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***The Briefing [#8]: Orchestrate Tax-Intelligent Planning Now and Plan a Financial Strategy for Your Future***

**(SHORT-TERM ACTIONS) Here’s how you can boost your financial outlook right now. By acting now before the end of the year, you can proactively reduce your taxes for the 2018 tax year and thereby enhance your wealth.**

**Sometimes it’s an overlooked aspect of wealth management, but through tax-intelligent planning, you can boost your worth up to 40%. The new federal Tax Cuts and Jobs Act of 2017 is the biggest change to the federal tax code in over 30 years. Take note of some of the major changes so you’re aware how it’s going to impact your tax picture:**

1. **The income tax rates have been reduced. But these provisions expire at the end of 2025; then they revert to 2017 tax rates.**
2. **The standard deduction has been doubled.**
3. **Personal exemptions have been eliminated.**
4. **Many long-standing deductions, such as home mortgage interest and state and local taxes, have been reduced or eliminated.**

**Take advantage of this new legislation to improve your financial future. Your Citi Personal Wealth Management Financial Advisor can partner with your tax advisor to help you review these recent tax changes so you can act by year-end to possibly save on taxes and plan for next year’s returns.**

You can take some concrete steps right now to improve your tax savings:

* By selling investments that have experienced losses, you can offset any realized gains up to a maximum of $3,000 of ordinary income if you’re married, filing jointly; if you’re single, it’s $1,500.
* You can lower your tax liability by increasing your itemized deductions. For example, you can prepay property taxes, make charitable contributions, deduct eligible health care expenses, and maximize any flexible spending accounts.
* By deferring income to next year, you’ll postpone the resulting tax bill for another year.
* Avoid tax penalties by paying federal estimated tax installments on a timely basis.
* Check with your tax advisor and use the new tax reforms to your advantage. For example, set up a 529 account to set aside up to $10,000 a year to pay for K-12 private school. Depending on the state you live in, you may get a tax deduction.
* **You can save taxes by managing your portfolio**. Save on taxes by holding dividend-paying stocks in your taxable accounts, while keeping taxable bonds and CDs in your retirement accounts. If your stock dividends meet certain requirements, they will continue to be taxed at the long-term capital gains rate, As a result, dividends will typically be taxed less than interest from taxable bonds and CDs.
* **Trim your tax bill through wise retirement planning.** 
  + Reduce your taxable income so you can grow earnings on a tax-deferred basis by increasing your pretax contributions to employer retirement plan(s), such as 401(k)s and 403(b)s, up to $18,000 if you’re under 50 and an additional $6,000 if 50 or older. If you have self-employed income, there are more options available.
  + Get a potential tax deduction for traditional IRAs and tax-deferred growth for both traditional and Roth IRAs by contributing up to $5,500 to a Roth or traditional IRA if you’re under 50 ($6,500 if you’re 50 or older).
  + Avoid major penalties on IRA earnings by taking required minimum distributions for 2018 from your traditional IRA and other affected accounts if you’re age 70½ or older. If you reached that age in 2018, you must make your first withdrawal by April 1, 2019.
  + If you’re a high-income earner, set up a defined benefit plan to reduce income taxes and grow earnings on a tax-deferred basis.
* **Decrease your tax bill via smart estate planning.** Here’s a way to avoid estate taxes at the state level, which may be applied at much lower asset levels than federal estate taxes: you can reduce the size of your taxable estate by making separate gifts of up to $14,000 to as many people as you want. If you’re as a married couple who are U.S. citizens, you can gift $28,000 per person.

**(LONG-TERM ACTIONS) It pays to plan for the future. We just discussed some of the immediate, short-term steps you can take by year-end to maximize your tax savings under the new federal law. Now it’s time to start thinking about long-term wealth management enhancement goals—what can I do starting next year to preserve and grow my wealth?**

* Consider meeting with your Citi Personal Wealth Management Financial Advisor in first quarter of 2019 to coordinate your tax and financial planning as part of your long-term financial plan.
* Your Financial Advisor has the financial expertise to help you realize your wealth management objectives by helping you make money in ways you never imagined.
* While your Financial Advisor doesn’t offer tax or legal advice, he or she can work with your tax advisor, accountant, and attorney to achieve your long-term financial strategy.
* Here are four areas where you might want to consider planning ahead:

1. **Tax Windfall Planning**

If you receive a tax windfall as a result of the tax changes, consider using it to make an allowable contribution to your retirement account or use the windfall to pay for an unmet insurance need.

1. **Estate Planning**

While the new law increases the federal estate tax exemption to $11.18 million per person, tax laws could change in the future. Since estate planning is a long term-proposition, it’s not advisable to make hasty decisions based on the new tax law changes, since estate planning includes more than just tax considerations. Before making any decisions, be sure to consult your legal and tax advisors. Take time to re-examine your existing estate plan, including your wills, powers of attorney, revocable trusts and insurance plans.

1. **Charitable Giving**

* Since the charitable deduction for cash gifts to public charities has increased from 50% to 60%, consider charitable giving strategies for larger gifts.
* Now that the standard deduction has doubled, think about pooling your gifts or appreciated assets in certain years to overcome the expanded standard deduction amount. Accountants call this bunching.

1. **Business Owner Planning**

Do you own a business?

* The Tax Cuts and Jobs Act changed many aspects of business income taxes. For example, a single-rate 21% corporate income tax is now is effect, and the corporate Alternative Minimum Tax has been repealed. Examine how other changes may affect your business.
* With new changes in business income taxation, business owners now have to consider entity selection. There are two options: you can structure your business as a C Corporation with the new reduced income tax bracket of 21%, or you can make it a pass-through entity, with a 20% deduction on flow-through qualified business income. In some cases, if you’ve created an S Corp, you might want to reconsider your S-election.
* Consider purchasing large equipment instead of leasing it. Now you can deduct the full amount for qualifying property up to $1 million, with phase-out starting at $2.5 million.
* Regarding these matters, it’s important to discuss these options with your legal and tax advisors first about what’s best for you and your business.