Volume 36, No. 4

Success InSight®

Winter 2019

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2019 Important Tax Changes for Individuals

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The tax rate structure, which ranges from 10 to 37 percent, remains similar to 2018; however, the tax-bracket thresholds increase for each filing status. Standard deductions also rise. Personal exemptions have been eliminated through tax year 2025.

The standard deduction increases to $12,200 for individuals and to $24,400 for married couples.

The AMT exemption amounts increase to $71,700 for individuals and $111,700 for married couples filing jointly. The phaseout threshold increases to $510,300 ($1,020,600 for married filing jointly).

The amount that can be used to reduce the net unearned income reported on the child's return that is subject to the "kiddie tax," is $1,100. The same $1,100 amount is used to determine whether a parent may elect to include a child's gross income in the parent's gross income and to calculate the "kiddie tax."

Contributions to a Health Savings Account (HSA) are used to pay current or future medical expenses of the account owner, his or her spouse, and any qualified dependent. Medical expenses must not be reimbursable by insurance or other sources and do not qualify for the medical expense deduction on a federal income tax return. A qualified individual must be covered by a High Deductible Health Plan (HDHP) and not be covered by other health insurance except for insurance for accidents, disability, dental care, vision care, or long-term care.

For 2019, a qualifying HDHP must have a deductible of at least $1,350 for self-only coverage or $2,700 for family coverage and must limit annual out-of-pocket expenses of the beneficiary to $6,750 for self-only coverage and $13,500 for family coverage.

There are two types of Medical Savings Accounts (MSAs): the Archer MSA for self-employed individuals and employees of certain small employers, and the Medicare Advantage MSA, which is designated by Medicare to be used solely to pay the qualified medical expenses of the Medicare account holder. Both MSAs require that you are enrolled in a HDHP.

In 2019, the term "high deductible health plan" for self-only coverage is defined as a health plan that has an annual deductible that is not less than $2,350 and not more than $3,500, and under which the annual out-of-pocket expenses required to be paid for covered benefits do not exceed $4,650.

For family coverage, the term "high deductible health plan" means, a health plan that has an annual deductible that is not less than $4,650 and not more than $7,000, and under which the annual out-of-pocket expenses required to be paid

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2019

Medicare Updates

New Medicare Advantage open enrollment period.

When you enroll in Medicare, you can choose between the traditional program (which includes Part A, Part B, and a Part D drug plan) or Medicare Advantage. The Advantage option bundles hospital, health and prescriptions into a single plan. Advantage plans also offer dental, hearing, and vision plans – which are not covered under regular Medicare.

Starting in 2019, Medicare Advantage will get its own open enrollment period that will begin on Jan. 1 and continue through March 31. If you're enrolled in an Advantage plan, you'll have a chance to switch to a different one or drop your Advantage plan and sign up for original Medicare instead. Don't confuse this with traditional Medicare's open enrollment, which runs from Oct. 15 through Dec. 7 each year.

Closing the donut hole.

In the past, Medicare beneficiaries paid their deductible if applicable, and their copays(coinsurance) until the costs reach $3,750 for their prescriptions medications. Once a beneficiary drug cost exceeded $3,750, beneficiaries became responsible for paying up to $5,000 for their prescription drugs. After $5,000 was paid out of pocket, Medicare beneficiaries paid 5% of the cost of their prescription drugs for the remainder of the year. (Note: $3,750 is the full cost of the drug – not what you paid towards it.) 2019 changes to the Medicare Part D Donut Hole include:

- Brand name drugs will be covered at 75%, reducing your shared cost to 25%.
- Generic drugs will be covered at 63%, reducing your shared costs to 37%.
- Standard initial deductibles are projected to increase from $405 to $415 a month.
- Your initial coverage limit is projected to increase from $3,750 to $3,820.
- The donut hole true out of pocket cost (TrOOP) is projected to increase to $5,100 from $5,000. However, you are paying less money out of pocket to reach the $5,100.
- After you reach the $5,100, you become eligible for catastrophic coverage. At that point both your generic and brand drug purchases will be covered at 95%.

Increased coverage for outpatient services.

In thFor 2019, Congress permanently repealed the cap that has historically limited coverage of outpatient physical, speech or occupational therapy for traditional Medicare recipients.

Upgraded communication.

Updates to the Medicare handbook will include checklists and flowcharts to make it easier to decide on coverage. The online Medicare Plan Finder tool should also be more user friendly featuring a "coverage wizard" to help with comparing out-of-pocket costs and coverage options between original Medicare and Medicare Advantage.

Telemedicine.

Medicare is steadily broadening the availability of telehealth programs that let patients confer with a doctor or nurse via telephone or the internet. In 2019, it will begin covering telehealth services for people with end-stage renal disease or during treatment for a stroke.

More home health coverage.

Beginning in 2019, Medicare Advantage plans have the option to cover meals delivered to the home, transportation to the doctor's office and even safety features in the home such as bathroom grab bars and wheelchair ramps. To be covered, a medical provider will have to recommend benefits such as home-safety improvements and prepared meals.

Medicare Advantage plans also will have the option to pay for assistance from home health aides, who can help beneficiaries with everyday activities such as dressing and bathing. These benefits represent a broader definition of the traditional requirement that Medicare services must be primarily health related.

Test Drive a new plan.

New regulations by Congress in the 21st Century Cures Act, will allow you to try out an Advantage plan for up to three months and, if they aren't satisfied, switch to another Medicare Advantage plan or choose to enroll in original Medicare.

Individual Tax Changes

• *continued from page 1*

for covered benefits do not exceed $8,550.

Starting in 2019, there is no penalty for not maintaining minimum essential health coverage.

The deduction threshold for deductible medical expenses is 10 percent of adjusted gross income (AGI).

Premiums for long-term care are treated the same as health care premiums and are deductible on your taxes

Starting in 2019, there is no penalty for not maintaining minimum essential health coverage.

subject to certain limitations. For individuals age 40 or younger at the end of 2019, the limitation is $420. Persons more than 40 but not more than 50 can deduct $790. Those more than 50 but not more than 60 can deduct $1,580 while individuals more than 60 but not more than 70 can deduct $4,220. The maximum deduction is $5,270 and applies to anyone more than 70 years of age.

The additional 0.9 percent Medicare tax on wages above $200,000 for individuals ($250,000 married filing jointly) remains in effect for 2019, as does the Medicare tax of 3.8 percent on investment (unearned) income for single taxpayers with modified adjusted gross income (AGI) more than $200,000 ($250,000 joint filers).

The foreign earned income exclusion amount is $105,900.

Tax rates on capital gains and dividends remain the same (0%, 15%, and a top rate of 20%); however, threshold amounts have increased: the maximum zero percent rate amounts are $39,375 for individuals and $78,750 for married filing jointly. For an individual taxpayer whose income is at or above $434,550 ($488,850 married filing jointly), the rate for both capital gains and dividends is capped at 20 percent. All other taxpayers fall into the 15 percent rate amount (i.e., above $39,375 and below $434,550 for single filers).

For estate taxes, the basic exclusion amount is $11.4 million, indexed for inflation (up from $11.18 million in 2018). The maximum tax rate remains at 40 percent. The annual exclusion for gifts remains at $15,000.

An adoption credit of up to $14,080 is available for qualified adoption expenses for each eligible child.

The maximum Earned Income Tax Credit (EITC) for low and moderate-income workers and working families rises to $6,557. The credit varies by family size, filing status, and other factors, with the maximum credit going to joint filers with three or more qualifying children.

For tax years 2018 through 2025, the child tax credit is $2,000 per child. The refundable portion of the credit is $1,400 so that even if taxpayers do not owe any tax, they can still claim the credit. A $500 nonrefundable credit is also available for dependents who do not qualify for the Child Tax Credit (e.g., dependents age 17 and older).

The Child and Dependent Care Tax Credit also remains. If you pay someone to take care of your dependent (defined as being under the age of 13 at the end of the tax year or incapable of self-care) in order to work or look for work, you may qualify for a credit of up to $1,050 or 35 percent of $3,000 of eligible expenses. For two or more qualifying dependents, you can claim up to 35 percent of $6,000 (or $2,100) of eligible expenses. For higher income earners the credit percentage is reduced, but not below 20 percent, regardless of the amount of adjusted gross income.

The American Opportunity Tax Credit is $2,500 per student. The Lifetime Learning Credit remains at $2,000 per return; however, the adjusted gross income amount used by joint filers to determine the reduction in the Lifetime Learning Credit is $116,000 ($58,000 single filers).

The maximum deduction for interest paid on student loans is $2,500. The deduction begins to be phased out for higher-income taxpayers with modified adjusted gross income of more than $70,000 ($140,000 for joint filers) and is eliminated for taxpayers with modified adjusted gross income of $85,000 ($170,000 joint filers).

The elective deferral (contribution) limit for employees who participate in 401(k), 403(b), most 457 plans, and the federal government's Thrift Savings Plan increases to $19,000. Contribution limits for SIMPLE plans increase to $13,000 (up from $12,500 in 2018). The maximum compensation used to determine contributions increases to $280,000 (up from $275,000 in 2018).

The deduction for taxpayers making contributions to a traditional IRA is phased out for singles and heads of household who are covered by an employer-sponsored retirement plan and have modified AGI between $64,000 and $74,000.

For married couples filing jointly, in which the spouse

• *continued on page 6*

2019

Important Tax Changes for Businesses

In 2019, the rate for business miles driven increases to 58 cents per mile,

The Section 179 expense deduction increases to a maximum deduction of $1,020,000 of the first $2,550,000 of qualifying equipment placed in service during the current tax year. This amount is indexed to inflation for tax years after 2018. The deduction was enhanced under the TCJA to include improvements to nonresidential qualified real property such as roofs, fire protection, and alarm systems and security systems, and heating, ventilation, and air-conditioning systems. Also, costs associated with the purchase of any sport utility vehicle, treated as a Section 179 expense, cannot exceed $25,500.

Businesses can immediately deduct 100% of the cost of eligible property placed in service after September 27, 2017, and before January 1, 2023, after which it will be phased downward over a four-year period: 80% in 2023, 60% in 2024, 40% in 2025, 20% in 2026, and 0% in 2027 and years beyond.

The Work Opportunity Tax Credit has been modified and enhanced for employers who hire long-term unemployed individuals (unemployed for 27 weeks or more) and is generally equal to 40 percent of the first $6,000 of wages paid to a new hire.

The Qualified Business Income Deduction allows eligible taxpayers to deduct up to 20 percent of certain business income from qualified domestic businesses, as well as certain dividends. To qualify for the deduction business income must not exceed a certain dollar amount. In 2019, these threshold amounts are $160,700 for single and head of household filers and $321,400 for married taxpayers filing joint returns.

The Research & Development Tax Credit allows businesses with less than $50 million in gross receipts to use this credit to offset alternative minimum tax. Certain start-up businesses that might not have any income tax liability will be able to offset payroll taxes with the credit as well.

When determining employee health insurance expenses for taxable years beginning in 2019, the dollar amount of average wages is $27,100 for limiting the small employer health insurance credit and for determining who is an eligible small employer for purposes of the credit.

For business meals and entertainment expenses, the deduction remains at 50% for taxpayers who incur food and beverage expenses associated with operating a trade or business. For tax years 2018 through 2025, however, the 50% deduction expands to include expenses incurred for meals furnished to employees for the convenience of the employer. Amounts after 2025, however, will not be deductible. Office holiday parties remain 100% deductible and employee meals while on business travel also remain deductible at 50%. Also eliminated is the deduction for business entertainment expenses (only meals are deductible at 50%; receipts must identify and separate out meal costs from entertainment costs).

If you provide transportation fringe benefits to your employees in 2019, the maximum monthly limitation for transportation in a commuter highway vehicle as well as any transit pass is $265. The monthly limitation for qualified parking is $265.

Individual Tax Changes

• *continued from page 5*

who makes the IRA contribution is covered by an employer-sponsored retirement plan, the phase-out range increases to $103,000 to $123,000. For an IRA contributor who is not covered by an employer-sponsored retirement plan and is married to someone who is covered, the deduction is phased out if the couple's modified AGI is between $193,000 and $203,000.

The modified AGI phase-out range for taxpayers making contributions to a Roth IRA is $122,000 to $137,000 for singles and heads of household, up from $120,000 to $135,000. For married couples filing jointly, the income phase-out range is $193,000 to $203,000, up from $189,000 to $199,000. The phase-out range for a married individual filing a separate return who makes contributions to a Roth IRA is not subject to an annual cost-of-living adjustment and remains $0 to $10,000.

In 2019, the AGI limit for the Saver's Credit (also known as the Retirement Savings Contribution Credit) for low and moderate-income workers is $64,000 for married couples filing jointly, up from $63,000 in 2018; $48,000 for heads of household, up from $47,250; and $32,000 for singles and married individuals filing separately, up from $31,500 in 2018.

Opportunity Zone Funds

Q: What is an Opportunity Zone?

A: Opportunity Zones were added to the tax code by the Tax Cuts and Jobs Act on December 22, 2017. These zones are designed to spur economic development by providing tax benefits to investors. First, investors can defer tax on any prior gains invested in a Qualified Opportunity Fund (QOF) until the earlier of the date on which the investment in a QOF is sold or exchanged, or December 31, 2026. If the QOF investment is held for longer than 5 years, there is a 10% exclusion of the deferred gain. If held for more than 7 years, the 10% becomes 15%. Second, if the investor holds the investment in the Opportunity Fund for at least ten years, the investor is eligible for an increase in basis of the QOF investment equal to its fair market value on the date that the QOF investment is sold or exchanged. The zones are generally located in economically-distressed communities. Opportunity Zones have now been designated covering parts of all 50 states, the District of Columbia and five U.S. territories.

Q: What is a Qualified Opportunity Fund?

A: A Qualified Opportunity Fund (QOF) is an investment vehicle that is set up as either a partnership or corporation for investing in eligible property that is located in a Qualified Opportunity Zone. You, as an individual, can set up your own by yourself or with partners or you may choose to invest in the many funds already up and running.

Q: Where can I find a list of Opportunity Zone locations?

A: Yes. The list of designated Qualified Opportunity Zones can be found at the US Treasury Community Development Financial Institutions Fund website: www.cdfifund.gov Just click on "Tools and Resources" in the upper right for a complete list (www.cdfifund.gov/Pages/Opportunity-Zones.aspx) The list is also published in the Federal Register at IRB Notice 2018-48.

Q: What do all the numbers mean on the Qualified Opportunity Zones list, Notice 2018-48?

A: The numbers are the population census tracts designated as Qualified Opportunity Zones. Check with your state or local government for a more user friendly map or addresses.

Q: How can I find the census tract number for a specific address?

A: You can find 11-digit census tract numbers, also known as GEOIDs, using the U.S. Census Bureau's Geocoder. After entering the street address, select ACS2015_Current in the Vintage drop-down menu and click Find. In the Census Tracts section, you'll find the number after GEOID.

Q: How does a corporation or partnership become certified as a Qualified Opportunity Fund?

A: To become a Qualified Opportunity Fund, an eligible corporation or partnership self-certifies by filing Form 8996, Qualified Opportunity Fund, with its federal income tax return. The return with Form 8996 must be filed timely, taking extensions into account. An LLC that chooses to be treated either as a partnership or corporation for federal tax purposes can also organize as a Qualified Opportunity Fund.

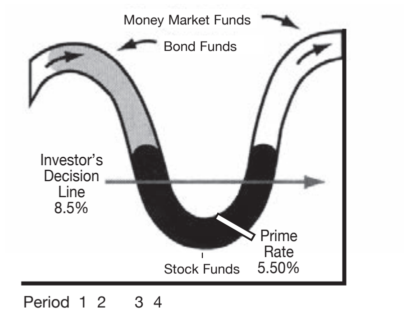
Q: I sold some stock for a gain in 2018, and, during the 180-day period beginning on the date of the sale, I invested the amount of the gain in a Qualified Opportunity Fund. Can I defer paying tax on that gain?

A: Yes, you may elect to defer the tax on the amount of the gain invested in a Qualified Opportunity Fund. Therefore, if you only invest part of your gain in a Qualified Opportunity Fund(s), you can elect to defer tax on only the part of the gain which was invested.

You may make an election to defer the gain, in whole or in part, when filing your 2018 Federal Income Tax return. That is, you may make the election on the return on which the tax on that gain would be due if you do not defer it.

The Money Movement Strategy

Prime Rate Chart for Money Movement Strategy



Long-Term Direction: Level
Monthly Change: 0.00%

How It Works

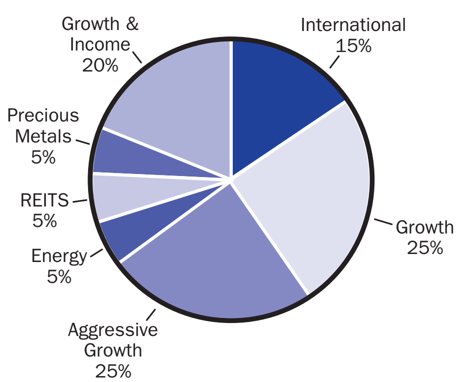
Long-term increases or decreases in the value of stocks, bonds and money market instruments are caused by changes in interest rates, primarily the Prime Rate. Of the three categories of mutual funds — stock, bond, or money market, there is only one type of investment that will give you above-average returns at any given time.

The Money Movement chart represents typical changes of interest rates smoothed out over time. The Investor's Decision Line (IDL) indicates the point at which you should move your money from one type of fund to another. At this time, the IDL indicates stock funds.

Models For Portfolio Management

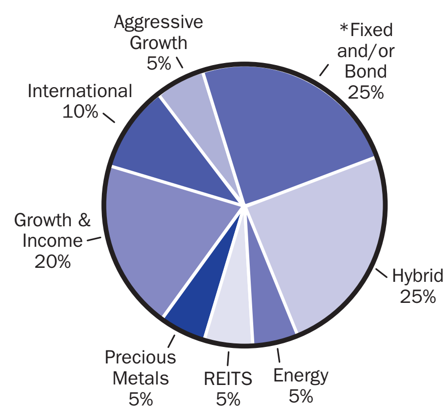
Aggressive

Keep all mutual funds and retirement money in stock funds.



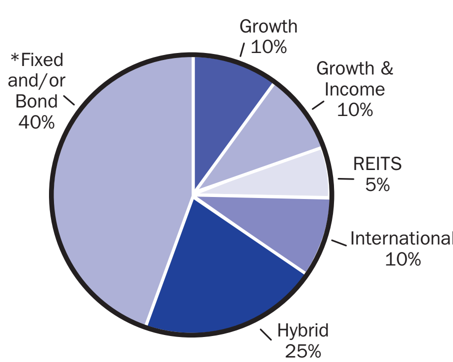
Moderate

Keep most mutual funds and retirement money in stock funds.



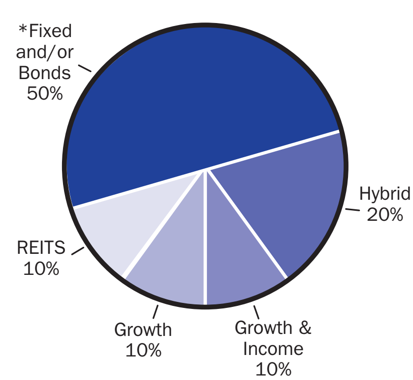
Conservative

Keep most mutual funds and retirement money in stock funds.



Retirees

Note: This portfolio does not follow the Money Movement Strategy! Create the proper mix of Stock, Bond, and money market funds.



*Fixed Market-Linked CDs

No-Load Mutual Funds*

Fund Name/Type	Stock Symbol	Buy, Sell or Hold	3 Month % Change	Average Annual Returns as of 01/31/19 1 Year % Change	5 Year % Change	10 Year/ % Change	Expense Ratio
Aggressive Growth							
Dreyfus Small Cap Index	DISSX	Buy	-1.35	-1.68	8.84	15.87	0.50
Kinetics Paradigm No Load	WWNPX	Buy	-3.32	3.14	9.58	15.36	1.64
Needham Growth	NEEGX	Buy	2.91	-6.06	3.94	13.02	2.34
Schwab Hedged Equity Select	SWHEX	Buy	-0.54	-4.66	6.21	7.69	1.64
Value Line Small Cap Opp	VLEOX	Buy	1.62	0.97	9.25	15.52	1.21
Growth							
American Century Mid Cap	ACMVX	Buy	0.94	-8.01	8.82	14.28	0.98
Dreyfus MidCap Index	PESPX	Buy	0.90	-4.98	8.14	15.16	0.50
Harbor Mid Cap Growth Inv	HIMGX	Buy	6.64	4.67	9.92	15.05	1.26
Janus MidCap Value T	JMCVX	Buy	1.20	-6.23	6.79	11.41	0.92
Neuberger Berman Partners Inv	NPRTX	Buy	1.91	2.92	9.03	14.35	0.88
Selected American Shares	SLASX	Buy	0.74	-10.46	8.32	12.97	0.97
American Century Small Cap Value	ASVIX	Hold	2.40	-7.82	6.93	14.25	1.26
Growth & Income							
American Century Equity	TWEIX	Buy	1.62	-1.37	9.71	11.27	0.92
American Century Large Value	ALVIX	Buy	0.23	-5.14	7.53	12.42	0.84
Fairholme	FAIRX	Buy	6.44	-13.65	-2.43	6.96	1.02
Parnassus Equity Income Inv	PRBLX	Buy	1.57	1.25	10.08	13.91	0.87
Janus Contrarian	JSVAX	Buy	4.47	1.39	4.50	11.21	0.73
T. Rowe Price Equity Income	PRFDX	Buy	-0.39	-7.23	7.08	12.82	0.65
Hybrid							
American Century Balanced	TWBIX	Buy	1.44	-2.68	5.98	9.43	0.91
James Balanced Golden Rainbow	GLRBX	Buy	-0.21	-7.25	2.06	6.18	1.00
Oakmark Equity & Income	OAKBX	Buy	2.13	-4.67	5.68	8.88	0.78
Pax Balanced Individual Inv	PAXWX	Buy	1.94	-2.29	5.81	8.69	0.91
Permanent Portfolio	PRPFX	Buy	4.52	-2.47	2.58	5.97	0.82
International							
American Century Intl Growth	TWIEX	Buy	-0.92	-15.69	2.11	8.84	1.17
Artisan International Inv	ARTIX	Buy	0.61	-11.71	2.38	10.03	1.18
Matthews China Investor	MCHFX	Hold	12.31	-23.24	6.90	10.93	1.09
William Blair Intl. Growth	WBIGX	Buy	0.99	-17.03	2.12	9.46	1.45
T. Rowe Price Emerging	PRMSX	Buy	12.31	-13.26	7.82	11.72	1.23
Sector Funds							
American Century Real Estate Inv	REACX	Buy	7.13	8.83	8.62	15.25	1.15
Cohen & Steers Realy Shares	CSRSX	Buy	8.13	10.49	9.79	15.59	0.97
T. Rowe Price Health Sciences	PRHSX	Buy	3.80	4.10	12.81	20.60	0.77
USAA Precious Metals/Minerals	USAGX	Sell	20.21	-4.50	-1.18	-1.95	1.23
US Global Investors Global Res	PSPFX	Hold	0.67	-24.38	-10.38	1.04	1.59
Bond Funds							
American Century Infl-Adj Bond	ACITX	Buy	2.24	-0.33	1.01	3.17	0.47
Fidelity Capital & Income	FAGIX	Buy	2.22	1.13	5.52	12.38	0.67
Janus Flexible Bond	JAFIX	Buy	2.54	0.95	1.89	4.35	0.68
Loomis Sayles Bond Retail	LSBRX	Buy	1.32	-0.83	2.48	8.02	0.91
Pax World High Yield Bond	PAXHX	Buy	1.16	0.53	2.47	7.19	0.99
American Century Sh-Dur Bd fund	APOIX	Buy	0.80	1.18	0.49	2.82	0.57

* Some funds may be closed to New investors due to demand.

The performance data quoted represents past performance and the principal value and investment return will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Returns shown, unless otherwise indicated, are total returns, with dividends and income reinvested. Past performance is no guarantee of future results.

Since it purchases equity securities, including common stocks, the Fund is subject to the risk that stock prices will fall over short or extended periods of time. The Fund may buy and sell securities frequently as part of its investment strategy. This may result in higher transaction costs and additional tax liabilities.

Mutual funds are sold by prospectus. An investor should consider the investment objectives, risks, charges and expenses of the investment company carefully before investing. The prospectus contains this and other information about the investment company. Please read the prospectus carefully before you invest or send money.

Statistics and information provided by Morningstar.

** IAS Owners and employees may hold a position in any of the listed funds.

2019

Important Changes to Social Security

1 **Increase in benefits.** More than 67 million Social Security beneficiaries will see a 2.8% cost-of-living adjustment (COLA) which is meant to help offset the effect of inflation. This represents a 0.8% increase over last year's 2% COLA and the largest increase since 2012 when benefits went up 3.6%. For the average Social Security recipient, this raise will amount to around $39 per month (average monthly payout increased from $1,422 in 2018 to $1,461 in 2019).

2 **Maximum taxable earnings will increase to $132,900.** Last year, employees paid a 6.2% Social Security tax on income up to $128,400. Any earnings above that amount were not subject to the tax. In 2019, the tax rate will remain the same at 6.2%, but the tax cap will increase to $132,900.

3 **Increase in maximum amount of earnings used by the SSA to calculate retirement benefits.** In 2018, the maximum monthly Social Security benefit for a worker retiring at full retirement age was $2,788. In 2019, the maximum benefit increases $73 per month to $2,861.

4 **Full retirement age.** The earliest you can start claiming Social Security retirement benefits remains at 62 but, claiming before your full retirement age will result in the payout being permanently reduced. For those who turn 62 in 2018, full retirement age is 66 and four months. But for those who turn 62 in 2019, the full retirement age will increase to 66 and six months. Full retirement age is set to increase by two months each year until it hits 67. So, for anyone born in 1960 or later, full retirement age will be 67. The option to put off claiming until age 70 will still reap a 76% higher annual payout than if you started receiving benefits at 62.

5 **Earnings limits will increase.** If you are collecting benefits prior to full retirement age and you continue to work, all or part of your benefits may be temporarily withheld, depending on how much you earn. However, the amount you can earn before triggering a reduced benefit increases in 2019. Prior to reaching full retirement age, you will be able to earn up to $17,640 in 2019. After that, $1 will be deducted from your payment for every $2 that exceeds the limit. This reflects a $600 increase over 2018's limit of $17,040. If you reach full retirement age in 2019, you will be able to earn $46,920 – an extra $1,560 from 2018's $45,360 annual limit. For every $3 earned over the 2019 limit, your Social Security benefits will be reduced by $1, but it will only apply to money earned in the months prior to hitting full retirement age. Once you hit full retirement age, no benefits will be withheld if you continue working.

6 **Social Security disability thresholds will increase.** The legally blind will receive a maximum of $2,040 a month, an extra $70 a month over last year. For the non-blind, the maximum benefit increases $40 a month to $1,220.

7 **View your COLA notice online.** For most Social Security recipients this new feature allows you to view your COLA notice online through your My Social Security account. Notices will still be mailed this year, but in the future, recipients will be able to choose whether to receive their notice online or by mail.

8 **Increase in work credit earnings.** Workers earn their social security benefits by accruing 40 lifetime work credits, with a maximum of four credits earned per year. These credits are based on your earned income. In 2018, $1,320 in income equaled one lifetime work credit $5,280 would earn you the full four credits)$1,360 in income to earn a work credit, or $5,440 (an extra $160 in income) to max out your four per year. This year you will need $1,360 in income to earn a work credit or $5,440 to earn the full 4 credits for the year.

Economic Outlook

–By Russ Colbert

The U.S. economy has been improving since early 2018. It has weathered rate hikes, trade conflicts, tweets, corrections. We feel 2018 GDP should come in around 3%. A year ago most were predicting 2.5% for 2018. This growth is benefiting from having lower tax rates on corporate profits and the roll back in regulations. The tax cuts and regulation roll backs should benefit the U.S. economy for years to come. Companies, as well as investors around the world have started to view the U.S. as an attractive place to invest and operate.

We also believe the unemployment rate will continue to gradually fall as we see continued job growth. During the past year we have seen non-farm payrolls up around 210,000 per month and small-business start-ups at 200,000 per month. The average hourly earnings are up 3.1% from a year ago. This is the fastest wage growth in a year since 2009. Wages and salaries for private industry workers are also up 3.1% from a year ago. A survey from the Labor Department showed the fastest wage growth for the bottom 10 percent of earners. It seems to be a positive effect for most everyone. Rising wages seem to be drawing more workers back into the work force. Improved policies lead to faster economic growth and a more plentiful job market.

As far as inflation is concerned, it looks like we came in around 2.0% for last year. Last year we had a drop in oil prices that helped keep inflation down. Look for oil to rebound somewhat this year assisting inflation to come in around 2.5% for 2019. Gas prices have been down and that helps improve the pocket book for consumers. Hopefully gas will stay in the more reasonable price range this year.

What to expect from the Federal Reserve chairman on interest rates this year? This one is harder to figure out. In my opinion, I thought we could have left off the rate hikes in October or December. I believe that had a lot to do with the drop in the market during the last quarter of 2018. The Federal Reserve did catch a lot of negativity from everywhere because of it. We feel that due to economic reasons affecting our economy and other factors, such as economies slowing in Europe and Asia, as well as technical factors dealing with current yield on the 10 year Treasury bond, that rate hikes should be fewer for 2019.

We expect the stock market to rise this year. Much will have to do with interest rates staying in check or rising only a few times. The other tricky thing will be working out an equitable trade agreement with China. I believe these two items can be accomplished. It is financially in the best interest of China to work with us as a trade partner. So, we are still bullish and expect the economy and stock market to continue to improve during 2019.

If you have any questions or need a free portfolio review to keep you on track with your investments or retirement plan, please call me.

Russ Colbert
Senior Portfolio Manager
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A Year in Review

As investors, it's only natural to hope that the financial markets and our investment portfolios will perform well each and every year. However, as experienced long-termers we know that unfortunately that's just not how things work. Although the financial markets have produced enviable returns over long periods, from time to time they remind us that to reap those favorable returns, we must maintain our long-term focus and be patient through the tough times.

2018 saw the return of volatility to the stock markets. The markets had a rough start to the year, but then as March came to a close they got back to business and put in a solid performance for the next 6 months or so. Then in early October, the Bears took and held onto control through the remainder of the year. All in all, it was a challenging year for investors. As compared to some previous market pull backs, the declines we experienced weren't dramatic, but they were widespread. All of the major domestic stock market indexes … the Dow Jones Industrial Average®, S&P 500® (large cap), S&P 400® (mid cap), S&P 600® (small cap), and the technology heavy NASDAQ® Composite … were in the red for the year.

There are occasions in which other areas of the market or globe produce positive returns despite what happens in the U.S. stock market. However, that wasn't the case in 2018. With rising interest rates here at home creating headwinds for bonds, the Bloomberg Barclays U.S. Aggregate Bond Index® (the go-to benchmark for measuring the performance of investment grade U.S. Bonds) was essentially breakeven for the year. As a whole, both European and Asian markets were down. Oil finished the year lower than it started, as did Gold. When it was all said and done, 2018 just didn't offer much for investors.

What was the cause of this widespread lackluster performance? Absent a clear catalyst such as the financial meltdown of 2008 or a horrific geopolitical event, it's difficult to pinpoint any one item that might be responsible for poor market performance. With that said, I believe rising interest rates here in the U.S. and the trade/tariff war between the world's two largest economies deserve much of the credit.

October saw the start of the market decline here in the U.S. that gathered momentum through the recent bottom in late December. The financial markets had made it clear that they thought the U.S. economy was due to slowdown in 2019 and that the Federal Reserve Board (The Fed) should act accordingly and stop raising rates. The Fed saw it differently, indicating that there was no evidence of a slowdown and in mid-December raised rates for the fourth time in 2018.

Until recently, The Fed had indicated that there was likely to be two more interest rate increases in 2019. However, they have since softened their stance on additional rate hikes this year, suggesting that they would be willing to take a more "wait and see" approach.

The next likely item that influenced market performance last year is the trade war between the U.S. and China. It was widely believed that in the short to mid-term this standoff would hurt China's economy more than ours, and that appears to be the case so far. However, without a resolution to their differences, it's clear that the effects will be global in nature. With the U.S. and China agreeing to a 90 day "cease fire" late last year, it's my guess that both parties recognize it's in their best interest to reach an agreement, and that some type of resolution will be forthcoming.

It's difficult to know what the financial markets have in store for us as we move forward. What we do know is that building a portfolio of suitable, high quality, low cost investments and maintaining a long-term focus has proven to be a rewarding strategy for investors.

If you questions about how your current situation might be affected by recent events, please feel free to call Ted Black, CFP® at 888-878-0001, extension 3.

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- ___ College Funding for my children/family
- ___ Investing for Current Income
- ___ Review of 401(k), 403(b) or other retirement plan
- ___ Investing in Mutual Funds
- ___ Transferring or Rollover of IRA or retirement account
- ___ Review of my Investment Portfolio
- ___ Where to invest in 2019

Savings (IRA, 401(k), CDs, etc.):

- ___ 0 - $10,000
- ___ $10,001 - $50,000
- ___ $50,001 - $100,000
- ___ $100,001 - $500,000
- ___ $500,001 +

Investment Goals:

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From the Financial Hotline

Call, fax or e-mail for answers to all your financial questions.

Q: Is there a higher threshold for Seniors for whether you have to file an income tax return?

A: Yes. Taxpayers who are 65 and older are allowed an income of $1,600 more ($2,600 married filing jointly and both spouses are 65 or older) before they need to file an income tax return. In other words, older taxpayers age 65 and older with income of $13,600 ($26,600 married filing jointly) or less may not need to file a tax return.

I lost my job and was out of work for most of last year. Do I have to report the unemployment compensation and union payments I received?

Unemployment compensation you receive under the unemployment compensation laws of the United States or of a state is considered taxable income and must be reported on your federal tax return. You should receive Form 1099-G, Certain Government Payments (Info Copy Only), showing the amount you were paid and any federal income tax you elected to have withheld. You must also include benefits from regular union dues paid to you as an unemployed member of a union in your income. However, other rules apply if you contribute to a special union fund and your contributions are not deductible. If this applies to you, only include in income the amount you received from the fund that is more than your contributions.

Q: Is severance pay taxable?

A: Yes. Severance pay is taxable. Payments for any accumulated vacation or sick time are also taxable. You should ensure that enough taxes are withheld from these payments or make estimated tax payments to avoid a big bill at tax time. Public assistance and SNAP (formerly known as food stamps) are not taxable.

Q: I had a lot of expenses while I was searching for my new job this past year. Are these costs deductible?

A: For tax years 2018-2025, you are no longer able to deduct certain expenses such as travel, resume preparation, and outplacement agency fees incurred while looking for a new job. In prior years, job-seekers were able to deduct these expense-even if they did not get a new job. Moving costs for a new job at least 50 miles away from your home were also deductible; but for tax years 2018-2025, job-related moving expenses are not deductible.

Q: I am interested in doing a 1031 Exchange. Are there any new changes I should know about?

A: Effective January 1, 2018, exchanges of personal or intangible property such as machinery, equipment, vehicles, artwork, collectibles, patents, and other intellectual property generally do not qualify for nonrecognition of gain or loss as like-kind exchanges. However, certain exchanges of mutual ditch, reservoir or irrigation stock are still eligible.

Like-kind exchange treatment now applies only to exchanges of real property (real estate) that is held for use in a trade or business or investment. Real property includes land and generally anything built on or attached to it. An exchange of real property held primarily for sale still does not qualify as a like-kind exchange. A transition rule in the new law allows like-kind treatment for some exchanges of personal or intangible property.

Properties are of like-kind if they're of the same nature or character, even if they differ in grade or quality. Improved real property is generally of like-kind to unimproved real property. For example, an apartment building would generally be of like-kind to unimproved land. However, real property in the United States is not of like-kind to real property outside the U.S.

A like-kind exchange is reported on Form 8824, Like-Kind Exchanges, which taxpayers must file with their tax return for the year the taxpayer transfers property as part of a like-kind exchange. This form helps a taxpayer figure the amount of gain deferred as a result of the like-kind exchange, as well as the basis of the like-kind property received if cash or property that isn't of like kind is involved in the exchange.

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