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Lynn's top five

By Lynn Ballou CFP

Lynn Ballou is a CERTIFIED FINANCIAL PLANNER (tm) professional and Regional Director with EP Wealth Advisors, a Registered Investment Advisory Firm in Lafayette. Information used in the writing of this column is believed to be factual and up-to-date, but we do not guarantee its accuracy and it should not be regarded as a complete analysis of the subject(s) discussed. All expressions of opinion reflect the judgment of the author as of the date of publication and are subject to change. Content is not intended to be interpreted as tax or legal advice. Always consult a tax and/ or legal professional regarding you specific circumstances.

Welcome to the government's version of tax simplification which comes all dressed up as the Tax Cuts and Jobs Act. Tax simplification? Well, for some, sure; for others not so much. This law, passed at the very end of December, will tempt you to make simplified conclusions, but doing so is dangerous. Instead, with your team of tax and financial planning advisors, examine the new law and determine how your planning will be impacted and what new tools might be available for your consideration. Keep in mind these are just federal changes. So far the state of California has not adopted these new laws and if they don't, you may be filing two quite different tax returns. Let's explore five planning opportunities related to the new federal law.

1) Bunching - it's back! Can you still benefit from itemizing your deductions? With all the caps and limits now in place, many of us will newly discover that filing with the standard deduction is the way to go. This is especially true for those filing married, because no matter your filing status, the limit will be $10,000 for state and local taxes and property taxes (yup, combined). So how irritated will you be if you almost reach but don't actually exceed the standard deduction each year? If that's you, then bunching may be your friend. This approach will mean that every other tax year you aggressively pay any known qualified medical expenses, prepay one mortgage payment, and maybe make charitable deductions an "every other year" event. Your goal is simple: Try to exceed the standard deduction and actually itemize every other year, using the standard deduction for the in-between years.

2) Small business owners: You may benefit from this new law by being able to deduct 20 percent of your business income before tax. There are strict guidelines on how this can apply to you, so proceed with caution, but here's the planning tip: Some taxpayers may have a choice of being an employee or an independent (i.e. self-employed) contractor. If you are in that situation, it's time to review the math regarding tax versus benefit costs to determine which is best for you. If you opt to be self-employed, be aware of the rules for filing taxes quarterly so you don't find yourself in more economic trouble than the taxes you might save.

3) Estate planning - exclusions double. With the new stratospheric limits, it's time to review your estate and lifetime family gifting planning, perhaps getting more aggressive with family and charitable gifting now. These giddy higher limits are due to revert to last year's levels in 2026. For those of you with estates over $11.2 million (single) and $22.4 million (married), planning has shifted for the better and I encourage you to meet with your estate and financial planning advisors soon to review any changes that might benefit you and your family.

4) 529 Plans - They're not just for college anymore! In addition to funding college costs, under the new law you can also withdraw up to $10K/year tax free for private school, grades K-12, per child. Funding 529 plans fully and as early on as possible is a great family estate tax planning tool. By transferring funds out of your taxable estate now you are not just lowering your taxable estate, put also eliminating the tax burden from the income these assets produce because they grow tax free within the 529 plan. In addition to the five-year front funding available ($75,000 due to the new $15,000 annual gift limit), you may also wish to explore using some of your lifetime estate tax exclusion.

5) Review your withholding: From withholding on paychecks, to withholding on retirement income including pensions, Social Security and required minimum distributions, it's time for a tax withholding checkup. As you can see, the impact of the new tax law could change the number of exemptions you should claim on your W-4. New withholding tables that reflect the new laws won't be implemented until early to mid-February. Time for a deep dive review as soon as they are in place, which you can do on the IRS site once they update the calculator: www.irs.gov/individuals/irs-withholding-calculator.

Even if you've never cared much about the tax laws, it's time to become an unapologetic tax geek and be sure you understand how this sweeping legislation can impact you, your family and your businesses. Collaborate with your financial, tax and estate planning team members to make any corrections necessary, and again as regulations, interpretations, nuances and changes unfold. This is definitely not a one and done conversation!

Reach the reporter at: info@lamorindaweekly.com

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