis of inherited assets - $10 million

Corporate Income Tax Rate

35% → 15%

Tools & Links

Use the following link:
http://www.taxandfinancial.com/financial-estateincomeestimation
- Federal income tax estimator
- Should I adjust my payroll withholdings?
- Should I itemize or take standard deduction?
- 2016 tax refund estimator

https://www.voya.com/
https://www.irs.gov/