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The Prosperity® Consulting Group, LLC
A Wealth Management Company

The Wealth Advisor

17 Year-End Moves That Can Preserve Your Tax Benefits

Barring any tax legislation that takes effect this year, your best overall tax strategy in 2017 is much as it would be in any year: to postpone receiving income that will be highly taxed and increasing deductions to offset current income. The less income you realize, the lower your bill. In that vein, here are 17 smart year-end tax moves to consider.

1. Harvest capital losses. If you sell securities at a loss before 2018, you can use those losses to offset gains from other sales—including those from selling stock or other holdings you've owned for a year or less. Those would otherwise be taxed at the high rates for ordinary income. Losses that exceed your gains can offset up to $3,000 of ordinary income, and you can deduct additional amounts in future tax years.

2. Harvest capital gains. Meanwhile, if you decide to take profits on securities you've owned for more than a year, the maximum tax rate on these long-term gains is 15%, or 20% if you're in the top tax bracket for ordinary income.

3. Max out on the 0% rate. Even better than the usual 15% or 20% tax rate on long-term gains, you can benefit from a 0% rate on long-term capital gains that applies to income in the 10% and 15% tax brackets. If you suffered a business loss this year or received less income than usual for another reason, there may be no tax pain on your long-term gain.

4. Buy dividend-paying stocks. Most dividends are taxed at the same favorable tax rates as long-term capital gains. However, to qualify for this tax break, you have to have held the stock for at least 61 days.

5. Watch out for "wash sale rule." Under this rule, you're prohibited from deducting a loss from a securities sale if you acquire substantially identical shares within 30 days. The easiest way to stay out of trouble is to wait at least 31 days to buy similar holdings.

6. Minimize the NII surtax. A 3.8% surtax applies to your net investment income (NII) or the amount by which your modified adjusted gross income (MAGI) exceeds $200,000 for single filers and $250,000 for joint filers, whichever is less. Keep those thresholds in mind as you consider ways to minimize your income for the year.

7. Give 'til it hurts. As long as you keep proper records, you generally can deduct charitable donations made as late as December 31, even if you use a credit card and aren't billed until next year. Special rules could limit this deduction.

8. Seek a Roth conversion. If you have funds in a traditional IRA, you could transfer the funds to a Roth IRA. You'll pay income tax on the amount you convert but future withdrawals are generally tax-free. So, you pay tax now to save later. Stretching out conversions over several years can reduce the tax bite.

9. Bulk up 401(k) contributions. By

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Protect Yourself From Cybersecurity Attacks

Every day we hear about new cybersecurity breaches. With the recent cyber-attack on Equifax, it's a good time to review some simple steps that you can take to help protect against computer breaches.

Passwords

Update your passwords, making sure they are a strong password that contains both upper and lower-case letters, numbers, and symbols. When available, use two-factor authentication. This adds another layer of security to your online accounts. Also, be sure to add passwords to your mobile devices.

Update Software

Software providers are constantly releasing new updates which include security advances. Always run the most current security software on your computers.

Phishing/Scams

Avoid opening emails or downloading files unless you know for sure that it is legitimate. Elderly people are often targeted because scammers rely on their generation's lack of tech savvy.

Social Networks

Be mindful of the information you post online, not only about yourself, but about your family and friends as well. There are often viral posts going around on social media that trick people into giving up valuable information.

Back Up Data

Whether your data is corrupted by malware or by accident, having a back-up can bring relief and peace of mind.

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6 Ways To Close The Retirement Gap

According to a recent article in *The Washington Post*, 71% of Americans aren't saving enough for retirement. If you're in this predicament, what can you do to close the gap? Here are six practical suggestions.

1. Bolster your 401(k). Much as it may pain you, try to allocate more of your paycheck to your 401(k) account or similar retirement plan. In addition, to supplement an employer-based plan, you might contribute to an IRA. The tax law allows generous contribution limits. Contributions grow and compound tax-deferred until you're ready to make withdrawals.

2. Invest wisely. If you can, investing additional money outside your retirement accounts can be very helpful. For taxable accounts, you may want to emphasize assets that don't produce a lot of taxable income in the form of mutual fund distributions, stock dividends, and bond interest. Although the fundamental principles of asset allocation and diversification aren't foolproof—there are no guarantees against loss of principal, especially in a declining market—they have performed well historically.

3. Don't squander your tax refund. The IRS says that the average tax refund received in 2017 (for the 2016 tax year) exceeded $3,000. What did you do with your refund? Instead of spending most or all of it each year, you might plow part of it back into savings earmarked for your retirement years. This money, along with some of your periodic pay raises, can help you fund your 401(k), IRA, and taxable accounts.

4. Get your tax money faster. Of course, money that's refunded to you after you file your taxes was really yours all along, and adjusting your withholding can reduce the size of your interest-free loan to the government. For example, rather than getting a $5,200 refund, you could take home an additional $100 each week. It's easy to fill out a new W-4 for your employer.

5. Bank the raise. Salary increases may be needed to help you keep up with inflation. But to the extent you can, set aside some of your raise. Again, that could go to increase your 401(k) contributions. If you get a 3% raise, say, you might use a third of it to boost your salary deferral by a percentage point—maybe from 12% of your salary to 13%. Some of the money might also go to bolster the emergency fund that's there to tide you over if you have a big expense or lose your job. Year-end bonuses can be helpful in a similar way.

6. Reduce monthly expenses. Finally, don't assume that your monthly budget is fixed in stone. If you take time to examine how and where you're spending your money, you might find some expenses that could be pared back almost painlessly. Costs for cable television, mobile phones, and other electronics can be good candidates for reductions, and you might also be able to reduce dining expenses.

These odds and ends add up over time and can help you come from behind to achieve real retirement security. ●

Five Steps When You Inherit Assets

During the next 30 years or so, an estimated $30 trillion is expected to change hands, and many offspring of older Baby Boomers may inherit a small fortune. Here are five practical suggestions for handling the windfall:

1. Give yourself time to grieve. If you're like most people, the loss of a loved one will come at an emotional cost. So you're probably not going to run out and buy a luxury car or book a cruise the day after the funeral. Allow yourself enough time for your grief to pass before you make any major decisions. Don't let your heart overrule your head.

2. Consider the limitations. Just because you've come into some money doesn't necessarily mean you'll be living on Easy Street. So try to resist the impulse to splurge on items you still can't afford. You might consider using some of the money for a one-time "treat" for your family and use the rest to invest for long-term goals.

3. Pay down debt. If you owe a lot of money, this could be a good opportunity to pay off some of your obligations. While you don't have to rid yourself of *all* of your debt—you might decide to keep your mortgage and perhaps a car loan—it could make sense to retire credit card and other debt that has high interest rates.

4. Set goals. In considering how to use your windfall, you might divide your objectives into short-, medium-, and long-term goals. For instance, in the short term you may decide to move to a bigger home. A medium-term goal might be to save money for a child's college education through a Section 529 plan. And a long-term objective for many is to secure a comfortable lifestyle in retirement.

5. Create an estate plan. If you haven't done this already, your windfall could provide an excellent opportunity to prepare for the eventual transfer of your own wealth, including the assets you've just inherited, to other family members. You might decide to establish a trust for the benefit of minors or make other arrangements to help ensure financial security for a surviving spouse or grandchildren.

Fortunately, you don't have to do all this on your own. With the help of experienced professionals, you can develop a plan that makes sense. Don't hesitate to contact us for assistance. ●

10 Common Questions About Social Security

If you're nearing retirement or you recently retired, you probably have plenty of questions about Social Security retirement benefits. Here are answers to 10 common queries posted online by the Social Security Administration (SSA).

Q1. How do I obtain a replacement Social Security card?

A. You can get an original Social Security card or a replacement card if yours is lost or stolen for free. Generally, all you have to do is submit the request to the SSA online. However, in some states, you must show additional documentation. Visit the SSA website for more information.

Q2. How do I change or correct my name on my Social Security number card?

A. If you're legally changing your name because of marriage, divorce, court order, or for any other reason, promptly notify the SSA and obtain a corrected card. This service is also free. Simply follow the procedures for getting a replacement card.

Q3. What are the ramifications if I receive Social Security retirement benefits while I'm still working?

A. If you haven't reached full retirement age (FRA) and you earn more than a specified annual limit, your benefits are reduced under this "earnings test" as follows:

- If you're under FRA for the entire year, you forfeit $1 in benefits for every $2 you earn that exceeds the annual limit. For 2017, that ceiling is $16,920.
- In the year in which you reach FRA, you forfeit $1 in benefits for every $3 earned above a separate limit, but only for what you earn before the month in which you reach FRA. For 2017, this limit is $44,880.

Beginning with the month in which you reach FRA, you can receive benefits that won't be affected by whatever you may earn.

Q4. What is my FRA?

A. It depends on the year in which you were born. The FRA gradually increases from age 65 for those born in 1937 or earlier to age 67 for those born in 1960 and after. The FRA for Baby Boomers born between 1943 and 1954 is age 66.

Q5. Can I collect benefits if I retire before my FRA?

A. Yes. You can retire and apply for benefits as early as age 62, but your monthly benefits will be reduced by as much as 30% in that case.

Q6. Are benefits increased if I wait to apply until after my FRA?

A. Yes. You can receive increased monthly benefits by applying for Social Security after reaching FRA. The benefits may increase by as much as 32% if you wait until age 70. After age 70, there is no further increase. Visit the SSA website to figure out the exact amount of your "early" and "late" benefits.

Q7. How do I apply for Social Security retirement benefits?

A. You should apply for retirement benefits three months before you want your payments to start. The easiest and most convenient way to apply is to use the online application. Note that the SSA may request certain documents to verify your eligibility.

Q8. How do I handle benefits for an incapacitated person?

A. If your elderly parent or someone else who is entitled to receive Social Security benefits needs help in managing those benefits, contact your local Social Security office about becoming that person's representative payee. Then you assume the responsibility for disbursing the funds for that person's benefit.

Q9. Who is entitled to receive Social Security survivors' benefits?

A. A spouse and children, or both, of someone who has died may be in line for benefits based on that person's earnings record. Visit the SSA website for more details. Survivors must apply for this payment within two years of the date of death.

Q10. Are Social Security benefits subject to tax?

A. Yes, but not everyone is liable. You are taxed on Social Security benefits under a complex formula if your provisional income (PI) exceeds the thresholds within a two-tier system. PI is the total of (1) your adjusted gross income (AGI), (2) your tax-exempt interest income, and (3) one-half of the Social Security benefits you received.

- For a PI between $32,000 and $44,000 ($25,000 and $34,000 for single filers), you're taxed on the lesser of one-half of your benefits or 50% of the amount by which PI exceeds $32,000 ($25,000 for single filers).
- For a PI exceeding $44,000 ($34,000 for single filers), you're taxed on 85% of the amount by which PI exceeds $44,000 ($34,000 for single filers) plus the lesser of the amount determined under the first tier or $6,000 ($4,500 for single filers).

In many cases, these answers will lead to even more questions. The SSA website is helpful, but you may need additional guidance for your personal situation. Don't hesitate to contact us for assistance. ●

Q's And A's About Financial Aid

Will your teenaged child be applying to colleges soon? Although you may be concerned about the ever-rising cost of higher education, your student may qualify for financial aid through various sources. In fact, billions of dollars are handed out each year, and more than half of full-time students get aid through grants and scholarships and roughly one-third via loans.

Here are the answers to some common questions about financial aid:

Q. Do we make too much money to qualify?

A. This is a concern for many parents, but don't assume you won't qualify for aid, which can come in many different forms. Your child's eligibility will depend on your family income, whether you have other family members, medical expenses, and other circumstances. Your chances may be better than you think.

Q. How do we apply for aid?

A. If you want to get financial help, your child needs to submit a Free Application for Federal Student Aid (FAFSA). The FAFSA determines eligibility for federal and state grants to students, work-study programs, and federal loans. You should complete the form as soon as possible after October 1 of the year before your child will enter college.

Q. Are there other forms to complete?

A. Possibly. Some schools also require students to submit the CSS Financial Aid PROFILE. And certain colleges and state agencies may request that other forms be filled out.

Q. How can I estimate the financial aid we will receive?

According to the College Board, the best way to estimate how much financial aid a college will offer you is to use the college's "net price" calculator, usually posted on its website. A net price calculator provides an estimate of your net price at the college (i.e., the cost of attendance minus the financial aid).

Q. Does my child have to be an A student to receive aid?

A. Not necessarily. While some colleges offer merit scholarships based on performance in high school, most governmental aid is need-based. But your kid can't be flunking out, either. In addition, to retain financial aid through college, your child needs to remain in good academic standing.

Q. Does applying for financial aid affect the chances of being admitted?

A. Usually not, although some schools may favor applicants who can pay the full cost of education. Normally schools base admission decisions on other factors, including academic performance and activities. But keep in mind that a school's available aid can be exhausted quickly, so have your child apply promptly.

Q. Can financial aid be revised?

A. Yes. This year's determination may not apply to future years, and colleges may review your financial aid package if your personal situation changes. If you have a pressing need for additional aid, you should let the financial aid office know. ●

Preserve Your Tax Benefits

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increasing deferrals to a 401(k) plan, you reduce your taxable income. For 2017, you can defer up to $18,000 ($24,000 if you're 50 or older). Your contributions accumulate without current tax.

10. Avoid RMD penalties. If you're over age 70½, you usually must take required minimum distributions (RMDs) from employer retirement plans and traditional IRAs each year. The penalty is 50% of the required amount if you miss the December 31 deadline.

11. Donate stock to charity. You can deduct the fair market value of stock donated to charity if you've owned it more than a year. That can be a good way to sidestep taxes on shares that have appreciated.

12. Sidestep the AMT. Certain types of "tax preferences" may increase what you owe under the alternative minimum tax (AMT) calculation. If it otherwise makes sense, try to postpone preferences to 2018.

13. Bunch medical expenses. Generally, you can deduct medical expenses only to the extent that they exceed 10% of your adjusted gross income (AGI). When possible, shift expenses to the tax year you expect to clear the AGI hurdle.

14. Shift family income. If you transfer taxable investments to a child taxed at a lower rate, your family may pay less overall. However, investment income of more than $2,100 received by a dependent child in 2017 may be taxed at your top tax rate.

15. Use installment sale method. You can normally defer tax on the sale of real estate if you take payments over two years or longer.

16. Pay next semester's tuition. If you qualify, college tuition paid in 2017 may result in a tuition deduction or a higher education credit, depending on your situation. But these tax breaks are phased out for high-income parents.

17. Get in the holiday spirit. Finally, you can give each family member up to $14,000 this holiday season without owing any gift tax. Using this annual exclusion also reduces the size of your taxable estate. ●