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SUMMER EDITION

The Prosperity Consulting Group, LLC
A Wealth Management Company

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A quarterly publication providing you with invaluable information in financial planning, wealth management, taxes and so much more!

New Tax Law Brings Added Benefit to 529 Plans

The new tax reform has brought changes to education savings plans including changes to withdrawal rules.

529 plans are education savings plans designed to help set aside funds for eligible education expenses. Traditionally, 529 plans have only been available to be used for higher education expenses. However, with the new tax law comes expanded benefits to 529 plans. Owners are now able to withdraw up to $10,000 per year tax-free on private elementary and secondary school expenses, including tuition and books.

While the change is a great added benefit for families that have kids in private school, it will require more savings and a longer time horizon for college savings. 529 plan withdrawals are tax-free as long as they are spent towards qualified education. The earlier you start saving for your children's education, the longer you will benefit from tax-free compounding.

Coverdell Education Savings Accounts are still another option to save for private K-12 schooling that are less popular, based on the income restrictions and limited amount you can save each year.

529 Plans

- **Contribution Limit:** The annual gift tax exclusion for each beneficiary which is $15k for 2018
- **Income Limit:** None
- **Tax Benefits:** Not tax deductible at federal level, but is deductible for some states. Earnings & withdrawals are tax-free if used for qualified expenses.
- **Eligible Expenses:** All post-secondary qualified education expenses, including tuition, room & board, mandatory fees, books, & computers. As of 2018, $10k/year may be used for private K-12 qualified education expenses as well.

Coverdell Education Savings Account

- **Contribution Limit:** $2k per beneficiary
- **Income Limit:** Adjusted gross income of $110k for individuals and $220k for married couples.
- **Tax Benefits:** Not tax deductible at state or federal level. Earnings & withdrawals are tax-free if used for qualified expenses.
- **Eligible Expenses:** All qualified education expenses, including tuition, room & board, mandatory fees, books, & computers for primary, secondary, and post-secondary education.

If you think that private education is going to be a factor in your child's education, we can run education projections to see if you're on track for college and help customize an investment strategy to meet your goals.

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What to Do During Market Volatility

Market Volatility is not a reason to panic. In fact, it may even be an opportunity!

While market volatility may seem frightening, it is an anticipated and natural part of market cycles. Timing of when market volatility will happen is very challenging. Currently, markets are adjusting after extraordinary growth in 2017 and into 2018 as a result of tax reform. There is also the anticipation of inflation, along with rising interest rates that are typical when the economy is doing well.

Stay Calm

Rest assured that the domestic and global markets, which are comprised of thousands of businesses, remain strong. With a well-diversified portfolio that is uniquely situated for your specific long-term goals and objectives, you can take a deep breath and know you have a plan that factors in market volatility.

Historically, markets have recovered very well in times of turmoil. Downward turns in the markets have inevitably been followed by upward movement; thus, is the nature of markets!

Stay Invested

Staying calm and staying invested is vital to maximize the performance of your investments. Timing the market correctly is very difficult since markets are unpredictable. Missing just a few good days can cost you thousands of dollars.

Remember, investing is a long-term plan. While markets may move from day-to-day, you are in it for the long-haul. Market volatility may be an emotional experience. However, pulling out of the market at the first sign of volatility can cost you money and hurt your overall financial plan.

Don't Make an Emotional Decision

Investors may struggle to separate their emotions from their investment decisions. When the market is high, investors may feel excited and invest at high prices. Once there is a downturn, fear can set in leading investors to offload their investment at a lower cost. This dangerous cycle of excessive optimism and fear leads to poor decisions at the worst time.

Time, not timing, is the best way to capitalize on the stock market's gains.

Take Advantage of Opportunities

Talk to your financial advisor to see if there are any opportunities during volatile market conditions. In a diversified portfolio, you may have a mix of large-cap, small-cap, foreign and domestic investments along with bonds and cash. The movement of the market could have changed the proportions of your holdings in each of these categories. You may want to rebalance to get back to your original investment strategy. This approach may also allow you to take advantage of lower prices during market turmoil.

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