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NEWSLETTER

FEBRUARY 2019 • VOLUME 27 • ISSUE 2

Major Life Changes? Time to Meet with Your Advisor

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Change is one thing that seems constant in our lives, but some changes are of greater magnitude than others. Examples of major life changes are marriage, divorce, retirement, the birth or adoption of a child, and the death of a spouse. When these occur, it is often wise to consult with your estate planning attorney to make sure that your will and other legal documents are still in order, your tax professional, and your investment adviser.

Two reasons to visit your adviser at times like these are to make sure your portfolio objectives are still accurate and to update the beneficiaries on your accounts. With regard to your portfolio objectives, it is natural for these to vary over time anyway, and if you have not reviewed them within the past few years, it is a good idea to do so. A significant life change is another reason to review them, even if you have done so recently. For example, at retirement you might want to take a more conservative approach than you had in your working years.

As for updating your beneficiaries, this often gets overlooked. Updating them applies to all types of accounts, whether it is a named beneficiary on an IRA or a Transfer on Death (TOD) beneficiary for an individual taxable account. If there is a discrepancy between the will of a decedent and his or her named beneficiary on an account, the named beneficiary takes precedence. So if you are recently divorced, for example, and do not want your ex-spouse as the beneficiary of your account, this is a good time to update your beneficiaries.

Have you had any major life changes in your life recently? If so, please let us know. We will be happy to talk you through your portfolio objective(s) and review your current beneficiaries on your accounts. If any changes need to be made, this is easily done and hopefully will contribute to your peace of mind.

Changes in Deductions for New Tax Law

Tax year 2018 will be the first under the new law, and there are changes in deductible expenses about which you should be aware. Please consult a tax professional for clarification and detailed explanations on any of these. Here is a summary of some of the changes according to Kiplinger:

One provision affecting some of our clients is the elimination of miscellaneous itemized deductions. These included investment fees among other things like tax preparation fees and unreimbursed business expenses. Previously, if these expenses were greater than 2% of your adjusted gross income, they were deductible, but that is no longer the case.

Another provision is the elimination of personal exemptions for taxpayers and their dependents. This is being replaced by a larger standard deduction that is double the size of what it was before. For 2018, it will be $12,000 for individuals and $24,000 for those who are married filing jointly.

Other deductions that are going away are moving expenses (if you relocated for a job) and alimony. The only exception for moving expenses now is if you are active military. For alimony, if your divorce agreement was made prior to January 1, 2019, you still fall under the old rules; but for any agreements reached after that date, alimony is no longer deductible.

Another big change relates to mortgages and home loans. Under previous rules, you could deduct mortgage interest on loans up to $1,000,000 in value. Now that cap is reduced to $750,000 for those married filing jointly, and half of that for those filing separately. You can still deduct interest on home equity loans but only if that money is used for home improvement.

Finally, deductions changed for state taxes and casualty losses. State and local tax deductions are now capped at $10,000 for those married filing jointly and $5,000 for single filers. Before there was no limit on such deductions, so it could raise the tax liability for some, depending on where you live. For casualty losses to your home, you can no longer deduct such losses not covered by insurance unless it was from a disaster declared by the federal government like a hurricane or fire. If the damage was from a federal disaster, you can claim a deduction under certain conditions.

For the full summary of these changes, visit:

https://www.kiplinger.com/slideshow/taxes/T054 S0O10-8-tax-deductions-affected-by-the-new-tax-law/index.html

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