

Quarterly Financial Integration Planning Pointer 2018 Tax Planning

For the past several quarters, our financial planning commentary has focused on highlights of the Tax Cut and Jobs Act of 2017 (TCJA). As we reach mid-year 2018, now is the time to focus on identifying strategies to minimize 2018 income taxes, as well as other planning measures to enhance other tax related economic implications. Below are several planning strategies which we monitor and consider for our clients.

- **Income Tax Brackets**

- Individual tax rates have been reduced for 2018-2025 to as low as 10% and top out at 37% on ordinary income.
- Individual tax rates for capital gain income range from 0% to 23.8%, depending on your taxable income.

- * **“Planning Strategy”** - By strategically timing capital gain transactions and other controllable income and deductions, it may be possible to avoid being taxed at the higher marginal rate.

- **Standard Deduction vs Itemized Deductions**

- TCJA significantly increased the standard deduction allowable for each filing status. Several categories of itemized deductions were negatively impacted by TCJA, resulting in many taxpayers no longer benefiting from itemizing their deductions.

- * **“Planning Strategy”** – With careful timing of controllable real estate tax, medical expenses and charitable contributions, it may be potentially beneficial to alternate tax years using the standard deduction and itemizing deduction in intervening years.

- **Managing Taxable Income**

- The level of taxable income for 2018 will determine to what extent social security recipients will be required to include their social security receipts in taxable income. Based upon taxable income, social security receipts subject to tax vary from 0% to 85%.
- Medicare recipients Part B and D Medicare beneficiary premiums are determined based upon income reported on their individual income tax return. Premiums for the current year are based on income reported two years prior. (i.e. 2018 rates are based upon 2016 tax returns.) The combined monthly premium costs may vary significantly (for 2018 premiums single beneficiaries’ monthly costs vary in a range of \$134-\$503/married beneficiaries \$278-\$1,007).

- * **“Planning Strategy”** – Strategic timing of controllable income & deductions may save both income taxes and Medicare premiums.

At TD Capital, we are very sensitive to these annual metrics and other tax planning strategies, as well as and the related non-tax economic implications. The above planning considerations are factored in to our portfolio management decisions for each respective client, assuming we have a copy of their annual tax return for this purpose. We continually request that you provide us with a copy of your annual tax return, unless we already have access to your return. *If we do not have access to your 2017 tax return via your tax preparer and you have not previously provided us with a copy of your 2017 return, please do so to ensure that we may proactively make planning recommendations and portfolio management decisions to minimize your income taxes and maximize other expense control opportunities.*

Sincerely,
Your TD Capital Team