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Dear Clients and Friends:

2019 Year-End Tax Planning

The end of the year represents the perfect opportunity to reflect on the last twelve months and to review your overall personal financial situation. We've now had a year to assess the impact of last year's tax reform bill and to understand how your own tax situation was affected. Reviewing your tax returns and helping you weave together your tax planning with other areas of your personal finances is an important and valuable aspect of the work we do for you as your trusted adviser. Below are some of the many topics you should think about before the end of the year:

Income Tax Planning. Ensure you are implementing tax reduction strategies like maximizing your retirement plan contributions, tax loss harvesting in portfolios and making charitable contributions, which can all help reduce current and future tax bills. Managing your tax bracket over multiple years is the best way to minimize your income tax bill under the new tax regime. The best way to do this is to run a multi-year tax projection to see if you can take advantage of strategies like bunching deductions into high income years, harvesting gains in low tax years or doing Roth IRA conversions.

Estate Planning. We find it is helpful to prepare a flowchart of your current estate plan to visualize what would happen to each of your assets and how the current estate tax law will impact you. Be sure that your estate planning documents are up to date – not just your will, but also your power of attorney, health care documents, and any trust agreements – and that the beneficiary designations are in line with your desires. If you might be subject to the estate tax consider annual gifting of up to $15k, paying medical expenses/tuition directly, and charitable giving. Don't forget to consider the impact of any state estate taxes, which could differ from the Federal estate tax exemptions.

Charitable Giving. There are many ways to be tax efficient when making charitable gifts. Donating appreciated stock allows you to avoid paying capital gains while reducing your stock allocation and receiving a charitable deduction. You might consider bunching charitable deductions by deferring donations to next year or accelerating your 2020 donations by making them in 2019. If the numbers are large enough, you might even consider a private foundation or donor advised fund for your charitable giving. If you are over 70.5 and don't need your full required minimum distribution, making a qualified charitable distribution directly from your retirement account is a great way to reduce your tax bill.

Retirement Planning. Think about your future when working becomes optional. Whether you expect a full retirement or a career change to something different, determining an appropriate balance between spending and saving, both now and in the future is important. There are many options available for saving for retirement, and we can help you understand which option is best for you.

Cash Flow Planning. Review your 2019 spending and plan ahead for next year. Understanding your cash flow needs is an important aspect of determining if you have sufficient assets to meet your goals. If you are retired, it is particularly important to maintain a tax efficient withdrawal strategy to cover your spending needs. If you have not yet reached age 70.5, it is prudent to ensure you are making tax-efficient withdrawal decisions. If you are over age 70.5 make sure you are taking your required minimum distributions because the penalties are significant if you don't.

Risk Management. It is always a good idea to periodically review your insurance coverages in various areas. Recent catastrophic events like hurricanes and wildfires serve as a powerful reminder to make sure your property insurance coverage is right for your needs. If you are in a Federal disaster area, there are additional steps necessary to recover what you can and explore the tax treatment of casualty losses. Other areas of risk management that may need to be revisited include life and disability insurance.

Education Funding. Funding education costs for children or grandchildren is an important goal for many people. While the increase in college costs have slowed some lately, this is still a major expense for most families. It is important to know the many different ways you can save for education to determine the optimal strategy. Often, funding a 529 plan comes with tax benefits, so making contributions before the end of the year is key. With the added flexibility of funding K-12 years (set at a $10,000 limit), 529 accounts become even more advantageous. If you have already contributed to 529 plans, make sure the asset allocation of those plans makes sense given the students' ages and proximity to college age.

Elder Planning. There are many financial planning elements to consider as you get older, and it is important to consider these things before it's too late. Having a plan in place for who will handle your financial affairs should you suffer cognitive decline is critical. Making sure your spouse and/or family understands your plans will help reduce future family conflicts and ensure your wishes are considered. The decisions you make each year with your personal finances will have a lasting impact.

We hope this letter has begun to generate some insight to areas of your personal finance that need attention. We are honored to be your trusted adviser and partner.

Very truly yours,

Thomas, Zurcher & White, P.A.