LAMORINDA WEEKLY
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Published April 17th, 2019

Lynn's Top Five

By Lynn Ballou, CFPr

Lynn Ballou is a CERTIFIED FINANCIAL PLANNER T 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, however, we do not guarantee its accuracy. This column does not involve the rendering of personalized investment advice and is not intended to supplement individualized professional advice. A financial, tax and/or legal professional should be consulted before implementing any of the strategies directly or indirectly suggested and discussed. All investment strategies have the potential for profit or loss.

None of my friends who are tax advisors had time to chat with me when I sat down to write this column - shocking, right? However, since we share clients, you can imagine I've had a lot of interaction with those in the tax trenches this year. I think I heard the word "Epic" used more than once regarding the experience. So a relief to move on, right? However, before you put away those returns with a big "whew!" here are some takeaways for you to think about in getting ready for next year (oops, I mean this year).

1) Check your withholding! While the theory was good, i.e. most of us should enjoy lower taxes under the new law, that wasn't the case for all of us. Lower withholding in 2018 has resulted in many owing taxes for last year. Armed with your vision of next tax season, now is the time to revisit your W-4s and recalculate what you should be withholding and take into account that we are already more than a fourth of the way through the year. For those with income sources that lack withholding options, work through the possible need of paying estimated taxes, how much, and when.

2) California does NOT conform to the new Federal Tax law! Keep tracking all your property taxes as well as your miscellaneous itemized deductions such as investment expenses because you may still be able to deduct these on your 2019 California returns.

3) Pay off your mortgage? The new tax laws may have you scratching your head about why you even have a mortgage anymore since so many of us are now taking the standard deduction on our federal returns. However, don't just pay off your mortgage without running some numbers as there might be good reasons to hold on to that loan. In addition to giving up liquid assets to pay off your mortgage, another aspect to review is if you still benefit from the interest deduction on your state return. Or perhaps the rate of interest on your mortgage even without any tax benefit is attractive compared to your rate of return on your investment portfolio. And if you'll create taxable income to free up the funds to pay off the mortgage, that might make this decision too expensive. This is where it really pays to run the numbers and consult a tax professional.

4) Charitable deductions might be best made from your RMD. If you are 70-1/2 or older it's time to take a close look at your opportunity to gift up to $100,000 to qualified charities through your IRAs using your required minimum distributions. This method allows you to lower your AGI and can be a better option than gifting low basis assets which you may no longer be able to deduct on Schedule A if you aren't itemizing anymore. Work with your trusted advisors to be sure you qualify and to be sure this is done correctly on your behalf.

5) One light in the tunnel - fewer taxpayers owe Federal AMT. This brings up my last point, which is "start your 2019 tax planning now!" Not only do you want to grapple with issues such as those referenced above, you might have another unique opportunity. With newer, high Alternative Minimum Tax (AMT) exemption thresholds in place due to the new tax law ($71,700 for Individuals and $111,700 for those Married Filing Jointly), maybe this is the year you think about selling real estate or other assets with sizable capital gains. Before you take the leap, run the numbers with your pros and again pay attention to the differences between state and federal tax laws along with other pertinent issues.

No time to rest on your tax season "been there done that!" laurels! Spend some time now thinking about the current year and what proactive steps might benefit you and your family. Working with your team of tax pros alongside your financial planner will allow you to review your whole financial picture in the framework of the new tax laws and all your financial goals.

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Reach the reporter at: info@lamorindaweekly.com

back