Lynn's Top Five

It's not too late to make some year-end tax planning moves!

By Lynn Ballou, CFP®

Welcome to the end of the tax year. And what a year it's been! With all the coverage of what some embrace as a great step forward and some disparage as a total mess, here we are nonetheless with just a few short weeks left to put the final touches on almost all the tax moves that will impact our 2018 income tax bill. I'd like to recap five for your consideration that you should review with a CPA or tax professional.

1) Terrible stock market? Maybe a silver lining: Every year financial planners like me remind clients that it's a good idea to tax loss harvest. The past few years haven't provided much opportunity for that, but maybe this year you'll find it's worth the effort to dig into your basis information and look for losses in non-retirement accounts. To understand if this option is beneficial for you, this is a perfect opportunity to review this with a Certified Financial Planner professional and a CPA or tax professional.

2) Prepay property taxes? Maybe. Many taxpayers will be surprised that itemizing their deductions will no longer help them, and this may especially be the case for married filers and particularly those 65 and older. Why? The standard deduction for married filers is now $24,000 with an additional $1,300 deduction for each filer 65 years of age and up. That, plus the limitation for property and California state taxes at $10,000 whether married or single and the loss of all miscellaneous deductions, has the government estimating that millions of us will no longer itemize our deductions. So this year do we still double down on our property taxes and pay the fall and spring vouchers like many of us have in previous years given the limits? Maybe. This is yet another item that you should review with your CPA or tax professional. Keep in mind that the state of California has not conformed to the new federal tax law and that may tip your decision.

3) When will I get that refund promised me in the new tax law? In a few months when you file, you may be saying "what refund?" because the payroll tax withholding tables for the year took the new brackets into account and thus many have already been paying less. Unfortunately, the new tax laws weren't a tax cut for all – some of us will actually pay more because of the loss of the personal exemption as well as the many changes to itemizing. Run the numbers! Now is the time to work with your trusted advisors and be ready, if needed, to pony up more via either withholding or a fourth quarter tax payment due in mid-January.

4) Will my business get a 20 percent tax break? Many small business owners will receive a 20 percent deduction on their business income. The tax break phases out at $157,500 for single filer and twice that amount if you are married and have other limits as well. This new deduction is based on what's called Qualified Business Income. This is a complex possible deduction inside the sweeping new tax law. If you feel your business might qualify, or you are considering an entity change, you can do some preliminary reading at the IRS.gov website before you reach out to your tax and legal professional. Search for QBI and you will be directed to several helpful publications.

5) Bunching – it's not just for bananas! When you aggregate your potential deductions, take a look at two categories in particular: out of pocket medical expenses and charitable donations. If you are very close to benefiting from these costs with a deduction, you might want to bunch more into 2018, or similarly, push out your year-end planned medical payments and donations to next year and deduct them in 2019. However, with regard to itemizing medical expenses, note that this year you have a 7.5 percent Adjusted Gross Income threshold to overcome whereas next year the threshold increases to 10 percent of AGI. Important: If you are taking Required Minimum Distributions this year, don't forget to look at the possible benefits of donating directly from your RMD.

You may have noticed there's a theme here: Run the numbers. This isn't a year for guessing. And don't delay. You have very little time to make some big decisions. Reach out to your tax and financial planning pros to help you. Then you can breathe a little easier and enjoy the holidays!

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Can you afford your 'dream school'?

By Elizabeth LaScala, PhD

Does your child have her heart set on a "dream school"? If determination carries her forward, that dream could become an admissions reality. But, depending on your family financial situation, that dream might become a financial nightmare. Rather than taking the chance that you might have to confront the heartbreak of telling your child you can't afford the school she has toiled years to receive an offer of admission, or sacrificing your retirement to send her there, read on.

First, let's take a look at some actual college costs. Within California, the estimated total cost of attendance—tuition and fees, room and board and incidentals such as books, transportation, and entertainment—for a freshman at Cal Poly San Luis Obispo is $28,400 and at UCLA it's $35,700. At Santa Clara University, a selective private school, it's just under $72,000 and at Stanford, among the most selective schools, it's about the same. Tuition and fees typically rise by 3 to 4 percent each year; the other costs will likely rise, too. Four years at Cal Poly may cost a family over $125,000 and it will cost about $160,000 for four years at UCLA. Stanford will likely cost over $300,000.

Most colleges award merit and need-based scholarships, but the most selective schools, like Ivies and Stanford, grant awards strictly based on demonstrated need. Financial aid officers use information from the Free Application for Federal Student Aid and sometimes gather more information from the College Board's College Scholarship Service Profile and your tax returns, to determine how much your family can afford to pay for college—and how much aid you might need.

Financial aid offices use your Expected Family Contribution, calculated after you complete your FAFSA, to determine how much your family is expected to pay for college. The difference between the college's total cost of attendance and your EFC is your Estimated Need. You can find out what your EFC will be before you start the FAFSA by Googling "College Board EFC Calculator" and follow the instructions.

Most colleges will not meet your full need. And many may not even come close. Fortunately, if your dream school is a UC or CSU campus, you can find out if you qualify for the UC's Blue and Gold Opportunity Plan, Cal Grants or the Middle Class Scholarship Program. Reviewing the requirements for these programs is a good starting point.

If merit scholarships are available to make up any difference, you should know in advance if your student qualifies for them. Many college admissions offices post information on their Web pages that gives you the dollar amounts and requirements for scholarships, and what it takes to renew the award each year. Often a minimum GPA requirement is needed for renewal. You should be confident that your child can maintain the grades to keep the award. Tuition and fees rise each year, while merit awards often remain the same. So, remember that your family may need to make up the difference.

College admissions offices use merit scholarships to attract excellent students, an enrollment management strategy used to fill the freshman class with the most academically desirable students money can buy. The general rule of thumb is that a student who falls at or above the 75th percentile of the college's applicant pool that year would be eligible for the highest awards. Typically, the college's most-awarded scholarships require a student to do nothing more than apply for admission and be accepted. Other merit awards require separate applications that might require additional essays or even an interview. Many colleges do this for their largest awards or for those tied to a unique academic opportunity, such as an honors college.

Private scholarships may also help lower college costs. Competition for the larger four-year renewable scholarships that are available, such as the Coca Cola Scholarship, is often greater than competition for admission to the most selective colleges. Smaller awards from local businesses and community organizations are far more within reach. Samantha Stuber, College and Career Advisor at Miramonte High School in Orinda, founded ScholarsShop (https://www.scholars.shop/) to help high school students find scholarships offered by universities, multi-national corporations, smaller businesses, foundations and community organizations. Students can also raise money for their education online through crowdfunding and collections from friends, family and community.

When costs are a consideration, as they are for most families, it is important to teach your student how to balance dreams about college with reality, especially if your child has ambitions for further education. Life after college is far better when it is not dominated by the debts incurred during the undergraduate years.

Elizabeth LaScala, PhD personally guides each student through each step of selecting and applying to well-matched schools for undergraduate, graduate and professional school admissions. For over two decades, Elizabeth has placed hundreds of students in some of the most prestigious colleges and universities in the U.S. By attending professional conferences, visiting college campuses and making personal contacts with admissions networks, Elizabeth stays current on the latest trends and the evolving nature of admissions and passes that know-how on to her clients. Both college and graduate school advising is available and the number of clients taken is limited to ensure each applicant has personalized attention. Contact Elizabeth early in the process to make a difference in your outcomes. Write elizabeth@doingcollege.com; visit www.doingcollege.com or call (925) 385-0562.

Planning is key for seniors in emergencies

By Linda Fodrini-Johnson

We in the San Francisco Bay Area have recently experienced one of the worst air quality periods in our history, brought about by the raging fires in Paradise and the surrounding area. Many of us have had some eye or respiratory issues directly relating to the devastation of homes and lives in this Northern California community.

It was disheartening to hear on public radio that the expectation of those who have not been accounted for and who have lost their lives in this tragedy will end up being mostly the old, frail and disabled. It is hard for most of us to imagine the terror and fear the community experienced when this fire exploded and engulfed this small quaint town. Our hearts go out to all who have experienced loss.

What could have been done differently, if anything, in Paradise? What can we do for ourselves to be ready for emergencies? Even more important, what can we do for our older or disabled family members to ensure that they can evacuate if necessary and have the supplies and support needed for a similar or a different kind of emergency?

Make sure to have an emergency supply for three days and flashlights (both good ideas for holiday gifts). Professional care managers can do home checks and assist in getting those items in the home (one of many reasons to have a care manager serving you). Most pharmacies will also provide you with a seven-day package of your medications for this emergency kit. There is a fee for service and is usually outside your prescription drug coverage – but worth the cost. Be sure to check it every time there is a change in medications.

Having face masks with an N95 or better rating in our emergency kits is a good idea, too. We should all be changing our furnace filters and running the fans on our heating system during smoky times.

Besides an emergency kit and flashlights, shoes with soles (not soft slippers) should be under the bed for emergencies that require evacuation at night. A whistle on your bedside table is another good idea.

Cell phones should be charged daily; a solar radio with a hand crank feature that includes a USB plug for charging cell phones is another good idea and something that would be a great gift.

If your older family members live alone, or if one of them is a caregiver to another, an "Emergency Response System" (the pendant or bracelet that you push when you need 911 help) is always a good idea – and also a great holiday gift. The cost is about $40 a month and perfect for the person for whom you can't find gifts.

Stay informed. Register your family member for emergency alerts in the county in which he or she resides. During an emergency your family member will be alerted to the situation (if all the necessary contact numbers are available). The registration link in Contra Costa is cwsalerts.com.

We tend to believe that earthquakes are the biggest emergency that we need to prepare for, but with the fires in Santa Rosa and Napa last year and now in Redding, Paradise and Malibu, we could be at risk for a fire storm as well. It happened to us in 1991 when the Oakland fire destroyed 3,000 homes.

Along with exercise, good diets and socialization, aging well is also aging safely – so remember to plan for the emergencies!

A professional care manager can assist you with a "Comprehensive Aging Life Care Plan" that will cover emergency planning and be a partner in your journey. Stay independent and have life your way.

Linda Fodrini-Johnson, MA, MFT, CMC, is a Licensed Family Therapist and Certified Care Manager. She has been practicing professional care management since 1984. Linda founded Eldercare Services, a full-service care management and home care company in 1989, which now employs over 200 caring people. Eldercare Services has been providing Bay Area families with care management, home care services (caregiving), advocacy, counseling, support groups and education for 29 years.