Volume 37, No. 3

Success InSight®

Fall 2019

Year-End Tax Planning for Individuals

Review your portfolio for any investments on which you have a gain (or loss) this year to evaluate how the timing of selling or purchasing will affect your tax liability.

If you anticipate an increase in taxable income in 2019, and are expecting a bonus at year-end, try to get it before December 31.

Bunching charitable deductions every other year is a good strategy if it enables the taxpayer to get over the higher standard deduction threshold. A second option is to put money into a donor advised fund that enables donors to make a charitable contribution and receive an immediate tax deduction.

Likewise, medical expenses are deductible only to the extent they exceed 10% of your adjusted gross income (AGI), therefore, bunching medical expenses into one year, rather than spreading them out over two years, you have a better chance of exceeding the thresholds.

Medical expenses and charitable contributions can also be prepaid this year using a credit card. This way deductions may be taken based on when the expense was charged on the credit card, not when the bill is paid.

If you think your tax bracket will be higher in 2020, take advantage of any employer stock options or it may be time to sell stock acquired by exercising an option this year.

If you know you have a set amount of income coming in this year that is not covered by withholding taxes, there is still time to increase your withholding before year-end and avoid or reduce any estimated tax penalty that might otherwise be due.

In cases where tax benefits are phased out over a certain adjusted gross income (AGI) amount, a strategy of accelerating income and deductions might allow you to claim larger deductions, credits, and other tax breaks for 2019, depending on your situation. Examples include: Roth IRA contributions, conversions of regular IRAs to Roth IRAs, child tax credits, higher education tax credits, and deductions for student loan interest.

Accelerating income is a good idea if you anticipate being in a higher tax bracket next year. This is especially true for taxpayers whose earnings are close to threshold amounts ($200,000 for single filers and $250,000 for married filing jointly) that make them liable for additional Medicare Tax or Net Investment Income Tax.

Taxpayers close to threshold amounts for the Net Investment Income Tax (3.8 percent of net investment income) should pay close attention to "one-time" income spikes such as those associated with Roth conversions, sale of a home or any other large asset that may be subject to tax. Examples of accelerating income include:

Paying an estimated state tax installment in December instead of at the January due date.

Paying your entire property tax bill, including installments

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Tax planning

• *continued from page 1*

due in 2020, by year-end. This does not apply to mortgage escrow accounts.

Pay 2020 tuition in 2019 to take full advantage of the American Opportunity Tax Credit, an above-the-line tax credit worth up to $2,500 per student that helps cover the cost of tuition, fees and course materials paid during the taxable year. Forty percent of the credit (up to $1,000) is refundable.

Taxpayers whose income exceeds certain threshold amounts ($200,000 single filers and $250,000 married filing jointly) are liable for an additional Medicare tax of 0.9 percent on their tax returns but may request that their employers withhold additional income tax from their pay to be applied against their tax liability when filing their 2019 tax return next April.

Keep in mind, Roth IRAs and 401(k) distributions are not subject to the Medicare Tax. In addition, if you're close to the threshold for the Medicare Tax, it might make sense to switch Roth retirement contributions to a traditional IRA plan, thereby avoiding the 3.8 percent Net Investment Income Tax (NIIT) as well.

The alternative minimum tax (AMT) applies to high-income taxpayers that take advantage of deductions and credits to reduce their taxable income. The AMT ensures that those taxpayers pay at least a minimum amount of tax. AMT exemption amounts for 2019 are as follows: $71,700 for single and head of household filers, $111,700 for married people filing jointly and for qualifying widows or widowers and $55,850 for married people filing separately. In 2019, the phaseout threshold increases to $510,300 ($1,020,600 for married filing jointly).

Property, as well as money, can be donated to a charity. You can generally take a deduction for the fair market value of the property; however, for certain property, the deduction is limited to your cost basis. While you can also donate your services to charity, you may not deduct the value of these services. You may also be able to deduct charity-related travel expenses and some out-of-pocket expenses. Contributions of appreciated property (i.e. stock) provide an additional benefit because you avoid paying capital gains on any profit. Taxpayers age 70 or older can reduce income tax owed on required minimum distributions (RMDs) from IRA accounts by donating them instead.

Investment decisions are often more about managing capital gains than about minimizing taxes. For example, taxpayers below threshold amounts in 2019 might want to take gains; whereas taxpayers above threshold amounts might want to take losses. Where appropriate, try to avoid short-term capital gains, which are taxed as ordinary income (i.e., the rate is the same as your tax bracket).

In 2019 tax rates on capital gains and dividends remain the same as 2018 rates (0%, 15%, and a top rate of

20%

however, threshold amounts have been adjusted for inflation as follows:

0%

Maximum capital gains tax rate for taxpayers with income up to $39,375 for single filers, $78,750 for married filing jointly.

15%

Capital gains tax rate for taxpayers with income from $39,375 to $434,550 for single filers, $78,750 to $488,850 for married filing jointly.

20%

Capital gains tax rate for taxpayers with income above $434,550 for single filers, $488,850 for married filing jointly.

Where feasible, reduce all capital gains and generate short-term capital losses up to $3,000. If you have a large capital gain this year, consider selling an investment on which you have an accumulated loss. Capital losses up to the amount of your capital gains plus $3,000 per year ($1,500 if married filing separately) can be claimed as a deduction against income.

After selling a securities investment to generate a capital loss, you can repurchase it after 30 days. This is known as the "Wash Rule Sale." If you buy it back within 30 days, the loss will be disallowed. Or you can immediately repurchase a similar (but not the same) investment, e.g., and ETF or another mutual fund with the same objectives as the one you sold.

If you have losses, you might consider selling securities at a gain and then immediately repurchasing them, since the 30-day rule does not apply to gains. That way, your gain will be tax-free; your original investment is restored, and you have a higher cost basis for your new investment,

The Net Investment Income Tax, which went into effect in 2013, is a 3.8 percent tax that is applied to investment income such as long-term capital gains for earners above a certain threshold amount ($200,000 for single filers and $250,000 for married taxpayers filing jointly). Short-term capital gains are subject to ordinary income tax rates as well as the 3.8 percent NIIT. This information is something to think about as you plan your long-term investments. Business income is not considered subject to the NIT provided the individual business owner materially participates in the business.

• *continued on page 6*

Economic Outlook

–By Russ Colbert

In spite of all the noise we keep hearing about a recession, the employment reports clearly show we are not in an economic downturn. The best news about the unemployment rate is that it is the lowest most Americans have seen in their lifetime. The drop in the jobless rate has been broad based. The Hispanic unemployment rate has fallen to around 3.9%, and the Black unemployment rate has fallen to about 5.5%, both record lows. The lowest Hispanic jobless rate in a prior expansion was 4.8% in 2006, the lowest Black unemployment rate during a previous expansion was 7.0% in 2000. Workers age 25 and up who lack a high school degree have an unemployment rate of 4.8%, down from 15.8% back in 2010. Remember the news stories suggesting these workers would never find new jobs because of automation.

Remember a few years ago all the talk about how all the job growth was due to part-time work, and not full-time jobs. We don't feel that was the whole story, instead, in our view, the case of some analysts letting their political leanings get in the way. Now that belief would be absurd. Part-time workers are only 17.1% of all employed workers, versus the peak of 20.1% back in 2010. Over the past 40 years 16.7% has been the lowest part-time share and it looks to be close to that again sometime during 2020. Eventually, the job creation pace should slowdown somewhat as we continue to get a larger share of economic growth from the rising productivity that has continued to grow in response to the lower tax rates and deregulation. There are limitations on how far the unemployment rate can fall, and how many workers, on average, can join the work force monthly. Payroll growth of around 100,000 per month should be enough to maintain the unemployment rate around 3.5%. Payrolls are up about 179,000 per month for the past year.

The U.S. will eventually fall back into a recession, but we don't feel it will this year or the next, and probably not in 2021 based on what is currently going on with the economy. We think the U.S. economy will grow around 2.5% in 2020, around the same pace as this year. Earnings remain at good levels despite trade uncertainty that we feel will diminish in the months ahead. The technological innovations are continuing to proceed at great pace. The money supply (M2) has accelerated over the past year. Businesses are better off, adjusting to a lower tax rate and much better regulatory environment. We are not experiencing the swift economic growth we experienced back in the mid-1980s or late 1990s, but it is significantly stronger than the pace we experienced from 2009 through 2016.

Since we expect the economy to grow around 2.5% next year, there will be some sectors that won't do quite as well. Some of these are driving-age population growth and scrappage rates. They are showing the sale of cars and smaller trucks (pick-ups and SUVs) will most likely continue to slow over the next several years. Auto sales have continued to slow since 2016 while the overall economy has picked up speed.

The Federal Reserve has just finished cutting interest rates again after three consecutive meetings. The complete opposite stance from where they were a year ago after raising interest rates a number of times in 2018. In our opinion that contributed in causing the stock market to pull back the second half of the year, especially the December correction and held back economic growth. The Federal Reserves' current stance seems to be more unlikely to raise rates anytime soon and suggest looking ahead we should experience solid economic growth and stronger growth for the stock market.

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

Russ Colbert
Senior Portfolio Manager
1-888-878-0001

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Preparing for College

Q: I'm a parent who's looking ahead to my child's college years. Where can I get more information about aid that is available?

A: A great website to get started is www.studentaid.ed.gov You can access the current *Free Application for Federal Student Aid (FAFSA®)* form to apply for financial aid for college or grad school as well as useful information about paying for college with the federal student aid programs.

Financial aid is money to help pay for college or career school. Grants, work-study, loans, and scholarships help make college or career school affordable. Financial aid is available from a variety of sources. Assistance can come from federal, state, school, and private sources to help you pay for college or career school.

Besides financial aid, you also should think about what you can do to lower your costs when you go to college. For example, many high schools offer dual enrollment where a student can take a college course for credit towards high school graduation plus a college degree. It helps to start planning with your high school counselor as early as possible to schedule classes so your student can spend their junior and senior years in dual enrollment allowing them to graduate high school with a two-year degree. In most areas dual enrollment is completely tuition FREE!

Federal student aid covers such expenses as tuition and fees, room and board, books, supplies, transportation and other related expenses, such as a computer and dependent care. There are three types of federal student aid:

- Grants - financial aid that doesn't have to be repaid
- Work-study programs through which you earn money to help you pay for school
- Loans that will have to be repaid with interest

Even if you're not eligible for federal aid, you might be eligible for aid from your state or the school you choose to attend. There are also organizations that offer scholarships or grants to help students pay for college or career school.

Tax planning

• *continued from page 4*

The federal gift and estate tax exemption is currently set at $11.40 million but increases to $11.58 million in 2020. The maximum estate tax rate is set at 40 percent.

Gifts to the recipient are exempt from the gift tax for amounts up to $15,000 a year per recipient in 2019 and remain the same for 2020. Cash or publicly traded securities raise the fewest problems. You may also choose to give property you expect to increase substantially in value later such as publicly traded securities or property to keep that value out of your estate.

The kiddie tax rules for 2019 are income exceeding $2,200 is taxed at the rates paid by trusts and estates. For ordinary income (amounts over $12,750), the maximum rate is 37 percent. For long-term capital gains and qualified dividends, the maximum rate is 20 percent. However, if the child is under age 19 or under age 24 and a full-time student, and both the parent and child meet certain qualifications, then the parent can include the child's income on the parent's tax return.

If you own an incorporated or unincorporated business, consider setting up a retirement plan if you don't already have one. It doesn't actually need to be funded until you pay your taxes, but allowable contributions will be deductible on this year's return.

If you are an employee and your employer has a 401(k), contribute the maximum amount ($19,000 for 2019), plus an additional catch-up contribution of $6,000 if age 50 or over.

If you are employed or self-employed with no retirement plan, you can make a deductible contribution of up to $6,000 a year to a traditional IRA (deduction is sometimes allowed even if you have a plan). You can contribute $7,000 if you are age 50 or over.

You can deduct contributions to an HSA account and investment earnings are tax-deferred until withdrawn. Amounts you withdraw are tax-free when used to pay medical bills. Medical expenses paid from the account are deductible from the first dollar regardless of percentage of AGI. For amounts withdrawn at age 65 or later that are not used for medical bills, the HSA functions much like an IRA. For 2019, to qualify for the HSA, your minimum deductible in your High Deductible Healthcare Plan must be at least $1,350 for single coverage or $2,700 for a family.

Maximize contributions to 529 plans, which starting in 2019, can be used for elementary and secondary school tuition as well as college or vocational school.

Get Paid to Be a Caregiver for a Family Member

Q: My grandfather is disabled and no longer able to live alone. Are there any programs that will help with my expenses during this difficult time?

A: Yes, there are programs that may offer support and may even pay you to be a caregiver for a family member. Here are some options to consider:

First, check your family members health insurance. If your family member has home health care benefits, there may be provisions for directing those payments to you. If your loved one has long-term care insurance, it probably covers some costs for home health care and personal care services. However, not all policies extend that coverage to paying spouses or other family members living in the home.

If the family member you're caring for is eligible for Medicaid, its Self-Directed Services program (also known as Cash and Counseling), can provide direct payments that could go to you. Some states have similar programs for low-income seniors, even if the person receiving care doesn't quite qualify for Medicaid.

Adult children, former spouses and other family members qualify for payment and all but 12 states allow current spouses and legal guardians to be paid by Medicaid for caregiver services. Eligibility, coverage and rules differ according to the state. For example, some states will pay care providers only if they do not live in the same house as the care recipient.

Areas of assistance covered may include bathing, dressing, feeding, helping with light housekeeping and laundry, managing medications, moving from bed to wheelchair, preparing meals, shopping, supervising activities and transporting to appointments. The actual name of the program is different in each state, but it is referred to as a self-directed care program. You will need to contact your state Medicaid program to ask about its options or to start the sign-up process.

If your family member is a military veteran, the Veteran's Administration (VA) provides several benefits to caregivers of some disabled or injured veterans.

A caregiver can be a parent, spouse, child, stepfamily member, extended family member, or an individual who lives with the veteran, but is not a family member who provides support to the veteran.

In general, caregivers must be providing in-home care for veterans. Some qualifications include:

- Have a serious injury – including traumatic brain injury, psychological trauma or other mental disorder.
- Need of personal care services because of an inability to perform one or more activities of daily living and/or need supervision or protection based on symptoms or residuals of neurological impairment or injury.
- The veteran must be enrolled in the VA healthcare program, and the injury must be service connected.

Currently, only caregivers of veterans who suffered a qualifying injury on or after Sept. 11, 2001 or prior to May 7, 1975 are eligible for this program. However, caregivers of all other veterans will be eligible for the benefit by 2021.

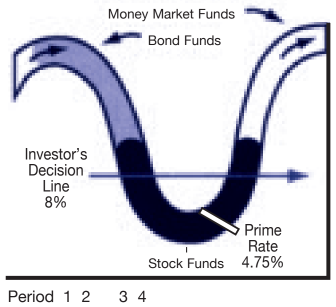
Caregivers of eligible veterans can receive a monthly stipend, travel expenses, access to health care insurance, mental health services and counseling, respite care (not less than 30 days per year) Surviving spouses of qualifying veterans also may be eligible for this benefit. In addition, Veterans who receive a military pension and are substantially confined to their immediate premises because of permanent disability can apply for a monthly pension supplement. For more information on help for military caregivers, visit the VA Caregiver Support page or call its hotline at 855-260-3274.

Q: Do I need to pay self-employment tax on the income I received from an insurance company to care for my husband who is permanently disabled? I'm not a trained nurse or a therapist and I don't provide such services to anyone other than my spouse.

A: No, you do not owe self-employment tax on amounts reported on the 1099-MISC you received if you are not engaged in a trade or business of providing care giving services, as appears to be the case in your situation. However, you must report the full amount of the payment as "Other Income" on your Form 1040.

The Money Movement Strategy

Prime Rate Chart for Money Movement Strategy



Long-Term Direction: Level
Monthly Change: 0.00%

How It Works

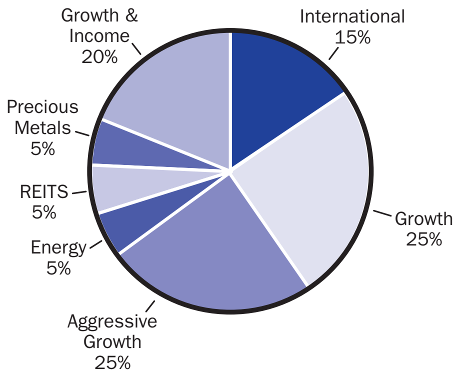
Long-term increases or decreases in the value of stocks, bonds and money market instruments are caused by changes in interest rates, primarily the Prime Rate. Of the three categories of mutual funds — stock, bond, or money market, there is only one type of investment that will give you above-average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

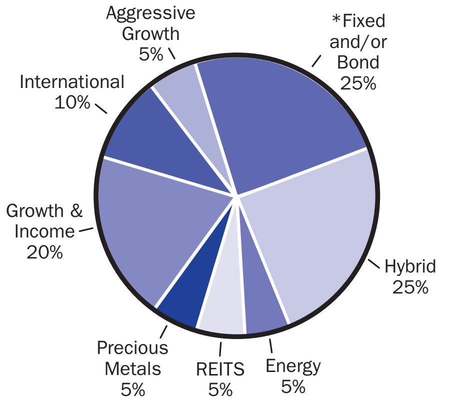
Aggressive

Keep all mutual funds and retirement money in stock funds.



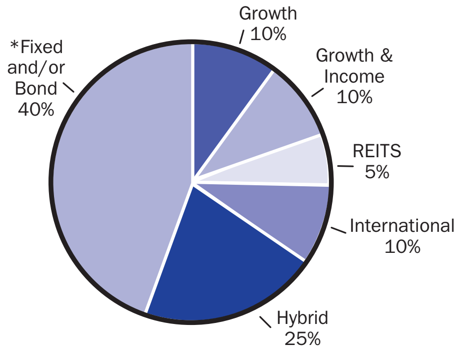
Moderate

Keep most mutual funds and retirement money in stock funds.



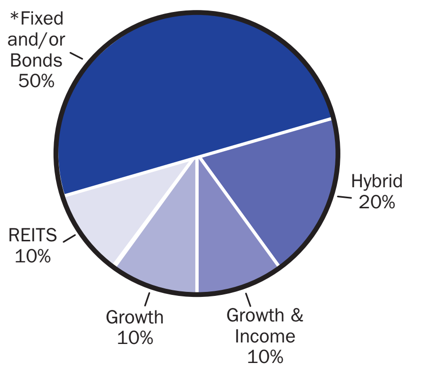
Conservative

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 10/31/19 1 Year % Change	5 Year % Change	10 Year/ % Change	Expense Ratio
Aggressive Growth							
BNY Mellon Small Cap Index	DISSX	Buy	0.52	2.83	8.28	13.47	0.50
Kinetics Paradigm No Load	WWNPX	Buy	-11.83	-3.28	8.54	11.28	1.64
Needham Growth	NEEGX	Buy	4.81	28.18	6.80	11.25	2.76
Schwab Hedged Equity Select	SWHEX	Buy	0.39	-1.31	4.02	6.47	1.67
Value Line Small Cap Opp	VLEOX	Buy	-2.02	12.72	9.85	14.21	1.21
Growth							
American Century Mid Cap	ACMVX	Buy	2.44	12.12	8.11	12.60	0.98
BNY Mellon MidCap Index	PESPX	Buy	-0.26	8.48	7.86	12.68	0.50
Harbor Mid Cap Growth Inv	HIMGX	Buy	-2.18	20.95	11.22	13.98	1.23
Janus MidCap Value T	JMCVX	Buy	2.15	13.84	7.24	9.63	0.84
Neuberger Berman Partners Inv	NPRTX	Buy	2.39	11.92	9.14	10.85	0.88
Selected American Shares	SLASX	Buy	1.87	11.34	8.64	10.68	0.97
American Century Small Cap Value	ASVIX	Hold	-0.08	11.32	7.82	11.34	1.25
Growth & Income							
American Century Equity	TWEIX	Buy	1.88	14.38	9.62	11.17	0.92
American Century Large Value	ALVIX	Buy	2.04	12.76	7.08	10.97	0.84
Fairholme	FAIRX	Buy	-1.17	24.06	0.87	5.57	1.00
Parnassus Equity Income Inv	PRBLX	Buy	0.73	17.82	10.13	13.09	0.87
Janus Contrarian	JSVAX	Buy	0.97	22.89	5.76	10.24	0.74
T. Rowe Price Equity Income	PRFDX	Buy	1.59	10.60	7.35	10.87	0.64
Hybrid							
American Century Balanced	TWBIX	Buy	1.39	11.82	6.15	8.84	0.91
James Balanced Golden Rainbow	GLRBX	Buy	1.57	5.02	1.72	5.59	1.08
Oakmark Equity & Income	OAKBX	Buy	0.75	8.37	5.25	7.88	0.78
Pax Balanced Individual Inv	PAXWX	Buy	2.92	13.12	6.15	7.93	0.91
Permanent Portfolio	PRPFX	Buy	1.25	11.22	3.76	4.81	0.84
Value Line Asset Allocation Inv	VLAAX	Buy	0.64	18.32	9.03	11.35	1.07
International							
American Century Intl Growth	TWIEX	Buy	1.88	14.38	9.62	11.17	0.92
Artisan International Inv	ARTIX	Buy	4.07	16.89	4.54	7.45	1.18
Matthews China Investor	MCHFX	Hold	0.58	21.96	7.73	5.60	1.10
William Blair Intl. Growth	WBIGX	Buy	3.83	15.19	4.25	6.87	1.45
T. Rowe Price Emerging	PRMSX	Buy	1.65	17.79	5.51	5.45	1.22
Sector Funds							
American Century Real Estate Inv	REACX	Buy	11.34	30.15	8.81	14.13	1.15
Cohen & Steers Realy Shares	CSRSX	Buy	8.21	30.15	9.73	13.92	0.88
T. Rowe Price Health Sciences	PRHSX	Buy	-0.31	7.56	9.64	19.20	0.77
USAA Precious Metals/Minerals	USAGX	Sell	5.77	48.91	8.10	-3.38	1.27
US Global Investors Global Res	PSPFX	Hold	-5.26	-5.67	-10.03	-3.79	1.57
Bond Funds							
American Century Infl-Adj Bond	ACITX	Buy	0.86	8.13	1.81	2.81	0.47
Fidelity Capital & Income	FAGIX	Buy	0.49	9.74	5.60	8.31	0.69
Janus Flexible Bond	JAFIX	Buy	2.13	10.70	2.76	4.11	0.70
Loomis Sayles Bond Retail	LSBRX	Buy	1.55	7.28	2.57	5.81	0.91
Pax World High Yield Bond	PAXHX	Buy	1.66	8.71	3.55	5.51	0.97
American Century Sh-Dur Bd fund	APOIX	Buy	0.29	3.72	1.12	2.14	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.

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Selling A Term Life Insurance Policy

Q: Can I sell my term life policy for quick cash?

A: The general answer is yes. Selling your term life policy is called a "Life Settlement". However, there are a few ifs and buts to contend with and it can take several months to settle. Here are some key points to know about Life Settlements:

Life settlements involve working with companies other than the original provider. Don't go with the first one you see. It's best to shop around through a reputable life-settlement broker or contact life-settlement providers directly. Do your homework, look for independent online reviews, check with your state's department of insurance to make sure the company is properly licensed and review complaint history.

All types of insurance policies can be sold. Whole Life and Universal are preferred but even a term policy may qualify.

You don't get the full maturity value, typical payouts can range from 10% to 50% of your policy's face value depending of factors such as your current age, life expectancy, premiums and other policy details.

> Eligible policies typically need to have a face value of $100,000 or more.

Eligible policies typically need to have a face value of $100,000 or more.

A person over age 65 will usually qualify for a settlement, but any age may qualify if there have been significant changes in your health since you purchased the policy.

The settlement provider will need copies of your insurance policy and medical records. They will base their purchase offer on your age and health, the type of insurance, the premiums, and the death benefit.

A term life policy will need to be converted to a permanent policy. Check your policy for a "conversion rider". Most policies can be switched over until age 70 but some will allow that option until age 75.

When the life-settlement provider buys your policy, they own it and take over payment of the premiums. They buy you out now for a reduced sum but will eventually receive the full death benefit when you die.

Keep in mind that there can be a downside to cashing out your policy. If you are over 65 or have serious health problems, it may be near impossible to purchase another policy. The sale may also create tax consequences and could affect your ability to qualify for public assistance like Medicaid. It is recommended you consult your financial adviser and tax professional before making a final decision.

Q: Can my current insurance provider give me quick cash in an emergency?

A: That's possible. Before you explore selling your policy, contact your current provider. If you have a cash-value policy, you may be able to borrow money from it. You can usually take the loan without surrendering or altering the terms of the policy and without triggering any tax consequences.

If you have been diagnosed with a shortened life expectancy or if you are terminally ill and your policy includes an "accelerated death benefit" you may be able to take part of your death benefit early (also tax-free!).

Also, ask if you have a long-term care rider. If you cannot perform two of the six activities of daily living or if you suffer from a severe cognitive impairment you may be eligible for help with the expenses associated with your care.

Q: I just signed a contract to sell my policy and now I think I made a mistake. Is it too late to change my mind?

A: That depends on the terms of the contract and the laws in your state. Many states have adopted model standards from the National Association of Insurance Commissioners or the National Conference of Insurance Legislators. Policy owners sometimes have the option of returning their life settlement and reinstating their life-insurance policy within 30 to 60 days.

Year-end Tax Planning Strategies for Businesses

Businesses using the cash method of accounting can defer income into 2020 by delaying end-of-year invoices, so payment is not received until 2020. Businesses using the accrual method can defer income by postponing delivery of goods or services until January 2020.

TAKE ADVANTAGE OF SECTION 179 EXPENSING. In 2019 businesses can elect to immediately deduct the entire cost of most new equipment up to a maximum of $1.02 million for the first $2.55 million of property placed in service by December 31, 2019. The deduction cannot exceed net taxable business income and is phased out dollar for dollar on amounts exceeding the $2.55 million threshold and eliminated above amounts exceeding $3.57 million.

This also applies to interior improvements made to nonresidential real property after the date when the property was first placed in service in taxable years beginning after December 31, 2017.

Exclusions are:

- the enlargement of the building.
- any elevator or escalator or
- the internal structural framework of the building.
- Roofs, HVAC, fire protection systems, alarm systems and security systems.

Businesses are also allowed to immediately deduct 100% of the cost of eligible property placed in service after September 27, 2017 and before January 1, 2023. Qualified property is defined as property that you placed in service during the tax year and used predominantly (more than 50 percent) in your trade or business.

Small business employers with 25 or fewer full-time-equivalent employees with average annual wages of $50,000 indexed for inflation (e.g., $54,200 in 2019) may qualify for a tax credit to help pay for employees' health insurance. The credit is 50 percent (35 percent for non-profits).

Business energy investment tax credits are still available for eligible systems including geothermal electric, large wind and solar energy systems used to generate electricity, to heat, cool, or to provide hot water for use in a structure, or to provide solar process heat. Hybrid solar lighting systems, which use solar energy to illuminate the inside of a structure using fiber-optic distributed sunlight, are eligible; however, passive solar and solar pool-heating systems are excluded.

Where possible, end of year repairs and expenses should be deducted immediately, rather than capitalized and depreciated. Small businesses lacking applicable financial statements (AFS) can take advantage of de minimis safe harbor by electing to deduct smaller purchases ($2,500 or less per purchase or per invoice). Businesses with applicable financial statements can deduct $5,000. Small businesses with gross receipts of $10 million or less can also take advantage of safe harbor for repairs, maintenance, and improvements to eligible buildings.

With the Qualified Business Income deduction, non-corporations may be entitled to a deduction of up to 20 percent of their qualified business income from a qualified trade or business. To take advantage of the deduction, taxable income must be under $160,700 ($321,400 for joint returns).

Depreciation limits changes for luxury passenger vehicles placed in service after December 31, 2017. If the taxpayer doesn't claim bonus depreciation, the maximum allowable depreciation deduction is $10,000 for the first year. For passenger autos eligible for the additional bonus first-year depreciation, the maximum first-year depreciation allowance remains at $8,000. It applies to new and used vehicles acquired and placed in service after September 27, 2017. When combined with the increased depreciation allowance above, the deduction amounts to as much as $18,000.

Heavy vehicles including pickup trucks, vans, and SUVs whose gross vehicle weight rating (GVWR) is more than 6,000 pounds are treated as transportation equipment instead of passenger vehicles. Heavy vehicles (new or used) placed into service after September 27, 2017, and before January 1, 2023, qualify for a 100 percent first-year bonus depreciation deduction as well. Deductions are based on a percentage of business use.

Self-employed individuals who have not yet done so should set up self-employed retirement plans before the end of 2019.

Reduce accumulated corporate profits and earnings by issuing corporate dividends to shareholders.

2019 is your last chance to take advantage of the

Revisiting Asset Allocation and Rebalancing

Wow, what a difference a year makes! Last year around this time we were in the midst of a steep downtrend in the U.S. stock markets. From the first week of October 2018 through Christmas Eve 2018, the major market indexes (Dow Jones Industrial Average®, S&P 500®, NASDAQ Composite®) all fell around 20% in that roughly ten week period. As of this writing, the markets have recovered all they gave back last year, are sneaking into all-time high territory, and heading towards booking a very solid year.

I much prefer this year's market action vs. last year, but it serves as a real world reminder that it's awfully tricky to predict market behavior.

This seems like a good time to revisit a topic we haven't covered in a few years: Asset Allocation and Rebalancing. As a quick reminder, "Asset Allocation" is the process of creating an investment portfolio that combines different assets (Stocks, Bonds & Cash) in varying proportions, with the ultimate goal of providing an investor with a balance between risk and reward that suits their particular situation. This approach was born from research that demonstrates that over long periods of time, Stocks, Bonds and Cash perform quite differently from one another, and as such, an investor's mix of these assets proves to be a significant factor in their long term results.

The benefits of balancing risk and reward by dividing their investments among major asset categories such as Stocks, Bonds, and Cash equivalents has long been recognized by savvy investors. Because each of these assets can react quite differently to ever-changing economic and market conditions, diversifying a portfolio among various assets can help reduce volatility, and also has the potential to enhance overall returns. "Asset Allocation" is the process of creating a portfolio that combines different assets in varying proportions, with the underlying goal of providing an investor with an appropriate balance of risk and reward.

For example, let's assume that after much thought and a careful evaluation of current personal financial conditions and future financial goals, an investor decides that an appropriate asset allocation schedule calls for them to direct 60% of their investments into Stocks, 30% into Bonds, and 10% into Cash or Money Markets. Let's call this the "base setting". This may be a great start, and will hopefully set an investor on the road to long-term success. However, the selected investments will almost certainly change in value at different rates. For instance, in any given time frame, Stocks may perform notably better (as they did in 2013) or worse (as they did in 2008) than Bonds and/or Cash. As a result, the percentage of the overall portfolio each investment represents can and will change … sometimes significantly so.

If left untended, after periods in which the assets owned perform significantly different from one another, a portfolio may end up with an asset allocation schedule, and importantly, a risk/reward profile, that is quite different from its original design.

This leads us to the simple but effective idea of "Rebalancing". Rebalancing is the process of making adjustments (buys and/or sells) to the portfolio to bring the asset allocation schedule back to its "base setting". And although there are no hard and fast rules as to how often an investor should rebalance their portfolio, a minimum of once per year is recommended.

If you questions about Asset Allocation or Rebalancing and how they may currently apply to your situation, 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 2020

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: I am buying a large piece of machinery for my business in December. Do I get to claim a full year of depreciation on my 2019 taxes?

A: The tax rules for depreciation include “conventions” or rules for figuring out how many months of depreciation you can claim. There are three types of conventions. To select the correct convention, you must know the type of property and when you placed the property in service.

The half-year convention applies to all property except residential rental property, nonresidential real property, and railroad gradings and tunnel bores unless the mid-quarter convention applies. All property that you begin using during the year is treated as “placed in service” (or “disposed of”) at the midpoint of the year. This means that no matter when you begin using (or dispose of) the property, you treat it as if you began using it in the middle of the year. For example, if you buy a $70,000 piece of machinery on December 15, If the half-year convention applies, you get one-half year of depreciation on that machine.

However, you may have to use the mid-quarter convention if the cost of equipment placed in service during the last three months of the tax year is more than 40 percent of the total cost of all property placed in service for the entire year. If the mid-quarter convention applies, the half-year rule does not apply, and you treat all equipment placed in service during the year as if it were placed in service at the midpoint of the quarter in which you began using it.

There’s also a mid-month convention rule that applies only to residential rental property, nonresidential real property, and railroad gradings and tunnel bores. It treats all property placed in service (or disposed of) during any month as placed in service (or disposed of) on the midpoint of that month.

Q: I need to purchase some expensive tools and equipment for my new job. My employer will reimburse me for the cost but only after I have worked for them at least one year. Are there any credit cards that offer 0% on new purchases?

A: Yes. Check out Capital One QuickSilver Rewards card. Their introductory APR is 0% for 15 months on balance transfers and purchases. This card also offers unlimited 1.5% Cash Back on every purchase, every day, no annual fee and a one-time $150 cash bonus after you spend $500 on purchases within 3 months from account opening. Go to www.CapitalOne.com and click on QuickSilver Rewards to apply.

Q: My father, an Army veteran, just passed away last month. My mother is struggling financially with very little income. Are there any VA benefits for widows?

A: Please accept our sincerest condolences. The Veteran’s Administration (VA) Survivors Pension offers monthly payments to qualified surviving spouses and unmarried dependent children of wartime Veterans who meet certain income and net worth limits set by Congress. To see if you qualify, fill out an Application for DIC, Death Pension, and/or Accrued Benefits (VA Form 21-534EZ)

Q: Today’s interest rates are a percent lower than my current mortgage rate. Should I refinance?

A: A general rule of thumb is that refinancing is worthwhile if the current interest rate on your mortgage is, at least, two percentage points higher than the prevailing market rate. However, a rule of thumb is not ironclad: every individual’s circumstances need to be analyzed. For example, if your lender is offering zero-point loans and no closing costs, even if your rate change is less than one percentage point, you may save some money by refinancing.

Interest rates aren’t the only determining factor. If you have paid most of the upfront interest on your current mortgage and are now paying more principal than interest, it probably won’t save you much interest to start all over with a new loan. Also, when you add in the closing costs to refinance your loan, on average it takes about three years before you break even. So, be sure you plan on keeping this home long enough to benefit from a new loan.

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