Summary 2015
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CONSULTING GROUP, LLC
A WEALTH MANAGEMENT COMPANY

THE WEALTH ADVISOR

15 Midyear Tax Planning Moves You Can Make In '15

You've just put your 2014 tax return to bed, but there's no rest for the weary. It's already time to focus on tax planning for 2015. Appropriately enough, here are 15 midyear tax-saving ideas to consider:

1. Harvest losses from securities sales. If you cashed in stock market winners earlier in the year, now's a good time to start filling up the loss side of the ledger. Your capital losses will completely offset capital gains realized in 2015, plus up to $3,000 of highly taxed ordinary income.

2. Recognize low-taxed capital gains. Conversely, if you sell securities qualifying as long-term capital gains, the maximum tax rate is only 15% or 20% if you're in one of the top two ordinary income tax brackets. But keep in mind that some upper-income investors also may have to pay a surtax of 3.8% on capital gains.

3. Take the 0% tax rate to the max. If you expect 2015 to be a low-income year (for example, you may incur a substantial business loss), a portion of your long-term capital gains may qualify for a rock-bottom 0% tax rate that applies to investors in the regular 10% and 15% tax brackets. When possible, realize investment income up to the top threshold of the 15% rate. Also, consider this strategy for your children.

4. Sidestep the wash sale rule. If you acquire securities that are substantially identical, within 30 days of selling securities at a loss, you can't deduct the loss. But this harsh "wash sale" result can be avoided by waiting at least 31 days to buy back the same securities. Alternatively, you could buy the securities first and wait at least 31 days before selling your original shares.

5. Invest in dividend-paying stocks. Most stock dividends are taxed at the same preferential tax rates as long-term capital gains. To qualify for this tax break, you must hold the shares for at least 61 days.

6. Arrange an installment sale. Generally, you can defer tax on the sale of real estate or other property if you receive payments over two years or longer. In addition to stretching out tax payments over time, you might reduce the effective tax rate if you stay below the thresholds for higher capital gains rates and the 3.8% surtax.

7. Contribute to a 401(k). Reduce your 2015 tax liability by increasing contributions to a 401(k) plan where you work. For 2015, the maximum deferral is $18,000 ($24,000 if age 50 or over). Not only do you avoid tax on the contributions, the money in your account compounds tax-deferred until you withdraw it during retirement.

8. Convert to a Roth IRA. If you have funds in a traditional IRA, you can convert some or all of those funds to a Roth IRA. Roth distributions in the future will be tax-free if they meet a few conditions. But you don't have to

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Women And Money

When it comes to wealth management and investing, women view money in a purposeful light. For a woman, a statement is not merely numbers behind dollar signs. Those numbers or account balances are unspoken goals, dreams, and fears.

Women usually do not lay awake at night and think: "I need to update my financial plan..." They often think in a much more connected nature, such as: "How am I ever going to retire after putting two children through college? And, if I do retire, will I have to go on a strict budget or, even worse, run out of money one day and have to move in with my children?"

Women are typically proficient multitaskers, much more holistic in nature and relationship oriented. A clearly defined process along with communicated mutual expectations, thoroughly explained risks, and significant education and explanation are required for a successful partnership with her financial planning team.

Ladies, don't change a thing. Ask questions. We want you to become engaged and feel comfortable in the management of your money. There is a softer side to dollars and cents.

Dialogue is a key ingredient to success along with great listening skills, consideration, care, and results. We look forward to working with you.

Lauren M. Rebbel, CFP®

Partner

When To Start Social Security?

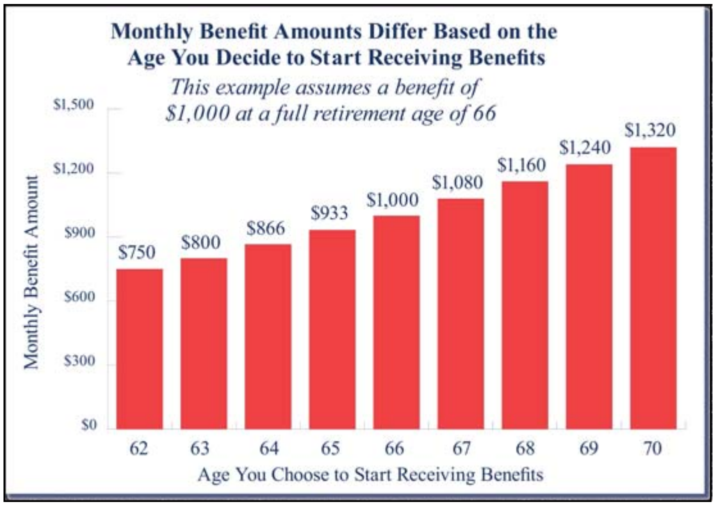
Once you enter your 60s, with thoughts of retirement looming ahead, you face a difficult decision: When should you start to receive Social Security retirement benefits? With some experts arguing that you should begin benefits as soon as possible and others contending that you should wait until full retirement age or longer, the answer to this question is not exactly a no-brainer.

The Social Security Administration (SSA) reminds us that this is a highly personal choice. It depends on numerous factors, including your current need for cash, your health and family history, whether you plan to work in retirement, your other retirement income sources, how much income you expect you will need in the future, and the amount you'll receive from Social Security. There's no definitive right or wrong answer.

The earliest you can start benefits is at age 62, but you'll receive less than you would be entitled to at full retirement age (66 for most Baby Boomers.) However, you'll get even more each month if you wait longer—until age 70 at the latest. When you start will lock in your benefit amount for the rest of your life, although you'll get cost-of-living increases, and there could be other changes based on work records.

The accompanying chart provides an example of how your monthly amount can differ based on the start date for receiving benefits.

As this chart shows, if you're entitled to $1,000 in monthly benefits at your full retirement age of 66, if you choose instead to start benefits at age 62, your monthly benefit will be 25% lower, or $750. Conversely, if you wait until age 70 to begin benefits, the monthly amount jumps to $1,320, or 32% more than the $1,000 you would receive at age 66.



Source: Social Security Administration

Several variables might sway your decision. Waiting longer and receiving more each month could be advisable at a time when life expectancies are increasing and about one in every three 65-year-olds can now expect to live to age 90. Women, who tend to live longer than men, may want to do all they can to maximize their Social Security income. There's also the potential impact of your decision on the rest of the family. If you die before your spouse, he or she may be eligible for payment based on your work history. That amount could be reduced if you opt for early retiree benefits. Also, if you delay benefits, you may need money from other sources.

Finally, consider that you might decide to work past your full retirement age, perhaps on a part-time basis. That's generally an incentive to postpone payments.

Because this is such an important decision, take the time to weigh all of the variables of your particular situation. We can help you sort through the many possible alternatives. ●

Education Tax Breaks: Easy As 1-2-3

It takes a lot of scrimping and saving to put a child through college. However, you may be able to salvage some relief on your federal tax return, although some upper-income parents are locked out. Specifically, you may qualify for one or more of three main tax breaks—but you can choose only one each year. Here are the tax break choices:

1. American Opportunity Tax Credit (AOTC): The AOTC, formerly known as the Hope Scholarship credit, recently was extended through 2017. The maximum annual credit for this is $2,500. Notably, the AOTC is available for each qualified student who is a member of your family—so if you have three kids in school at the same time, you may take a maximum credit of $7,500 each year that they're all in school. Also, under a recent tax law change, you now can claim the AOTC for up to four years of college for each child. (Under prior law, the credit was allowed only for two years.) And this is a tax credit, not a deduction; if you get a $7,500 credit, your final tax bill is reduced by that amount.

However, the AOTC may be phased out depending on your modified adjusted gross income (MAGI). Currently, the phaseout range is between $80,000 to $90,000 of MAGI for single filers and $160,000 to $180,000 for joint filers. Once you go above the upper limits, you can't claim the AOTC.

2. Lifetime Learning Credit (LLC): The LLC is permanently in the tax law and doesn't have to be renewed each year by Congress. But a family can claim no more than the maximum credit of $2,000 regardless of how many students it has.

In addition, the LLC also is phased out at levels lower than the AOTC. Currently, the phase-out range is between $55,000 to $65,000 of MAGI for single filers and $110,000 to $130,000 for joint filers. As a result,

The Reality Behind 6 Estate Planning Myths

Some people avoid estate planning at all costs. But putting aside the inevitable emotions involved in looking ahead to your own demise, it's crucial to understand the process. A good place to start is by debunking these six common but potentially damaging myths:

Myth #1: My estate is too small to need an estate plan.

Reality: You don't need a small fortune for your heirs to benefit from estate planning. For instance, what if you decide to divide your assets among several beneficiaries, instead of designating just your spouse or another person? That could be very important if you're in a second or third marriage and have children from a previous marriage. In addition, you might want to leave some of your estate to charity. Wanting to help your family avoid the delays of probate, seeking to reduce estate taxes, and choosing who will administer your estate also call for estate planning.

Myth #2: I don't need an estate plan because my spouse will inherit everything.

Reality: This is closely related to the first myth. Just because you have left everything to your spouse under your will—and your spouse has returned the favor—doesn't mean you won't benefit from estate planning. What happens if your spouse dies first at a relatively early age, or if you die together in an accident? What then? There might be complications because of how assets are titled, who are named as beneficiaries of your life insurance policies and your retirement plans, or the estate laws of your state.

Myth #3: If you're wealthy, there's no way to avoid estate taxes.

Reality: That's simply not true. On the federal level, your estate can benefit from a generous $5.43 million exemption for those dying in 2015 (and that amount is indexed for inflation and will rise in future years). What's more, because you or your spouse can use the other's leftover exemption, the effective amount the two of you can shield from estate taxes is almost $11 million. Trusts and other tax- saving vehicles can further reduce estate tax exposure. Although state inheritance tax rules aren't always as generous, professional guidance may help there, too.

Myth #4: Everything is covered in my will so estate planning isn't necessary.

Reality: While a will is a good starting place for an estate plan, it's not likely to be enough on its own. There may be numerous other loose ends to tie up. In addition, depending on your state's laws, your heirs may have to go through a lengthy probate process that can be even more drawn out if you owned property in several states. A revocable living trust can help you pass some assets to your heirs without probate, and your will probably also should be accompanied by a durable power of attorney authorizing a family member or a professional to act on your behalf if you're incapacitated.

Myth #5: I don't have to worry about life insurance and retirement plan designations.

Reality: This is overstating the case. Although the beneficiary designations you've made for life insurance and retirement plans, as well as for your IRAs, are a good start, you still need to coordinate those choices with other aspects of your estate plan. You might want to revise your designations, for example if you get divorced or a spouse dies, or you could need to add secondary or contingent beneficiaries. Also, proceeds from life insurance are included in the taxable estate of the insured, although the proceeds generally will be excluded if you transfer ownership of the policy to someone else or a trust.

Myth #6: Once my estate plan is complete, I don't have to do anything else.

Reality: Nothing could be further from the truth. Your family and financial circumstances almost certainly will continue to evolve, and your estate plan needs to reflect significant changes. Marriage, divorce, or the birth of children or grandchildren all could have an impact. And the best-laid plans could be affected by a disability or unexpected death of a spouse. Finally, your plan may have to be fine-tuned to take other events into account, especially if the estate tax laws are revised again. So be sure to review your plan periodically and revise it when necessary. ●

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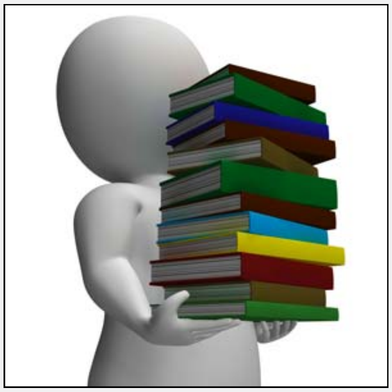
the AOTC is generally more popular than the LLC.

3. Tuition deduction: Parents may be able to claim a deduction for college tuition and related fees for dependent children. The deduction is either $4,000 or $2,000, depending on your MAGI for the year. For single filers, the $4,000 deduction is available for a MAGI of up to $65,000 and $2,000 between $65,000 and $80,000. Similarly, joint filers can deduct $4,000 for a MAGI up to $130,000 and $2,000 if the MAGI total is between $130,000 and $160,000. There's no deduction if you exceed the upper thresholds.



The Tax Increase Prevention Act of 2014 retroactively extended the tuition deduction for the 2014 tax year. It doesn't currently apply in 2015, but Congress could decide to renew it.

Remember that you can claim only one of these three tax benefits – the AOTC, the LLC or the tuition deduction – on your federal tax return. Which to use depends on your particular situation. ●

Keep Eyes On Estate Tax Proposals

In his 2015 State of the Union address, President Obama laid the groundwork for several significant estate tax changes, which were covered in greater detail in the administration's budget plan for the 2016 fiscal year. Although these proposals are a long way from being enacted, it makes sense to know the key concepts now. Here are several:

Capital gains: When you inherit assets, you currently benefit from a "step-up in basis" to the fair market value (FMV) of the assets on the date of death. Say you receive stock acquired for $5,000 that's worth $15,000 when you inherit it—your basis is $15,000. Sell the shares for that amount and you'll owe nothing in taxes. The $10,000 appreciation in value is tax-free forever.

Under the president's proposal, this "trust fund loophole," so-called because it's often used in conjunction with trusts, would be closed. Instead, you would owe tax on the difference between the original basis and the FMV on the date of death through a "deemed sale." In our example, that would mean a taxable gain of $10,000. The proposal does allow a taxable exclusion on such gains of $100,000 per person ($200,000 for a married couple).

Estate and gift tax exemptions: The president would roll back the estate and gift tax exemptions to 2009 levels. Thus, the $5.43 million exemption in 2015 (inflation-indexed increases have moved it up from an original $5 million) would revert to a $3.5 million exemption, and so would the generation-skipping tax exemption. And whereas the current exemption can be used for a combination of gifts made while you're alive and at your death, the new $3.5-million exemption would apply only to estates. There would be a separate $1-million lifetime exemption for gift taxes. Finally, the top estate tax rate would be raised from 40% to 45%.

Grantor retained annuity trusts: The grantor retained annuity trust (GRAT) has been in the crosshairs of the Obama administration for some time. With this estate planning technique, you create an irrevocable trust for a specified term, funding it with assets, and then receive an annuity paid to you based on IRS-approved interest rates. Eventually, the remaining assets go to your beneficiaries tax-free.

The president's proposals would curtail the tax benefits by (1) requiring a minimum term of 10 years, (2) imposing a minimum remainder interest of 25% of the assets transferred to the trust, or $500,000, whichever is greater, and (3) prohibiting the grantor from participating in a tax-free exchange of assets with the GRAT. These changes effectively would eliminate future GRATs.

Of course, you shouldn't overhaul your estate plan based on these proposals, but do be prepared to update your plan if it looks as if they may become law ●

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15 Midyear Tax Planning Moves

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convert all at one time. Instead, stagger taxable conversions over several years to lessen the tax bite.

9. Sell the old homestead. The tax law allows you to exclude tax on a gain of up to $250,000 for single filers and $500,000 for joint filers if you've owned and used a home as your principal residence at least two of the past five years. Your gain also is exempt from the 3.8% surtax.

10. Rent out a vacation home. You can write off certain rental activity costs, plus depreciation, but be careful: If your personal use of the rental home exceeds the greater of 14 days, or 10% of the days the home is rented out, your deductions are limited to the amount of your rental income.

11. Support your college grad. Generally, you can claim a $4,000 dependency exemption for a child graduating from college in 2015 if you provide more than 50% of the child's annual support. Figure out the amount of support needed to put you over that mark.

12. Dust off charitable donations. Don't toss out old furniture and clothing; give items in good condition to charity. Generally, you can deduct the fair market value of property donated to a qualified charitable organization, within certain limits.

13. Send your kids to camp. If your under-age-13 children attend a day camp while you (and your spouse, if married) work this summer, you may qualify for the dependent care credit. However, the cost of overnight camp isn't eligible.

14. Adjust your withholding. Check to see whether you're having enough income tax withheld from your paychecks. Make necessary adjustments so you don't have to pay an "estimated tax penalty" in 2015.

15. Give 'til it hurts. Finally, under the annual gift tax exclusion, you can give up to $14,000 to any family member in 2015 free of gift tax. This reduces the size of your taxable estate for the future. ●