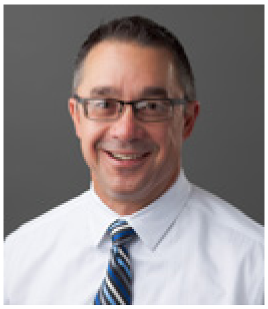
FOURTH QUARTER 2017 NEWSLETTER

Your Guide to Retirement and Personal Planning

October 2017



I hope you find these articles to be of interest. If you have questions regarding your account, please feel free to give me a call or send me an email.

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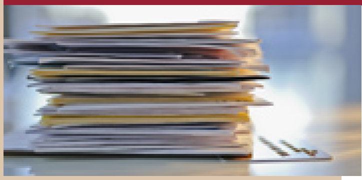


Trusts: The Basics and Beyond

Trusts present unique estate planning benefits, such as asset protection and tax reduction. They also can be a popular instrument for transferring wealth from one generation to the next. Yet for all their potential, trusts remain underutilized, likely due to a lack of understanding about what they are and how they work.

Living and Testamentary

At their most basic, trusts can be grouped into two broad categories -- living trusts and testamentary trusts.

A living trust is created by an individual during his or her lifetime. The trust's owner, or grantor, may act as trustee, managing the trust assets for the named beneficiaries. Alternatively the grantor may appoint another family member or an advisor, such as a lawyer or accountant to be the trustee or to share responsibilities as a co-trustee. A trustee is a fiduciary and, therefore, must administer the trust in strict accordance with its terms, while exercising the highest degree of care and impartiality.

A testamentary trust is established by a will upon the death of the person whose estate it represents. Testamentary trusts can be used for many purposes; chief among them is providing for current and future generations of beneficiaries. They can establish how the held assets will be managed and distributed once the grantor passes away.

Revocable vs. Irrevocable

Living trusts may be revocable or irrevocable. As its name implies, property held in a revocable trust may be revoked at any time. Further, the grantor can change the terms of a revocable trust or regain possession of the property at any time. On the downside, the trust owner is subject to income and estate tax as if the property were owned outright. In addition, creditors may be able to attach assets held in revocable trusts.

By contrast, once property is placed in an irrevocable trust, the grantor cannot retrieve it at will. But if properly structured, an irrevocable trust can shift the income and estate tax obligation to others and offer protection against creditors.

Which type of trust would be better for you? It depends on your circumstances. A revocable trust offers flexibility and control during your lifetime and can be structured to ensure continuity of management upon your incapacity or death. Further, revocable trust need not be filed in probate court after death, thus maintaining family privacy.

Irrevocable trusts, while requiring some loss of grantor control as well as added structural complexity, can provide significant estate planning and creditor protection benefits.

There are many other planning opportunities involving the use of trusts. All involve some level of complexity around tax and other financial issues. Interested individuals and families should work with an attorney experienced in creating and managing trusts and other estate planning instruments.

A Year of Spending (and Saving) Wisely

Do you wait until the last minute to pack for your vacation or shop for back-to-school clothes for the kids? Do you find it difficult to start projects -- and then to finish them? Are you chronically late for appointments? If so, then chances are you are a procrastinator.

When it comes to managing your finances, procrastination can keep you from reaching your goals. But by breaking your spending and saving priorities down into monthly increments, you may find it easier to stay on track.

Try some of these tips all year long.

January -- Start an emergency savings fund with the goal of accumulating three to six months of living expenses. By setting aside just $25 a week, you could save $1,300 after just one year. It's important to have a back-up plan - and financial cushion - when the unexpected happens.

February -- Make sure you are making the most of your tax-deferred retirement savings opportunities. If you have access to an employer-sponsored retirement plan, such as a 401(k), are you contributing the maximum allowed? Generally,you may contribute up to $18,000 to qualified retirement plans in 2017, and those 50 and older may contribute additional $6,000. (Additional plan limits may apply.) What about an IRA? The good news is you have until April 17, 2018, to contribute up to $5,500 (or $6,500 for those 50 and older) to an IRA for tax year 2017.

March -- Start organizing your tax documents -- Form W-2s from your employer(s), property tax receipts, mortgage interest, charitable donation receipts, etc.-- so you're ready to meet with your tax advisor and get the biggest refund you are entitled to.

April -- If you are one of the roughly 75% of Americans who do get a refund, consider directing it toward your emergency fund, credit card debt, or put the extra money toward your retirement. Every little bit can add up.

May -- Spring is in the air - and for many Americans -- the weather is warming up. Lowering the temperature on your hot water heater during summer months may help to cut costs. The U.S. Department of Energy (DOE) estimates that water heating accounts for about 18% of energy consumed in the average home. The agency recommends turning the heater setting on your water heater to warm (120F degrees) to save on energy costs. Visit the DOE website for more energy saving tips.

June -- Have a green thumb? Vegetables fresh from the garden are less expensive than canned or frozen foods - and they taste better, too! If you are not an experienced gardener, start small - try a few tomato plants. And don't forget to water and fertilize regularly.

July -- Are you signing the kids up for sports teams? If so, consider buying the needed equipment at used sporting goods stores. From catcher's mitts to hockey skates, these stores sell their wares at a fraction of the original cost.

August -- Look for everyday learning experiences to teach your children about money. Have young children write down the price of similar items at the grocery store. Assist older kids in learning about managing money by allowing them to buy school supplies with a planned budget. Help children of all ages to set up a savings account at the local bank and decide how much they will plan to save each month for wish-list purchases.

September -- In August and September many auto dealers try to clear their lots to make room for next year's new models. If you don't mind haggling, you may be able to shave money off a car's sticker price.

October -- Plan for year-end tax saving moves. For instance, holding on to investments in taxable accounts for more than one year will generally qualify you for a lower tax rate on any capital gains-- 15% for most taxpayers and 20% for taxpayers in the top income tax bracket (39.6%). Also, keep in mind that realized capital losses can be used to offset realized capital gains for federal tax purposes. Any excess losses up to $3,000 ($1,500 for married individuals filing separate returns) can be deducted against ordinary income. A loss greater than that amount can be carried over to future tax years, subject to the same limits.

November -- Many charities begin active fundraising at this time of year. Generally, charitable contributions to qualified charitable organizations are deductible. Also, before sending a donation to your favorite charity, you may want to obtain more information about the organization by checking various online resources, such as BBB Wise Giving Alliance or Charity Navigator, to find out if the charity meets your giving criteria.

December -- Consider giving yourself an early holiday gift - the gift of travel. Did you know that the first two weeks of December (after the Thanksgiving rush) is one of the slowest travel periods - offering some of the best travel deals -- to destinations in the United States and other locales? If you want to take advantage of the December travel "dead zone," start shopping for flights a month or more in advance.

Catching Up With Catch-Up Contributions

Catch-up contributions give older employees who may not have contributed enough to their employer's 401(k) or other retirement savings plan in earlier years an opportunity to catch up by making higher contributions now.

To be eligible to make catch-up contributions, an employee must be age 50 or older by the end of the year and must first contribute the maximum allowed deferral to the plan.

Catch-Up Basics

To be eligible to make catch-up contributions, an employee must be age 50 or older by the end of the year *and* must first contribute the maximum allowed deferral to the plan. The maximum is determined by the plan document limits or by certain tax law restrictions. For 2017, an eligible employee can make catch-up contributions of up to $6,000 to a 401(k), 403(b), or 457 plan and up to $3,000 to a SIMPLE IRA plans.

How Contributions Are Treated

Catch-up contributions are not subject to the dollar limit on annual additions to an employee's plan account. Nor do these contributions have to be counted in your actual deferral percentage (ADP) nondiscrimination testing. In addition, catch-up contributions by key employees are not included as part of the threshold amount that triggers required minimum contributions in a top-heavy plan.

To gain these advantages, you must take care not to misclassify an elective deferral as a catch-up contribution. For example, an employee who simply contributes $6,000 more than in past years cannot choose to have that amount classified as a catch-up contribution.

Determining Catch-up Contributions

A plan determines whether elective deferrals are catch-up contributions by comparing the total amount deferred by an employee during the year to the applicable tax law and plan limits. Here are some examples. All of the employees are age 50 or older in 2017.

- Employee #1 defers $21,000 to the plan. The $3,000 contribution in excess of the $18,000 (in 2017) dollar limit on elective deferrals is treated as a catch-up contribution. If the plan had a lower elective deferral limit, a deferral in excess of that limit would be considered a catch-up contribution.
- Employee #2 defers $23,000 to his employer's safe harbor 401(k) plan, and his employer makes a 3% nonelective contribution of $2,000 to his account, for a total contribution of $25,000. $5,000 is considered a catch-up contribution because the employee exceeded the tax law's elective deferral limit by that amount. The nonelective employer contribution doesn't factor into the determination.
- Employee #3, a key employee, receives a $54,000 profit sharing contribution from her employer in 2017. She also defers $6,000 to the plan. Her deferral is a catch-up contribution because the profit sharing and elective deferral contributions, when combined, exceed the 2017 dollar limit on annual additions ($54,000).

There are several attractive tax breaks and incentives available to help lessen the financial burden of paying for a childs education.

Don't Forget These Parent-Friendly Tax Breaks

President Trump has pledged to make child care expenses a key element of his tax reform plan. Until such new legislation is passed into law, be sure to take advantage of the child-related tax benefits that are currently available to parents. Here is a brief rundown from the IRS.

Child tax credit -- Generally, taxpayers can claim the Child Tax Credit for each qualifying child under the age of 17 on their federal tax return. The maximum credit per child is currently $1,000. See IRS Publication 972 for more on this credit.

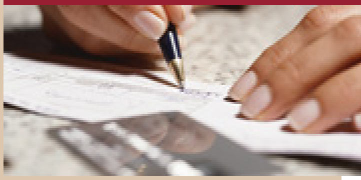
Child and dependent care credit -- If you paid someone to care for your child or another dependent last year you may be able to claim this credit. To qualify, a child must be under age 13. Additionally, a spouse or certain other dependent individual who is physically or mentally incapable of self-care may also qualify. Note that the care must have been provided so that you -- or you and your spouse if you file a joint tax return -- could work or look for employment. See IRS Publication 503 for more on this credit.

Adoption credit -- It is possible to claim a tax credit for certain costs paid to adopt a child. For details, see Form 8839, Qualified Adoption Expenses.

Education tax breaks -- There are several attractive tax breaks and incentives available to help lessen the financial burden of paying for a child's education. Make sure to determine which ones will apply to you when it's time to file your tax return. In each case below, income restrictions apply.

- The Coverdell Education Savings Accounts, which used to be known as "education IRAs," offer tax-deferred earnings growth and tax-free qualified withdrawals. Contributions are nondeductible and limited to $2,000 annually per beneficiary. In addition to college expenses, certain K-12 expenses are considered "qualified" when using a Coverdell ESA.
- The American Opportunity Tax Credit (formerly the HOPE Scholarship Credit) has now been made permanent. It covers up to $2,500 of qualified expenses per year, per eligible child during the first four years of postsecondary education.
- The Lifetime Learning Credit covers up to $2,000 of undergraduate, graduate, and job-related studies. The American Opportunity Tax Credit and a Lifetime Learning Credit can't be claimed in the same tax year for any one student, but you can use either of them with a Coverdell account -- just not for the same expenses.
- Student loan interest. Depending on your income, you may be able to deduct up to $2,500 of the interest you paid on student loans last year.

To learn more about tax benefits for parents, visit the IRS website.



Understanding and Managing Your Credit Score

As an informed consumer, you can make yourself more attractive to lenders by taking steps to boost your credit score.

Your credit score is a number that lenders use to gauge how likely you will be to repay your debts on time. As an informed consumer, you can make yourself more attractive to lenders by taking steps to boost your credit score.

Your FICO® Score: The Standard Measure

The FICO® Score (an acronym for its creators, the Fair Isaac Corporation) is a standard gauge lenders use to measure a consumer's credit risk. According to myFICO.com, 90% of top lenders use FICO scores when making lending decisions. A typical credit score will range between 300 and 850 points. Although all lenders make decisions based on the particulars of the lending situation, generally speaking, the higher your credit score, the lower the perceived risk to the lender, the more attractive the interest rate you may be offered, and the more money you may save over time.

For instance, at current rates, a borrower with a credit score of between 760 and 850 can expect to pay a rate of 3.174% on a 30-year, $200,000 fixed-rate mortgage, according to myFICO.com's Loan Savings Calculator. By contrast, an individual with a score of between 620 and 639 can expect a rate of 4.763%, which amounts to an extra $183 in monthly payments and an additional $65,797 in total interest paid over the life of the mortgage.[1]

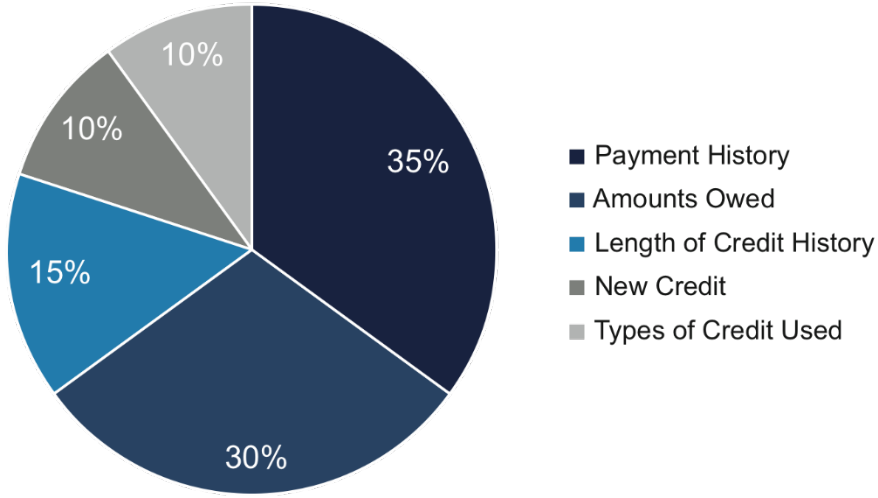
Key Factors

The three major credit reporting agencies -- Equifax, Experian, and TransUnion -- compile credit scores based on information provided by creditors. These agencies generate scores using a proprietary formula that assigns weightings to five main factors:

- **Payment history (whether you have missed or been late with any credit payments).** On-time payments are an important component of your credit score. Using your credit responsibly and paying bills on time are great ways to maintain a good credit score.
- **Credit utilization.** Credit utilization is defined as the total debt you have divided by the total available credit that is available to you. High credit utilization can be a warning sign of credit risk.
- **Length of credit history (how long various accounts have been open).** Credit history is a significant component of your credit score. Accordingly, the average age of your credit cards can be a strong indication of your credit history. Care should be used in keeping old accounts open and in good standing.
- **The amount of new credit on your record.** While opening one new credit card might be normal, opening several in a short span of time could be a warning sign to potential creditors that something is amiss in your financial life.
- **Mix of credit accounts.** Both the total number of credit accounts you have and the mix of credit you have will affect your credit score. A healthy mix of revolving credit cards, charge cards, installment loans and mortgages will also impact your credit score.

What's in a Score?

The percentages in the chart below reflect how important each of the five main categories is in determining how your FICO score is calculated.



Source: myFICO.com (Fair Isaac Corporation), retrieved April 2016.

[1] *Source: myFICO.com. Interest rates as of October 17, 2016. The rates shown are averages based on thousands of financial lenders, conducted daily by Informa Research Services, Inc.*