LET'S TALK MONEY®

March/April 2018

It's tax time and you may be scrambling to document all of your tax deductions. The following are some often-overlooked areas where you might find tax savings, as well as a few habits that can help you save over the long term.

This Year

Did you buy a book, attend a conference or enroll in an online seminar to learn about topics relating to your current business? If you did, some of these costs may be deductible. Costs incurred while traveling to a conference or other business function are also tax-deductible. Or buy an ad in a nonprofit's program and deduct it as an advertising expense.

Other overlooked deductions might include business meals and business entertainment, for which you may deduct half of any reasonable cost. Make sure you keep detailed records, eliminate non-business costs associated with lodging and save receipts for any expense you plan to deduct, as well as details about the business conducted.

Self-Employed

If you are a one-person operation and you have a home office used exclusively for business, you can deduct some of the cost of home insurance and utilities. Also deduct health insurance premiums and SEP-IRA contributions. You have until your tax filing deadline in 2018 to make the latter.

Future Reference

Depending on how your business is legally structured, you may be able to deduct the entire cost of business equipment or depreciate the cost over five or more years. If you're still using pencil-to-ledger accounting, you might want to explore software that can make your recordkeeping easier.

Also take an advance look at how next year's taxes might look. A bump up in net income might spur you to accelerate deductible purchases or push off income until 2019. This is a good time to work with a financial professional to compare retirement plans. You might find a plan that helps you reduce current taxes while you and any employees put more money away for retirement.

Talk to a tax professional to learn more about your situation.

Be Smart about Taxes

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I am committed to helping my clients achieve their financial goals for themselves, their families and their businesses by providing them with strategies for asset accumulation, preservation and transfer.

Small Business Version

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The Social Security Numbers Game

When will you begin taking monthly Social Security benefits? You qualify for full benefits once you reach full retirement age. That's age 66 if you were born in 1954, rising to age 67 for those born in 1960 or later. But drawing Social Security early will reduce your benefits, while delaying can increase them.

Your age when you begin taking Social Security benefits will affect your income. The accompanying graphic shows how much (assume a normal retirement age of 67).

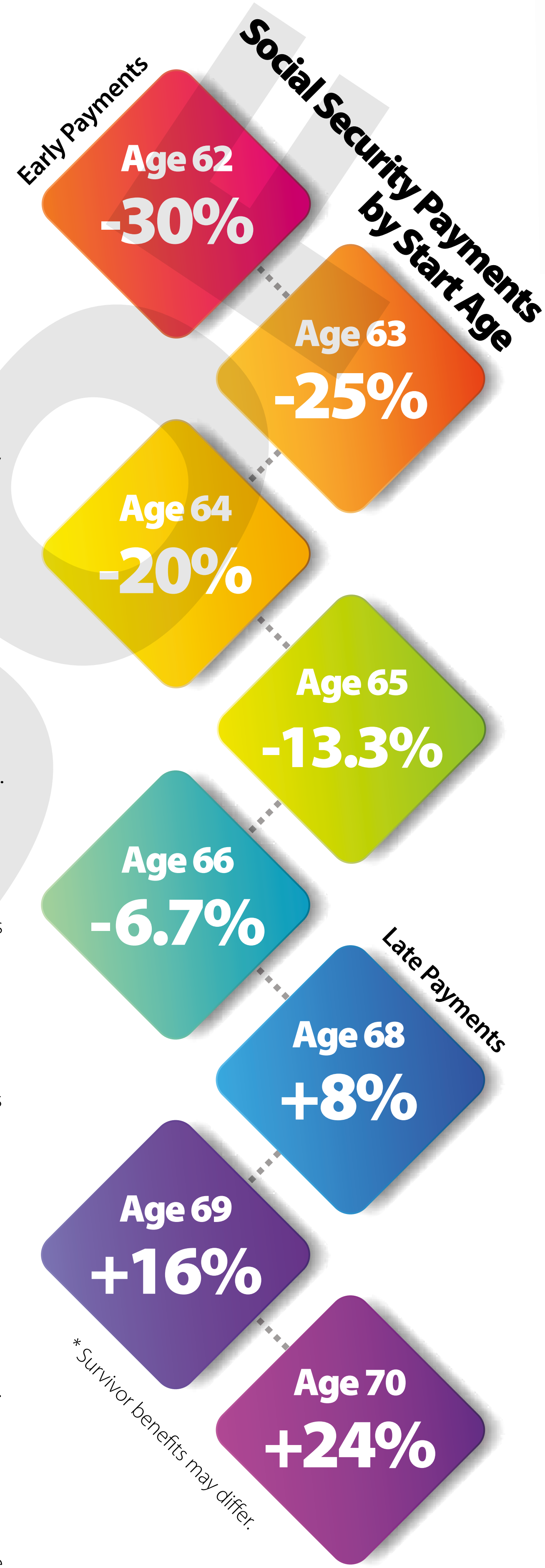
Real Numbers

Let's say your full retirement age benefit when you turn 67 is $1,600 per month. If you retire early at age 62, your monthly benefit would shrink to $1,120. If you wait until age 70 to begin receiving benefits instead, your monthly income would rise to $1,984.

Double Whammy

Taking early benefits and working could shrink your benefits in two ways. If you were under full retirement age all of 2017 and you worked, Social Security deducted $1 for every $2 in benefits over the annual income limit of $16,920. In the year you reach full retirement age, deduct $1 in benefits for every $3 earned above $44,880 in 2017. This deduction ends the month before reaching full retirement age.

Learn more by going to www.ssa.gov or your local Social Security office.



Buy or Rent

If you're young and starting out, home ownership may seem like an impossible dream. However, you can increase your chances by reducing your debt. Answer the following questions to see where you stand.

How much credit card debt do I owe?

Cards from department stores and gas stations are revolving charge accounts, and they often carry interest rates of 20% and higher. If you have a balance on a revolving account, consider paying it off first. Look at tackling high-interest-rate credit cards next.

What about my student loans?

According to the Federal Reserve Bank of New York's Quarterly Report on Household Debt and Credit, Americans owe over $1.3 trillion for student loans. Typically, those loans, held by federal government agencies, have lower interest rates than other types of credit. So tackle debt with higher interest rates first.

So, buy or rent?

Work on your total-debt-to-gross-income ratio. Depending on the mortgage provider, your ratio should range anywhere from 28% to 40% or so. Next, check housing prices compared to paying rent. If rent rates are reasonable and home sale prices are high, money talks. Don't forget to compare other ownership costs, including insurance, taxes, maintenance and travel to work.

College Tax Breaks

A college education isn't cheap, but there are some tax-advantaged ways to save for this expense. Here are a few:

Coverdell ESA

You can establish a Coverdell Education Savings Account (ESA) in the name of any child under age 18 or a special-needs beneficiary. The contribution limit is $2,000 annually until age 18 for each beneficiary. Check with your tax professional to learn if your modified adjusted gross income qualifies to make Coverdell contributions in a given tax year.

Contributions are not tax-free, but potential earnings are tax-deferred. Withdrawals are tax-free when used for qualified education expenses not only at an accredited college, but at elementary, secondary and vocational schools.

AOTC

Get a tax credit of up to $2,500 for the cost of tuition, certain required fees and course materials for higher education with the American Opportunity Tax Credit (AOTC). You can take this dollar-for-dollar credit up to the amount of federal taxes owed every year for four years of qualified study.

Lifetime Learning Credit

Claim the Lifetime Learning Credit for qualified tuition and related expenses, including courses to acquire or improve job skills, of up to $2,000 per tax return. To qualify for either education credit, you must meet annual income limits. You can't take more than one education benefit for the same student in a tax year.

The FAFSA is the federal government's Free Application for Federal Student Aid. Most colleges require the parents of prospective and current students to fill out the form even if they are only applying for school aid and not federal aid.

Submit FAFSA Earlier Now

If you had a student in college a few years ago, you might not be aware that your FAFSA can be submitted earlier than in the past—**October 1**. Because much student aid is first-come, first-serve, it might serve you to file as soon as possible. The filing deadline for the 2018-2019 school year is **June 30, 2019**.

How Much is Higher Education Worth?

Wondering if higher education is worth the high cost? The numbers in the accompanying graph show the value of continued education beyond high school. A Master's degree, for instance, is worth about twice as much as a high school diploma.

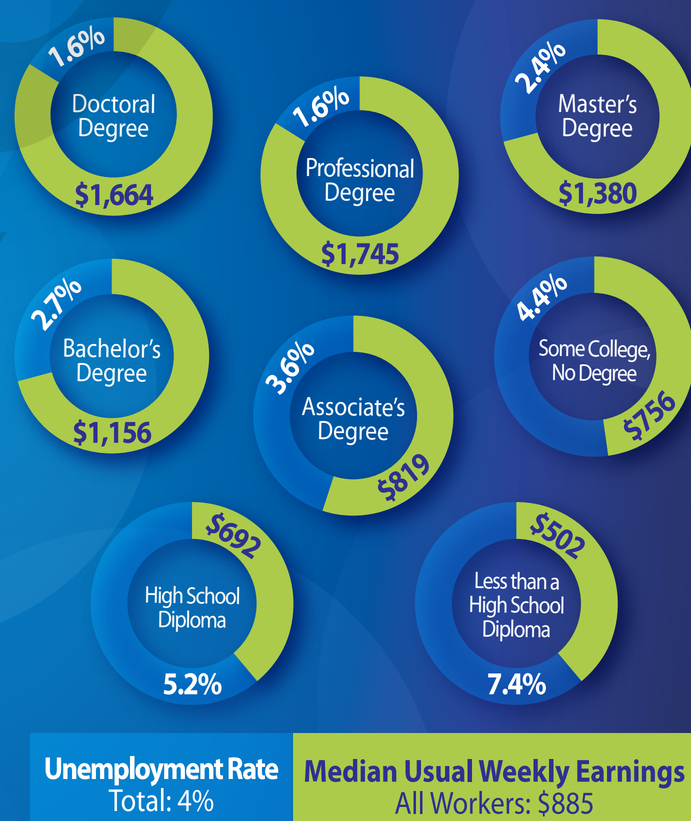
Effect on Unemployment

The data also show that a person's educational attainment in 2016 had an inverse relationship on their employment prospects. For example, the total unemployment rate of persons aged 25 and older was 4%. Those with a high school diploma averaged a 5.2% unemployment rate, while those with a Bachelor's degree averaged about half of that at 2.7%.

Effect on Lifetime Earnings

Add it all up and you can see how a Bachelor's degree or higher can help you earn hundreds of thousands of dollars more over your lifetime than if you only had a high school diploma.

Unemployment rates and earnings by educational attainment, 2016



Note: Data are for persons age 25 and over. Earnings are for full-time wage and salary workers.
Source: U.S. Bureau of Labor Statistics, Current Population Survey.

A SIMPLE Retirement Benefit

Looking for a simple way you and employees can save for retirement? With so many options, deciding can be hard. But the SIMPLE (Savings Incentive Match Plan for Employees) IRA is one such plan, allowing employees and employers to contribute to IRAs set up for employees.

Designed for Small Business

If your company had no more than 100 total employees who earned $5,000 or more during the preceding calendar year and does not have an existing retirement plan, you qualify to set up a SIMPLE IRA plan any time before October 1 of the year it is established. You have a choice of two plan models.

With the first, you must match every employee's contribution dollar-for-dollar up to 3% of each individual's compensation, (to certain annual limits). You may choose to make a matching contribution of less than 3%, but greater than 1%, in no more than two out of five years.

The second formula is a non-elective contribution of 2% of each employee's compensation up to $270,000 in 2017 and up to $275,000 in 2018. With both, employees immediately vest. Remember, you may be an owner, but you're also an employee.*

Watch Withdrawals!

Participants may take distributions from a SIMPLE IRA without penalty (but subject to ordinary income taxes) after age 59 ½, and before that age under certain exceptions. They include disability, qualified higher education expenses and up to $10,000 for first-time home-buying costs.

Non-qualified distributions taken before that age incur a 10% additional tax after you participate in the plan for two years or a 25% additional tax during the first two years of participation.

For Employers

If you maintain this plan, you must contribute to each employee's IRA (either the match or mandatory 2%) by your tax filing deadline, plus extensions.

Employees may electively contribute up to $12,500 using the employee deferral option, plus another $3,000 if they are age 50 or older. Talk to your financial professional about how a SIMPLE IRA or other qualified plan might fit with your business.

**https://www.irs.gov/retirement-plans/simple-ira-plan-faqs-contributions*

We Value Your Input...

Your feedback is very important to us. If you have any questions about any of the subjects covered here, or suggestions for future issues, please don't hesitate to call. You'll find our number on the front of this newsletter. It's always a pleasure to hear from you.

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REVIEW LETTER

1. 2018 LTM MarApr FINRA Business
   Rule: FIN 2210
   5 Pages

The material submitted appears consistent with applicable standards.

Reviewed by,

Brian L. Finnell
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NOTE: *This review is limited to the communication that was filed. We assume that the communication does not omit material facts, contain statements that are not factual, or offer opinions that do not have a reasonable basis. This communication may be described as "Reviewed by FINRA" or "FINRA Reviewed"; however, there must be no statement or implication that this communication has been approved by FINRA.*

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