FINANCIAL*ink*

Your Money Management Newsletter

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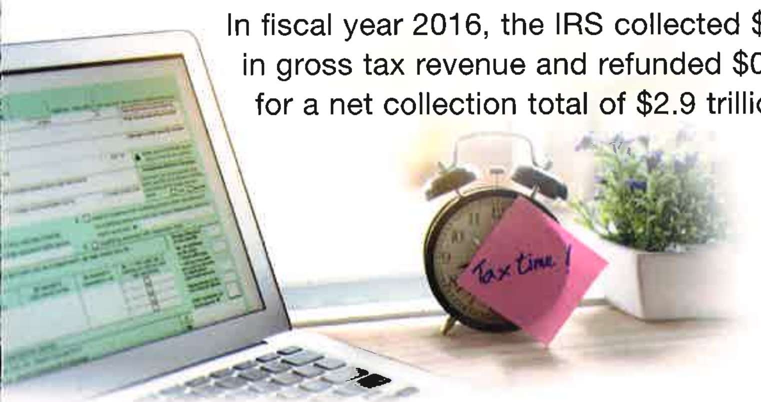
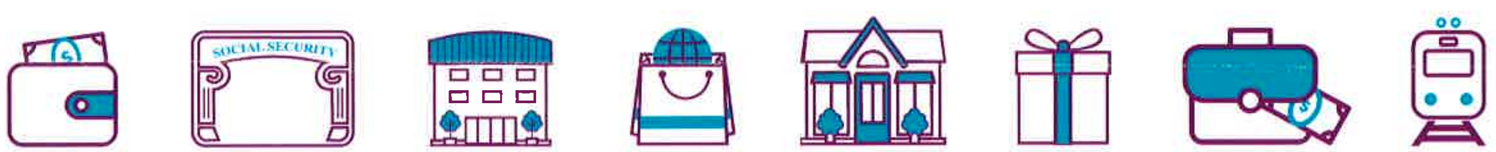
Net Tax Revenue

In fiscal year 2016, the IRS collected $3.3 trillion in gross tax revenue and refunded $0.4 trillion, for a net collection total of $2.9 trillion.



Here are net collections by type of tax:



48.9%	36.3%	10.1%	2.6%	0.9%	0.7%	0.3%	0.2%
Individual income	Social Security & Medicare	Business income	Excise	Estate and trust income	Estate and gift	Unemployment insurance	Railroad retirement

Source: Internal Revenue Service, 2017

More than 60%

Estimated percentage of U.S. personal wealth that will be controlled by women by 2022. In 2012, the share controlled by women was 51.3%.

Source: *Forbes*, August 8, 2017

Practical insights for your **FINANCIAL GOALS**

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2017 Taxes Finished? Time to Think About 2018

Now that the 2017 tax season is winding down, it may be a good time to consider how the new tax law might affect you in 2018. New tax brackets may give you a lower marginal rate on much of your income (see chart). Other provisions could provide further tax savings or negate some savings, depending on your situation.

Standard Deduction, Exemptions, and Child Tax Credit

The standard deduction amounts have almost doubled to $12,000 for single filers (and married taxpayers filing separately), $18,000 for heads of household, and $24,000 for married taxpayers filing jointly. However, the law repeals personal exemptions, which allowed additional deductions of $4,050 each for the taxpayer, spouse, and qualifying dependents in 2017.

To help make up for the loss of dependent exemptions, the child tax credit was raised from $1,000 to $2,000 ($1,400 refundable) for qualifying children under age 17. A new $500 nonrefundable credit is available for qualifying dependents who are not qualifying children under age 17, such as a college student or disabled adult child.

The effect of this will depend on your situation, but in general, the higher standard deduction and increased child tax credit should make up for the loss of exemptions for most families with children under age 17, and could significantly lower taxes for some. However, the savings will be less if your children are 17 or older, and there could be a negative impact if you have three or more children age 17 or older; for example, a high school senior and two college students.[1–2]

Itemized Deductions

With the higher standard deduction, fewer taxpayers will itemize on Form 1040, Schedule A.[3] However, if you do itemize, you should be aware of these changes.

State and local taxes. The combined itemized deduction for state and local property taxes and state and local income taxes (or sales taxes in lieu of income) is limited to $10,000 ($5,000 if married filing separately).

Home mortgage interest. Qualified mortgage interest can be deducted on up to $750,000 of mortgage debt ($375,000 if married filing separately). For debt incurred on or before December 15, 2017, the prior $1 million limit still applies. Interest on home equity loans (regardless of when incurred) is deductible only when the proceeds are used to acquire or substantially improve a home.

Medical expenses. The adjusted gross income (AGI) threshold for deducting unreimbursed medical expenses is retroactively reduced from 10% to 7.5% for tax years 2017 and 2018 only; it will return to 10% in 2019. The 7.5% AGI threshold also applies for purposes of calculating the alternative minimum tax (AMT) for the two years. (The AMT should apply to fewer taxpayers beginning in 2018.)

Casualty and theft losses. The deduction for personal casualty and theft losses is eliminated, except for casualty losses suffered in a federal disaster area.

Miscellaneous itemized deductions. Formerly deductible expenses subject to the 2% AGI threshold, including tax preparation expenses and unreimbursed employee business expenses, are no longer deductible.

The new tax law is complex, and these are just some of the changes that could affect a large number of taxpayers. It would be wise to consult a tax professional before taking any specific action regarding your taxes.

1, 3) CNNMoney, December 26, 2017
2) *The Washington Post*, December 19, 2017

2018 Federal Income Tax Brackets

Rate	Single	Married filing jointly*	Married filing separately	Head of household
10%	Up to $9,525	Up to $19,050	Up to $9,525	Up to $13,600
12%	$9,525 up to $38,700	$19,050 up to $77,400	$9,525 up to $38,700	$13,600 up to $51,800
22%	$38,700 up to $82,500	$77,400 up to $165,000	$38,700 up to $82,500	$51,800 up to $82,500
24%	$82,500 up to $157,500	$165,000 up to $315,000	$82,500 up to $157,500	$82,500 up to $157,500
32%	$157,500 up to $200,000	$315,000 up to $400,000	$157,500 up to $200,000	$157,500 up to $200,000
35%	$200,000 up to $500,000	$400,000 up to $600,000	$200,000 up to $300,000	$200,000 up to $500,000
37%	Over $500,000	Over $600,000	Over $300,000	Over $500,000

*Also applies to qualifying surviving spouse.

A New Look at Old Retirement Savings Guidelines

Saving for retirement is complicated, so it's not surprising that a few fundamental guidelines have become popular over the years to help simplify complex ideas. Here are four that you might have come across in reading, researching, or just talking with friends. Like most guidelines, they offer helpful starting points but need to be examined critically and adjusted for your specific situation.

Save 10% of your pay for retirement. This is a good beginning, but many retirement experts suggest saving 15% of your salary. If you started late, you may need to save more. At the very least, save enough to receive any matching funds offered by your employer. Consider this: If you save just 6% of your salary and your employer offers a full 6% match, you are already saving 12%!

The percentage of stock in your portfolio should equal 100 minus your age. This reflects a fundamental idea that younger people can take on more investment risk for potential gain, while older people approaching retirement should protect their principal by converting some volatile growth-oriented stock investments to more stable fixed-income securities.

Although the strategy is sound, the math may no longer be appropriate considering long life spans and low yields on fixed-income investments. For example, if you followed this rule at age 40, 60% (100 minus 40) of your portfolio would consist of stock, and at age 60, the percentage of stock would be 40%. Depending upon your situation and risk tolerance, you may require a higher percentage of stock at either of these ages to meet your retirement savings goals.

You need 70% of your pre-retirement income during retirement. This is an older guideline — 80% is now more commonly suggested. But, in fact, there is no magic number, and you may be better off focusing on your actual expenses today and thinking about whether they'll stay the same, increase, decrease, or even disappear by the time you retire.

While some expenses might disappear, like a mortgage or costs for transportation to and from work, new expenses may arise, such as travel, help with home maintenance, and increased medical costs. A typical 65-year-old couple who retired in 2017 might spend $275,000 on medical care in retirement, even with Medicare.[1] Calculate how much you may need to pay your retirement expenses and add a cushion for unexpected events.

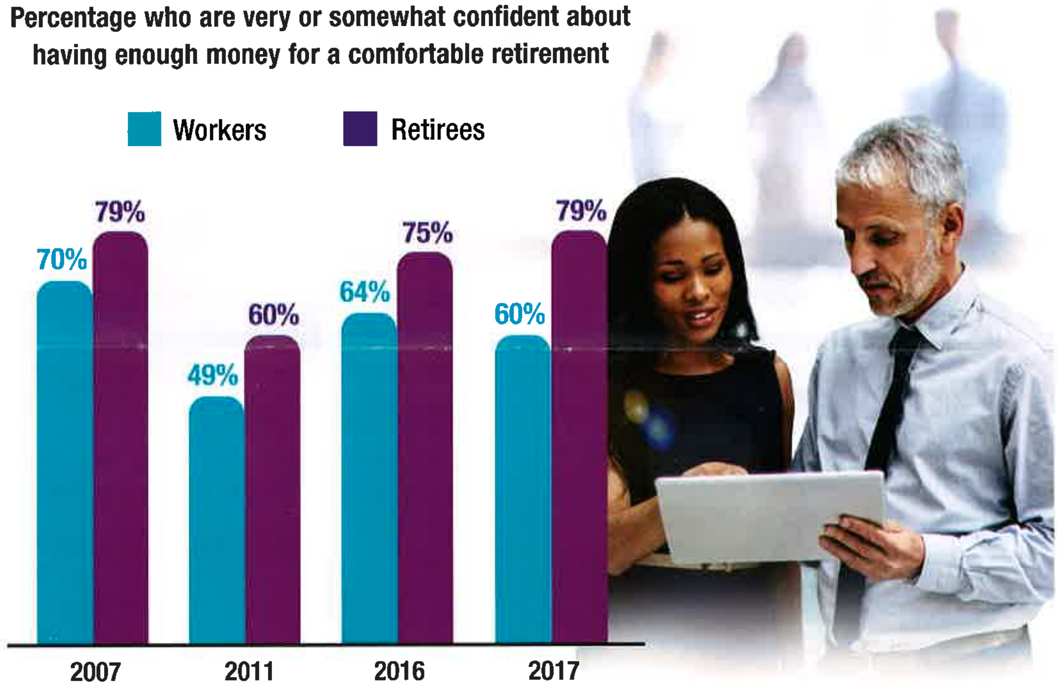
A "safe" withdrawal rate is 4%. The "4% rule" suggests that you make annual withdrawals from your retirement savings equal to 4% of the total when you retire, with annual adjustments for inflation. This model was developed in the 1990s for a 30-year retirement with a portfolio that included 50% large-cap stocks.[2] Although this may be a helpful guideline, some experts suggest a lower rate, and there are many other withdrawal models. Factors to consider include the value of your savings, the amount of income you anticipate needing, your life expectancy, the rate of return you expect from your investments, inflation, taxes, and whether you're single or married.

Asset allocation is a method used to help manage investment risk; it does not guarantee a profit or protect against investment loss. The return and principal value of stocks fluctuate with changes in market conditions. Shares, when sold, may be worth more or less than their original cost.

1) CNBC, October 5, 2017
2) The Balance, August 18, 2017

Are You Confident?

Worker confidence in being able to fund a comfortable retirement dropped in 2017 after reaching a post-recession high in 2016. By contrast, retiree confidence, which is generally higher than worker confidence, increased in 2017.



Source: Employee Benefit Research Institute, 2017

Where There's a Will...

A 2017 survey found that only 42% of U.S. adults — and only 36% of those with children under age 18 — had a will or a living trust.[1] (A living trust can serve some but not all functions of a will; you should have a will even if you have a trust.)

The most common reasons given for not taking this simple step are procrastination and not having enough assets.[2] In fact, creating a will does not have to be difficult or time-consuming, and everyone should have one regardless of his or her assets. Here are three good reasons.

Distribute property. A will enables you to leave your property at your death to anyone you choose: a surviving spouse, a child, other relatives, friends, a trust, or a charity. Transfers through your will take the form of specific bequests (e.g., heirlooms, jewelry, or cash), general bequests (e.g., a percentage of your property), or a residuary bequest of what's left after your other transfers. It is generally a good practice to name backup beneficiaries.

Your spouse may have certain rights with respect to your property, regardless of the provisions in your will. Also, assets for which you have already named a beneficiary pass directly to the beneficiary (e.g., life insurance, pension plans, IRAs).

Appoint a guardian. In many states, a will is the only way to specify who you want to act as legal guardian for your minor children if you die. You can name a personal guardian, who takes personal custody of the children, and a property guardian, who manages the children's assets. This can be the same person or different people.

Name an executor. A will allows you to select an executor to act as your legal representative after your death. An executor carries out many estate settlement tasks, including locating your will, collecting your assets, paying legitimate creditor claims, paying any taxes owed by your estate, and distributing any remaining assets to your beneficiaries.

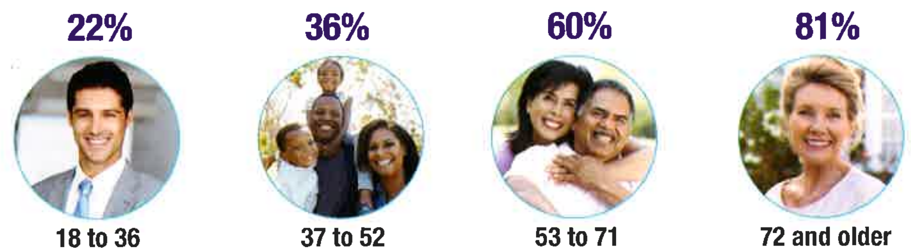
Though it is not a legal requirement, a will should generally be drafted by an attorney. There may be costs involved with the creation of a will or a trust, the probate of a will, and the operation of a trust.

1–2) Caring.com, 2017

Who Has a Will?

Older Americans are more likely than younger generations to have a will or a living trust. But young people need a will, too, especially those with children.

Percentage who have a will or a living trust, by age group



Source: Caring.com, 2017

Would you like to discuss your retirement savings strategy? Make an appointment today.

Working toward a better financial future,