

# TAX PLANNING INSIGHTS

New Year 2020



Dear Clients and Friends,

Telephone inventor Alexander Graham Bell once said, “Before anything else, preparation is the key to success.” Those are important words to reflect on as we begin a new year and a fresh decade brimming with tax savings and financial health opportunities.

This Tax Planning Insights newsletter will help you thoughtfully plan for what’s ahead with a list of reminders you can use to sail through tax season, plus important 2020 tax information.

As you move through the year, put the best professionals on your side to help you with whatever life throws at you — from financial issues to business contracts and retirement planning. Use the included guide to create and update your professional team. And stay vigilant year-round when it comes to safeguarding your identity and personal information. You can avoid becoming a bullseye for identity thieves with the following tips to protect yourself.

This newsletter has been sent to you as a reminder of our commitment to help you minimize your taxes. Call if you’d like to develop your 2020 tax-planning strategy and learn more about the tax benefits available to you throughout the year.

# Do You Have Your Team Together?

*Making sure you've got the right pros on your side*

**D**uring tax preparation, planning and accounting, questions often come up about identifying other professionals that may be helpful in different areas. Creating a team of professionals is important. Here's a guide to help you form and assess your own team. As always, should you have particular questions regarding your situation, feel free to call.

## Additional players for your team

- ▶ **Financial planner:** A solid financial planner not only advises you on the money you have, they can help you prepare for future income so you can achieve your long-term goals. Planning to pay for college and for retirement are popular reasons people work with financial advisors, but they can also help with estate planning and charitable giving.
- ▶ **Attorney:** The number of situations an attorney can help with are seemingly endless. If you own a business, they can assist with entity identification and crafting contract language. They can also help you can make sure your loved ones and assets are taken care of later in life by offering assistance with wills, estate planning and health care directives.
- ▶ **Insurance expert:** Lots of insurance needs come up beyond homeowners and auto insurance. Find a trusted expert in this area who can help walk you through what you need for your specific situation. A new baby, retirement, identity theft — these are all instances that may call for an insurance coverage update.
- ▶ **Health care provider:** Some of the most significant life decisions involve your health and the health of your loved ones. Being able to depend on a general practitioner or a specialty doctor is key to receiving the right medical care and health advice at every stage in life.

- ▶ **Accountant:** You may need help beyond filing an annual tax return. This could be bookkeeping services for a small business or an aging parent, or tax planning and forecasting. Remember to ask for help should the need arise.

## How to determine if you have the right team

Here are some questions to help you figure out if you have the most effective people on your team:

- ▶ **What credentials?** Every area of expertise has layers and layers of credentials. There are more than 100 different certifications and designations for financial planners! Do you know what they mean? Look into the credentials of the professionals you're interested in and find out how they relate to what you want them to do for you.
- ▶ **Experience?** Experience matters. Preparing for and guiding clients through life events have a higher success rate if there is a depth of experience behind the situation. Make sure the type of experience a professional has fits your objectives.
- ▶ **What is the firm's reputation?** Referrals are a great way to source potential new professionals with good reputations for your team. Also consider using online review sites to help you explore and learn more about how others view your potential team member.
- ▶ **Is there underlying trust?** Trust is built over time. Consider starting your relationship slowly and building up rapport and trust over time.

Getting the right people in the right roles on your team is the key to realizing your goals. ☐



## IRS NEWS:

### Tax Breaks for Gifts Remain

**The Problem.** When the new tax law doubled the estate and gift tax exclusion from 2018 to 2025, many wondered how gifts would be treated. Would they be subject to the \$11.6-million-per-person basic exclusion amount when a gift is given or the lower \$5 million (adjusted for inflation) scheduled to reset in 2026?

**The Solution.** The IRS recently announced that gifts given now can be applied against the higher basic exclusion amount. So you have a choice: use the current rules or the rules that will be in place at the time of death.

If you take advantage of the increased estate and gift tax exclusion now through 2025, your gifts won't necessarily be taxed after the higher exclusion level decreases in 2026.

**Action.** Revisit your current gift-giving strategy and plans for the next five years when the higher gift and estate exclusion rules apply. ☐

# Your Tax Season To-Do List

**W**ith tax filing just around the corner, now is a great time to organize your thoughts and records to make the filing process easier. Here are some ideas:

➤ **Create an April 15 reminder.** It's the deadline for filing your 2019 individual income tax return, completing gift tax returns, making contributions to a Roth or traditional IRA for 2019, and for paying the first installment of 2020 individual estimated taxes.

➤ **Gather your tax information for filing.** Items you'll need include W-2s, 1099s and other forms you receive from your employers, brokers, banks and others. If you detect any errors, contact the sender immediately to request a corrected copy.

➤ **Know business return deadlines.** If you own a business or are in a partnership, the deadline for filing partnership and S corporation returns is March 16. Calendar-year C corporation tax returns are due by April 15. Six-month extensions can be requested for partnerships and corporations.

➤ **Keep detailed donation records.** Here's what you need to deduct your donations: Cash contributions under \$250 require a bank record like a canceled check, credit card record or a receipt from the charity. For larger donations, a receipt from the charity must be obtained before filing your return. Donations of property should include a photo, a receipt from the charity and a detailed listing of the items donated that are in good or better condition.

➤ **Review your child's income.** Your child may be required to file a 2019 income tax return, too. Generally, a 2019 return is required if your child has earned more than \$12,200, or has investment income (such as dividends, interest, or capital gains) over \$1,100. If your child had both earned and investment income, other thresholds apply.

➤ **Contribute to your IRA.** There's still time to make 2019 IRA contributions — up to April 15, or until you've contributed the maximum allowed. That's the lesser of your earned income for 2019 or \$6,000 (\$7,000 if you're 50 or older).

➤ **Make any final moves.** Remember, you can reduce your income by up to \$3,000 of excess capital losses. So plan now to review your investments and make any final moves. □

## What's new in



PROVISION	2020	2019
<b>Personal exemption</b>	Suspended through 2025	Suspended through 2025
<b>Standard deduction</b>		
• Single	\$12,400	\$12,200
• Joint returns and surviving spouses	\$24,800	\$24,400
• Married filing separately	\$12,400	\$12,200
• Head of household	\$18,650	\$18,350
• Additional for elderly or blind (married)	\$1,300	\$1,300
• Additional for elderly or blind (single)	\$1,650	\$1,650
<b>Alternative minimum tax exemption</b>		
• Single	\$72,900	\$71,700
• Married, joint	\$113,400	\$111,700
• Married, separate	\$56,700	\$55,850
<b>Social Security earnings limit</b>		
• Under full retirement age	\$18,240	\$17,640
• Full retirement age	No limit	No limit
• Maximum wages subject to Social Security tax	\$137,700	\$132,900
<b>Estate tax top rate</b>	40%	40%
<b>Estate tax exclusion</b>	\$11,580,000	\$11,400,000
<b>Annual gift tax exclusion (per donee)</b>	\$15,000	\$15,000
<b>Contribution limit</b>		
• HSA for single	\$3,550	\$3,500
• HSA for family	\$7,100	\$7,000
• HSA additional for 55 or older	\$1,000	\$1,000
• IRA for those under age 50	\$6,000	\$6,000
• IRA for those 50 and over	\$7,000	\$7,000
• SIMPLE plan for those under age 50	\$13,500	\$13,000
• SIMPLE plan for those 50 and over	\$16,500	\$16,000
• 401(k) plan for those under age 50	\$19,500	\$19,000
• 401(k) plan for those 50 and over	\$26,000	\$25,000
<b>"Kiddie tax" threshold</b>	\$2,200*	\$2,200*
<b>"Nanny tax" threshold</b>	\$2,200	\$2,100

\* This income subject to trust and estate tax rates.

As you plan for 2020, be aware that Congress may make changes to the tax code. Call prior to making major business and personal financial decisions so that current rules and pending changes can be considered. □



## ID Theft: There's a Bullseye on You

**I**n past years, identity thieves dived into dumpsters, grabbed purses and opened mailboxes to steal a person's identity. Now thieves tend to be more tech savvy. They rely on phone calls and emails to gather personal information from the unwary. Are you prepared to defend yourself in this current theft environment?

### ■ Examples of ID theft

Here are some examples used by creative thieves:

**The fake banker.** Someone calls claiming to represent your bank. You're told the bank needs to update contact information, including your Social Security number (SSN), date of birth and mother's maiden name.

**IRS agent. Really?** An alleged IRS agent calls claiming your tax return was filed incorrectly. The caller ID even says IRS. The IRS agent tells you they need your personal information to fix the tax return.

**Congratulations! You won.** A sales representative informs you of prize winnings — an all-expense-paid vacation, a new car or a hefty check. You simply need to tell them your credit card information to cover the sales tax.

### ■ 5 steps to dodge the ID theft bullseye

So what can you do to protect yourself? Being proactive is the best way to limit your risk. Protect yourself by following these guidelines:

- 1. Leave personal information at home.** Don't carry Social Security cards or birth certificates in your purse or wallet unless necessary for a specific transaction (like applying for a passport).
- 2. Shred sensitive material and go paperless.** Use a shredding machine for bank statements, loan applications, insurance forms and pre-approved credit letters. Only use websites you trust for banking and bill-paying transactions.
- 3. Check credit reports and bank statements regularly.** Look for unexplained withdrawals and strange charges. If concerned, place a fraud alert on your credit file with one of the three national credit reporting agencies — Experian, TransUnion and Equifax. One company is required to alert the other
- 4. Use and update internet security tools.** If you access the internet from a personal computer, tablet or phone make sure your anti-virus and security applications are up to date. Limit the amount of personal information on the internet as much as possible. Also consider adding dual authentication for access to online accounts.
- 5. When in doubt, hang up.** Never give out personal information in response to unsolicited emails or phone calls. Period.

If you think you've been a victim of identity theft, don't respond to suspicious emails. Forward them to your bank or credit card company. Then delete them. You can also submit a theft complaint to the Federal Trade Commission at [www.ftc.gov/complaint](http://www.ftc.gov/complaint). □

## What thieves are after and why

Identity theft attacks often focus on user profiles, SSNs and self-reported income. Once obtained, personal information can be used for purchases on credit cards, to drain bank accounts, file fraudulent tax returns, or allow thieves to get unauthorized medical treatment.

Some of the most common red flags that your personal information has been compromised include:

- Unexplained bank account withdrawals
- Credit card charges you don't remember making
- Calls from debt collectors about unfamiliar loans
- Bills from health care providers for services you didn't use
- Notices that your tax return has already been filed

