TDCAPITAL
EARNED TRUST

2019 Tax Planning Begins Now

As we rapidly approach the April 15, 2019 filing deadline for 2018 Individual Income Tax Returns, many individuals have experienced unanticipated negative implications resulting from the tax reform changes which became effective in 2018. As highly publicized in national news articles, many of these negative implications resulted from the IRS revisions to their tax withholding tables. The revisions were intended to take into account taxpayer marginal tax rate reductions, but failed to consider the loss of various itemized tax deductions and personal exemptions. These tax withholding reduction adjustments primarily applied to wages, monthly pension payments and other retirement account distributions. If you experienced an unexpected tax bill for 2018 and would like us to review your 2019 projected income tax and the adequacy of your current tax withholding, please contact us to do so.

As you put 2018 taxes in the rear view mirror, it's not too early to begin tax planning for 2019. In the course of our portfolio management for each client, we are very attentive to the tax implications resulting from transactions triggering both ordinary income (such as retirement distributions) and capital gains/losses (primarily sale of holdings). We view this as "controllable" taxable income management. We monitor projected annual taxable income because it economically impacts our clients in a variety of tax sensitive areas.

For example, for our clients who are covered by Medicare, it is important to consider controlling taxable income when possible to minimize triggering a future increase in Medicare Part B and Part D monthly premiums. For individuals with modified adjusted gross income (MAGI) of $85,000 or less ($170,000 or less for married couples), the standard Medicare monthly premium is $134 per month/$1,608 annually. This premium increases proportionally as MAGI increases, reaching a standard combined premium cost as high as $503 per month/ $6,040 annually. This represents an incremental financial cost of $4,432 per year. We consider this impact if applicable when assessing alternative financial transactions that impact taxable income such as the timing triggering capital gains or voluntary retirement plan distributions.

Other tax sensitive areas impacted by the level of taxable income include the taxation of social security benefits, applicable capital gain tax rates, net investment income tax thresholds and marginal tax rates on ordinary income.

Our goal is to be attentive throughout the year to these tax sensitive considerations in concert with the management of your portfolio. To do so effectively, we must understand all aspects of your tax situation. If we do not have a copy of your 2018 income tax return, please forward to us so that we have accurate information to guide our decision making on your behalf.

Sincerely,

Your TD Capital Team