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WEALTH MANAGEMENT

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Wealth Advisor's Guide to 2018

A primer on tax reform and other topics relevant to high-net-worth advisory practices

What's Inside

Our **Wealth Advisor's Guide to 2018** is designed to help financial services professionals stay abreast of recent events that could have an impact on your most valued clients' financial situations.

Inside you will find valuable information regarding tax reform, state initiatives, retirement income, breakthroughs in behavioral finance, and survey results of high-performing teams. We have also included a comprehensive summary of 2018 tax rate schedules and other important planning limits.

We hope that you find the information helpful, and we are happy to answer any questions you may have.

Tax
Reform

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Eight Major Themes of the Tax Cuts and Jobs Act

- Most aspects of the tax reform legislation will sunset at the end of 2025
- Seven marginal tax bracket structure remains in place
- Capital gains and qualified dividend rules change slightly
- Some deductions survived, many are eliminated
- Alternative Minimum Tax (AMT) and estate tax narrowed, Child Tax Credit expanded
- 529 savings plans and ABLE changes
- Retirement cleanup provisions
- Businesses win big

Most Aspects of Tax Reform Legislation Will Sunset

+ All the major provisions that apply to individuals will revert back to prior rules after December 31, 2025, unless action is taken in future sessions of Congress
+ Exceptions to the sunset include the flat 21% corporate tax rate

Revised Tax Tables: Single Filers

Old Law		New Law	
Taxable Income	Marginal Rate	Taxable Income	Marginal Rate
$0 to $9,525	10%	$0 to $9,525	10%
$9,526 to $38,7000	15%	$9,526 to $38,700	12%
$38,701 to $93,700	25%	$38,701 to $82,500	22%
$93,701 to $195,400	28%	$82,501 to $157,500	24%
$195,451 to $424,950	33%	$157,501 to $200,000	32%
$424,951 to $426,700	35%	$200,001 to $500,000	35%
Over $426,700	39.6%	Over $500,000	37%

Revised Tax Tables: Married Filing Jointly

Old Law		New Law	
Taxable Income	Marginal Rate	Taxable Income	Marginal Rate
$0 to $19,050	10%	$0 to $19,050	10%
$19,051 to $77,400	15%	$19,051 to $77,400	12%
$77,401 to $156,150	25%	$77,401 to $165,000	22%
$156,151 to $237,950	28%	$165,001 to $315,000	24%
$237,951 to $424,950	33%	$315,001 to $400,000	32%
$424,951 to $480,050	35%	$400,001 to $600,000	35%
Over $480,050	39.6%	Over $600,000	37%

Revised Tax Tables: Trusts and Estates

Old Law		New Law	
Taxable Income	**Marginal Rate**	**Taxable Income**	**Marginal Rate**
$0 to $2,600	10%	$0 to $2,550	10%
$2,601 to $6,100	25%	$2,551 to $9,150	24%
$6,101 to $9,300	28%	$9,151 to $12,500	35%
$9,301 to $12,700	33%	Over $12,500	37%
Over $12,700	39.6%		

Note: The trusts and estates table will now be used to determine the tax liability for a minor's unearned income, rather than using the parents' marginal rate for investment earnings above $2,100.

Capital Gains and Qualified Dividend Changes

- Long-term capital gains and qualified dividends are still eligible for favorable tax treatment with rates of 0%, 15% and 20%
- These favorable rates, however, will be determined using the old income thresholds:
  - The 0% rate will end at $77,200 (married) and $38,600 (single)
  - The 15% rate will end at $479,000 (married) and $452,000 (single)
- The 3.8% Medicare surtax on net investment income will continue to apply to taxpayers with adjusted gross income above $250,000 (married) and $200,000 (single)

Deductions That Survive

+ The standard deduction has been increased from $12,700 (married) and $6,350 (single) to $24,000 and $12,000 respectively
  - The result will be that fewer taxpayers will itemize
+ The additional standard deduction of $1,300 (married) and $1,600 (single) for taxpayers who are blind or age 65 and older will continue to apply
+ Charitable deductions
  - The 50% of AGI limit on cash gifts to a public charity has been increased to 60%
+ State and local tax deductions remain but are limited to $10,000
+ For a primary residence purchased on or after December 15, 2017, mortgage interest is deductible on loan amounts up to $750,000; for purchases prior to this date, the $1,000,000 loan limit continues to apply
+ Unreimbursed medical expenses to the extent they exceed 7.5% of AGI for 2017 and 2018 are still deductible
  - Beginning in 2019 the hurdle returns to 10% of AGI
+ The Pease limitation, which phased out itemized deductions starting at $313,800 (married) and $261,500 (single), has been eliminated

Deductions That Are Eliminated

- The $4,050 personal exemption
- For marriages that end after 2018, alimony by the payor is no longer tax deductible
- Interest on home equity loans or lines of credit up to $100,000 unless the proceeds are used toward acquiring, building or substantially improving the primary residence
- Casualty losses, unless attributable to a federally declared disaster
- All miscellaneous itemized deductions subject to the 2% of AGI floor, including advisory and IRA custodial fees

Alternative Minimum Tax (AMT) Narrowed

	Old Law		New Law	
	Married	**Single**	**Married**	**Single**
Exemption	$86,200	$55,400	$109,400	$70,300
Phase-out of Exemption	$164,100	$123,100	$1,000,000	$500,000

Absent a significant exercise of Incentive Stock Options, most taxpayers will avoid the AMT. For those who remain subject to the AMT, their AMT liability will likely be reduced.

Estate Tax Narrowed

- The applicable exclusion amount has almost doubled from $5,600,000 to $11,180,000 in 2018
  - The step-up in basis rules remain in place, as does the top 40% rate imposed on gifts and estates
- Using spousal portability, or a credit shelter trust structure, couples can effectively shield up to $22,360,000 from federal estate taxes
- While estate tax returns (Form 706) are generally due nine months following death, Revenue Procedure 2017-34 issued in late 2017 allows a surviving spouse to elect portability up until the later of January 2, 2018, or the second anniversary of a decedent's date of death

Child Tax Credit Expanded

- The child tax credit has been increased from $1,000 to $2,000 per qualifying child under the age of 17
- The income phase-out rules have also increased from $110,000 (married) and $75,000 (single) to $400,000 and $200,000, respectively
  - These thresholds will not be indexed for inflation
- A new $500 nonrefundable tax credit for dependents who are not qualifying children under the age of 17 has been added, subject to the same income thresholds above
  - This credit may apply to older children claimed as dependents and dependent parents residing with their children

529 Savings Plans and ABLE Changes

- Tax-free distributions from 529 savings plans may be made for elementary and secondary school expenses, up to $10,000 a year per child
  - The provision that would have permitted tax-free distributions for home schooling expenses was eliminated in the final bill
- 529 balances may be rolled into an ABLE account for the same beneficiary or member of the beneficiary's family, but the rollover will count toward the $15,000 annual contribution limit
- A beneficiary of an ABLE account may make contributions in excess of the $15,000 limit by the lesser of the federal poverty line ($12,060 in 2018) or compensation earned during the taxable year
  - Additionally, if the beneficiary makes contributions to their own account, they are eligible for the Saver's Credit, which historically was only available for retirement plan contributions

Retirement Cleanup Provisions

- Individuals will no longer be able to recharacterize a Roth IRA conversion, although recharacterizations of Roth IRA contributions will still be permitted
- For Defined Contribution participants who separate from service with an outstanding loan, the deadline to repay the loan has been extended from 60 days to their tax-filing deadline, including extensions
- Taxpayers who resided in a 2016 federally declared disaster area may amend their returns and be refunded the 10% penalty on premature retirement distributions and pay the taxes on withdrawals over a three-year period on amounts up to $100,000. Additionally, retirement distributions of up to $100,000 may be paid back within three years, rather than the customary 60 days, to avoid taxation
  - These provisions are similar to those provided by The Disaster Tax Relief and Airport and Airway Extension Act of 2017 to the victims of Hurricanes Harvey, Irma and Maria

Businesses Win Big

- The corporate rate becomes a flat 21%
- Pass-through businesses may qualify for a 20% deduction on qualified business income (QBI), although several exceptions apply, including:
  - Foreign businesses, investment income, S corporation owner-employee reasonable compensation and guaranteed payments do not qualify
  - Once taxable income exceeds $315,000 (married) and $157,500 (single), additional limitations and exclusions apply
- For property acquired and put in service between September 28, 2017, and December 31, 2022, businesses can deduct 100% of the investment in the year of the purchase rather than follow the normal depreciation schedules
  - In addition, eligible property may be new or used

State
Initiatives

State Initiatives

- Income tax benefits for 529 savings plans
- 529 ABLE programs
- Trustee/executor access to digital assets
- Exclusion amounts for state estate taxes
- Retirement programs for local businesses
- Fiduciary rule covering advisors

Recent 529 State Tax Deductibility Changes

- Idaho: State income tax deduction increased to $12,000 (married) and $6,000 (single)
- Arkansas: Contributions in excess of the state income tax deduction limits of $10,000 (married) and $5,000 (single) may be carried forward four years
- Wisconsin: State income tax deduction increased to $3,140 per beneficiary
- Minnesota: Individuals may choose between a state tax deduction of $3,000 (married) and $1,500 (single) or a $500 nonrefundable tax credit that begins to phase out at $75,000 (single) of adjusted gross income
- Massachusetts: State income tax deduction up to $2,000 (married) and $1,000 (single)

For more information: www.savingforcollege.com/529_news/index.php

529 ABLE Programs Gaining Momentum

- As of January 1, 2018, 28 states have established 529 ABLE programs, with 15 of those states launching their program in 2017
- A 529 ABLE account is a tax-free savings account that can be used for disabled, special needs beneficiaries without disqualifying the beneficiary from most types of financial aid
  - To be eligible, the onset of disability must have occurred before age 26 and satisfy the Social Security Administration's criteria regarding significant functional limitations
- These accounts are intended to be used as a supplement, or perhaps low-cost alternative, to special needs trusts

For more information: www.thearc.org/what-we-do/public-policy/issues/able-program-implementation

Access to Digital Assets Almost Universal

- As of January 1, 2018, 42 states have enacted some form of legislation that provides a user's legal representative with access to their digital assets (social media, email accounts, etc.), with 17 states enacting legislation in 2017
- Most states have adopted the Uniform Fiduciary Access to Digital Assets Act which establishes a hierarchy that online providers are required to follow:
  - Unless accepting a user's specific directions regarding access, online providers must follow a user's estate planning provisions that address digital assets
  - In the event specific directions are not provided and the estate plan is silent, the online provider may rely on its terms of service
- Given these new statutes, it is critical for clients to make sure their estate plan is updated to incorporate digital assets

For more information: http://www.ncsl.org/research/telecommunications-and-information-technology/access-to-digital-assets-of-decedents.aspx

State Estate Taxes May Still Apply

State	2018 Exclusion	State	2018 Exclusion
Connecticut	$2,600,000	Minnesota	$2,400,000
Delaware	Repealed	New Jersey	Repealed
District of Columbia	$11,200,000	New York	$5,250,000
Hawaii	$11,200,000	Oregon	$1,000,000
Illinois	$4,000,000	Rhode Island	$1,537,656
Maine	$11,200,000	Vermont	$2,750,000
Maryland	$4,000,000	Washington	$2,193,000
Massachusetts	$1,000,000		

Note that six states maintain an inheritance tax: Maryland, New Jersey, Nebraska, Iowa, Kentucky and Pennsylvania.

See the Key Planning Limits tab for a full list of 2018 federal estate and gift tax limits.

State-Run Retirement Programs Taking Shape

- As of January 1, 2018, nine states have enacted legislation to help provide pension coverage to employees of small employers. Three primary approaches have emerged:
  - A mandatory automatic payroll deduction program into an IRA that allows employees to affirmatively opt out in California, Connecticut, Illinois, Maryland and Oregon
  - A voluntary marketplace that offers vetted, low-cost, small business retirement plan options in New Jersey and Washington
  - A voluntary, state-sponsored ERISA Multi-Employer Pension 401(k) offered to small nonprofits in Massachusetts and private-sector businesses in Vermont

For more information: www.aarp.org/ppi/state-retirement-plans/savings-plans/

Nevada Implements Fiduciary Rule

- Effective July 1, 2017, Nevada established a fiduciary standard that applies to advice given to both retirement and non-retirement clients
- Previously, the state's fiduciary standard only applied to financial planners, but the new rules eliminate the exception for broker/dealers and investment advisors
- According to the law, potential compensation including fees and commissions must be disclosed at the time advice is given and a diligent inquiry of the client's situation must be made initially and on an ongoing basis
- Under the law, investors may sue for economic losses including attorney costs
- Other states including California and New York are considering similar legislation

Retirement
Income

Key Developments Regarding Retirement Income

- Social Security beneficiaries get a raise in 2018
- More pension buyouts may be coming
- Reverse mortgages become less appealing
- Global dividends hit an all-time record for 3Q payments
- New idea for pivoting client conversations away from strictly yield

Some to Receive a Social Security Boost

- Monthly Social Security benefits for more than 66 million Americans will increase by 2% in 2018, the largest increase in retirement and survivor benefits for workers and their families since 2012
- For many beneficiaries, their Social Security increase may be partially or completely offset by increases in Medicare premiums
  - The majority of beneficiaries (approximately 70%) are protected by a “hold harmless” rule that provides that any increase in Medicare Part B premiums cannot exceed the dollar amount increase in their Social Security benefits
  - These beneficiaries paid $109 per month for Part B premiums in 2017, but will see an increase to $134 per month in 2018, all but wiping out the 2% Social Security increase
  - The 30% of beneficiaries not subject to the hold harmless will benefit from the 2% adjustment; these beneficiaries include high-income enrollees, Medicare beneficiaries who are billed directly and 2017 first-time enrollees

IRA Rollover Marketplace Update

- The drop in the corporate tax rate may spur companies to make sizable contributions to Defined Benefit plans for the 2017 plan year
- As these plans achieve higher funding levels, sponsors may wish to de-risk through liability-driven investing, transferring liabilities to insurance companies and/or offering employees a lump sum rather than a pension
- Lump sum offers typically need to be accepted within 60 or 90 days and are rollover eligible
- Advisors helping participants determine whether to accept a lump sum are reminded that the Department of Labor (DOL) Impartial Conduct Standards apply, and the advantages and disadvantages of these offers need to be carefully considered

Reverse Mortgages Become Less Appealing

+ New rules put in place by the Department of Housing and Urban Development for reverse mortgages taken after October 2, 2017, may make this strategy less appealing
+ The maximum amount of the loan (called the principal limit factor) has been reduced from an average of 64% of a home's value to 58%, and the upfront insurance premium that had ranged from 0.5% to 2.5% will now be 2% for everyone
+ On the other hand, the annual insurance premium has been reduced from 1.25% to 0.5%, meaning the amount of debt grows more slowly, preserving more equity in the home upon the sale or borrower's death

Global Dividends Reach $328B in 3Q17

- The 2017 Janus Henderson Global Dividend Index measures the progress global firms are making in paying their investors an income on their capital, using 2009 as a base year – index value 100
- The index is calculated in U.S. dollars and can be broken down into regions, industries and sectors
- The most recent results from 3Q17 are:
  - Dividends surged 14.5% to $328.1B, the fastest headline growth rate in three years, and a record for third quarter payments
  - The index rose to 168.2, its highest level ever
  - Higher special dividends boosted headline growth, helped by a large payment from China Mobile
  - Underlying growth was 8.4%, its fastest in almost two years
  - Every region saw dividends increase in underlying terms

Annual Dividends By Region (US$ Billions)

Region	2016	% Change	3Q16	% Change	3Q17	% Change
Emerging Markets	$87.6	-22%	$46.0	-6.3%	$48.7	6.0%
Europe ex UK	$223.2	5%	$17.4	14.8%	$18.8	7.8%
Japan	$64.7	23%	$4.9	36.7%	$4.8	-2.0%
North America	$445.0	1.0%	$108.6	-6.9%	$119.6	10.2%
Asia Pacific ex Japan	$117.8	3.0%	$51.1	4.8%	$69.6	36.2%
UK	$93.0	-3.0%	$26.3	-3.6%	29.6%	12.7%
Total	$1,031.3	0%	$254.3	-3.6%	$291.2	14.5%
Outside of top 1,200	$130.8	0%	$32.3	-3.6%	$36.9	14.5%
Grand Total	$1,162.1	0%	$286.5	-3.6%	$328.1	14.5%

3Q17 Annual Dividend Growth Rate

Adjustments from Underlying to Headline Growth

Region	Underlying growth	Special dividends	Currency effects	Index changes	Timing effects	Headline dividend growth
Emerging Markets	2.9%	1.8%	2.5%	2.5%	-3.7%	6.0%
Europe ex UK	4.6%	-5.0%	4.3%	-0.7%	4.6%	7.8%
Japan	6.1%	-0.1%	-7.0%	-0.5%	-0.6%	-2.0%
North America	7.5%	1.1%	.3%	1.2%	0.2%	10.2%
Asia Pacific ex Japan	12.1%	20.4%	2.2%	1.4%	0.1%	36.2%
UK	17.5%	3.0%	0.5%	-8.4%	0.0%	12.7%
Global	8.4%	4.9%	1.2%	0.3%	-0.3%	14.5%

JHI Global Dividend Index

Generating Income Remains Challenging

+ Generating retirement income will continue to be difficult in 2018 with these key metrics to start the year:
  - 10-year Treasury: 2.43%
  - S&P 500 Dividend Yield: 1.80%
+ The search for a competitive yield may lead some investors to assume additional, but not always fully understood, risk
+ The Three Tiers of Retirement Income approach may help advisors pivot the conversation away from yield alone and toward a more integrated, thoughtful approach to cash flow generation
+ Under this approach, retirement income is categorized into three tiers:
  - Anchor
  - Cushion
  - Yield
+ Each tier serves a particular purpose to help meet future expenses

Three Tiers of Retirement Income: Framework

Tier One: Anchor Income →	Used to meet essential and recurring expenses
Tier Two: Cushion Income →	Used to meet the next two years' worth of discretionary expenses
Tier Three: Yield →	Used to replenish Tier Two, meet unexpected expenses or reinvest

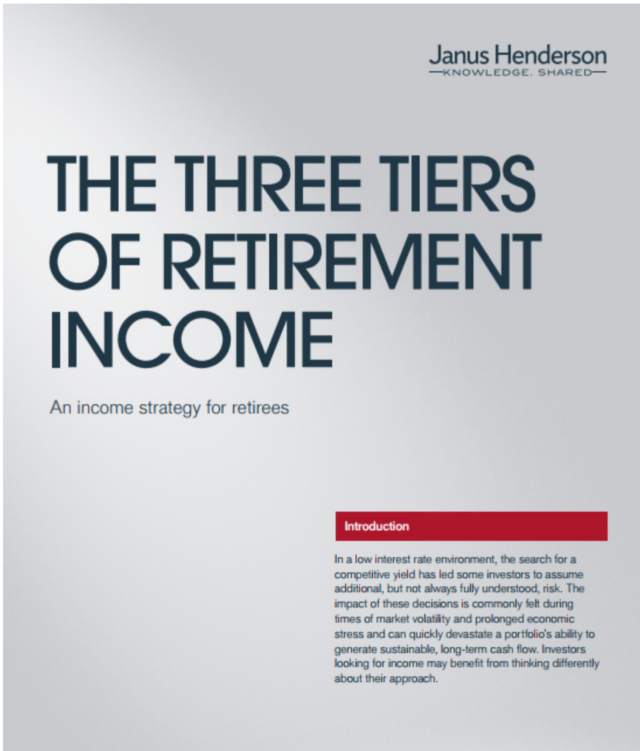
Three Tiers of Retirement Income: Implementation

Tier One: Anchor Income
Examples: Social Security, pensions, royalties and annuities

Tier Two: Cushion Income
Examples: cash and cash equivalents, short-term and low-duration bonds

Tier Three: Yield
Examples: core bond, strategic income and equity income

Three Tiers of Retirement Income: Resources



Breakthroughs
in Behavioral Finance

Breakthroughs in Behavioral Finance

- Dr. Richard Thaler won the 2017 Nobel Prize in Economic Sciences for his contributions to behavioral finance
  - Co-authored the best-selling book "Nudge," which looked at how people make bad or irrational decisions
- Additional contributions were recently made in the behavioral finance field regarding:
  - The importance of cash
  - The impact designations have on investment choices
  - Enhancing financial confidence among widows and the role of the advisor

Dr. Richard Thaler
Photo Credit: Roland Berger

The Importance of Cash

- Researchers have found that individuals with higher liquid wealth had more positive perceptions of their well-being, which in turn, predicted higher levels of life satisfaction
- Liquid wealth was found to have a higher correlation to perceived well-being and life satisfaction than total investments, spending, income and indebtedness
- Well-being and life satisfaction were measured using a survey instrument, while investments, spending and income were measured by allowing researchers access to the respondents' banking records
- Key takeaway: While perhaps not the most optimal allocation of wealth, the psychological benefits some people obtain from having a source of cash on hand if it's readily available should not be underestimated

Ruberton, P., Gladstone, J., & Lyubomirsky, S., (2016). How your bank balance buys happiness: The importance of "cash on hand" to life satisfaction. *Emotion, 16*(5), 575-580.

Advisor Designations and Investment Choices

- An experiment was conducted in which two randomly assigned groups were given the opportunity to make a series of retirement or education savings investments; the difference was one group received recommendations from a stockbroker, while the other received recommendations from a Certified Financial Planner (CFP™)
- Each investment had a 50-50 chance of profit and loss, but the expected value was always positive
  - For example, "you have a 50% chance to make a $50,000 profit and a 50% chance to incur a $20,000 loss" or "you can choose not to make the investment"
- Recommendations from a CFP were accepted, on average, 64% more often
- Key takeaway: Professional designations help build trust with some investors

Guillemette, M., & Jurgenson, J., (2017). The impact of financial advice certification on investment choices. *Journal of Financial Counseling and Planning, 28*(1), 129-139.

Enhancing Financial Confidence Among Widows

- Approximately 25% of all women over the age of 65 are widows; nearly one out of five widowed women either remarry or enter into a committed relationship within 25 months of a spouse's death
- Financial confidence was found to be positively associated with pre-commitment documentation (wills, trusts, etc.) and pre-commitment discussions (money issues such as history, outstanding debt, etc.)
- Working with a financial advisor was positively correlated with financial confidence; however, the effect was twofold when the advisor specifically inquired about the new relationship and offered to discuss financial issues to consider before remarrying or entering into a long-term partnership
- Key takeaway: Life transitions sometimes put assets at risk; helping widows build financial confidence and displaying empathy can help solidify the advisor-client relationship

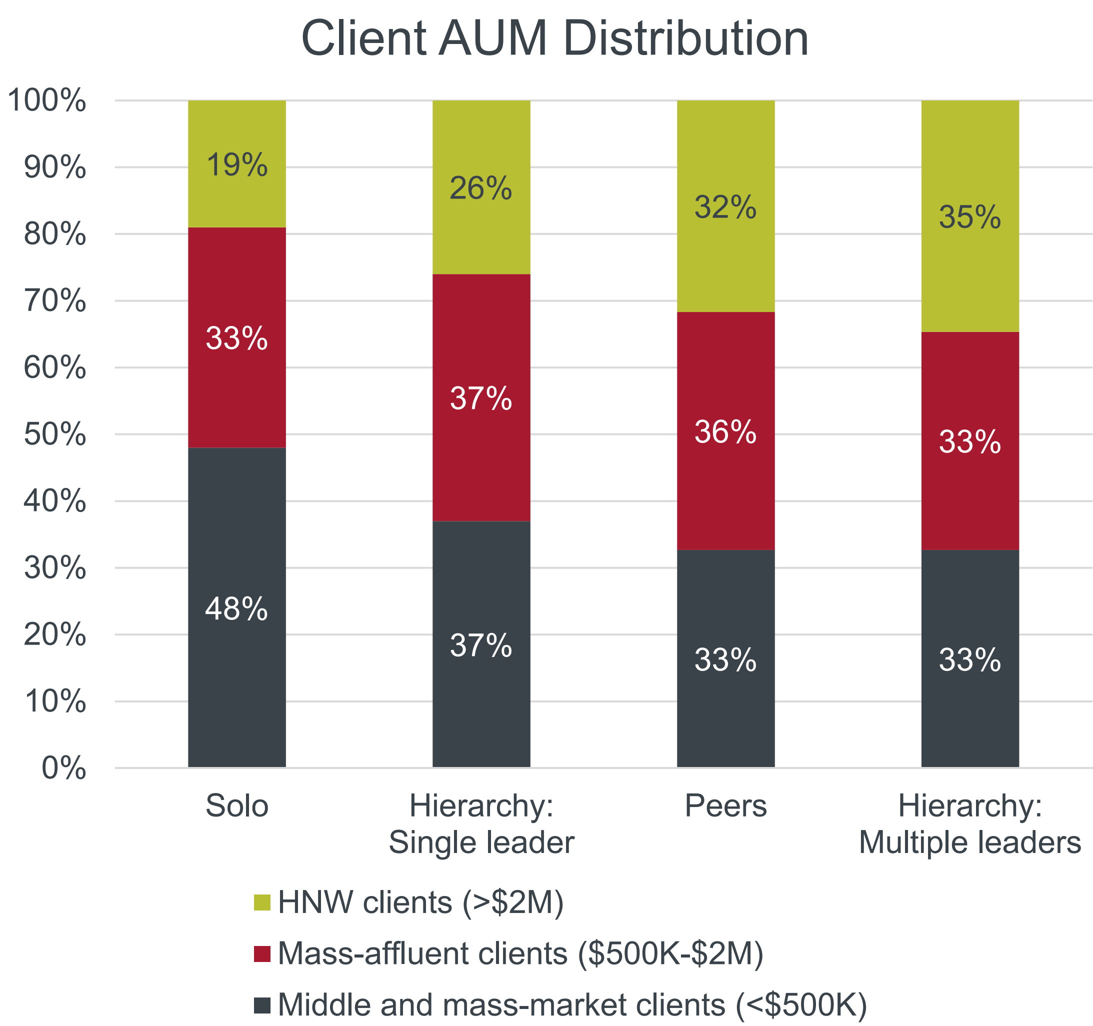
Grable, J., West, C., Leitz, L, Rehl, K., Moor, C., Hernandez, M., & Bradley, S., (2017). Enhancing financial confidence among widows: The role of financial professionals. *Journal of Financial Planning, 30*(12), 38-44.

High-Performing
Advisor Teams

High-Performing Advisor Teams

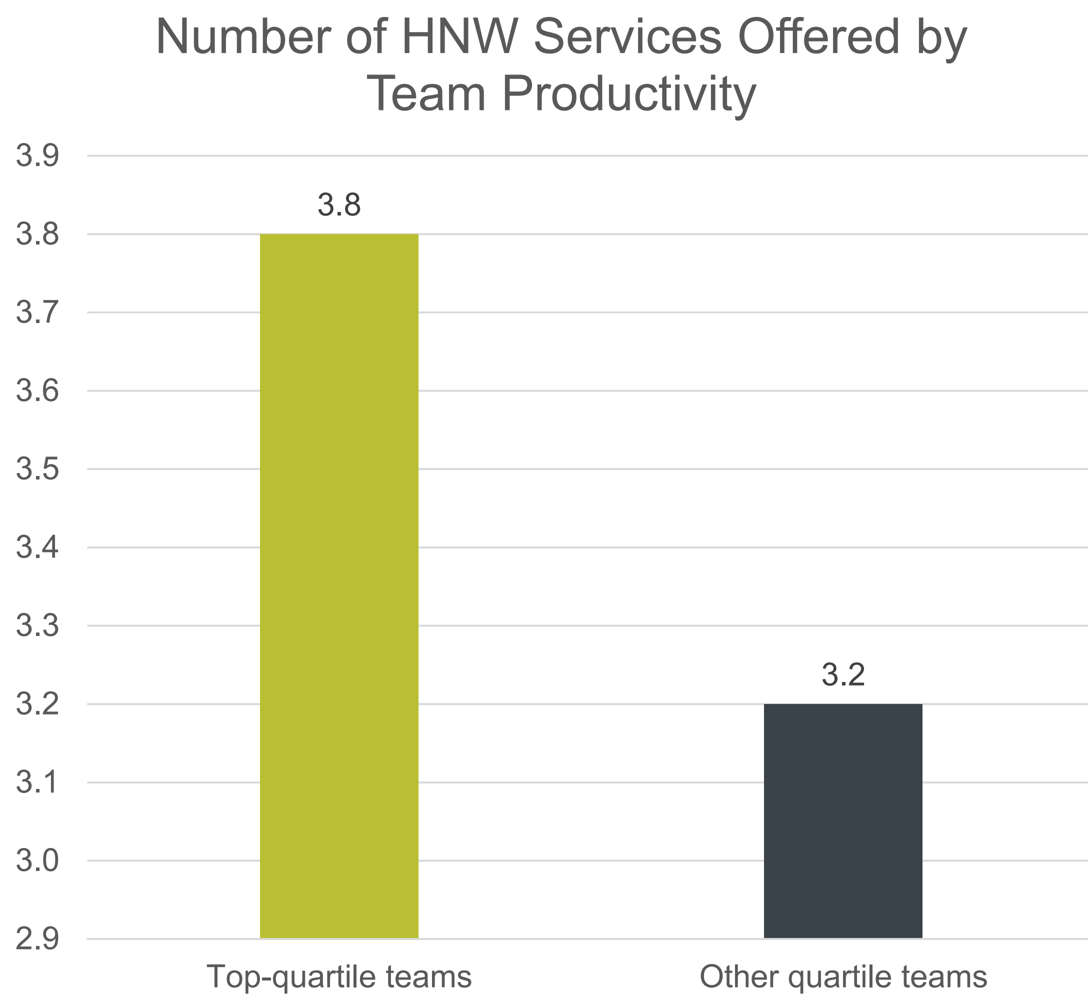
- A study of high-performing teams was conducted in 2017 by Cerulli Associates in partnership with Investments & Wealth Institute (formerly known as IMCA) and Janus Henderson Investors
- Information was gathered from approximately 2,800 practices operating across both solo and team-based models that included branch network and independent channels
- The purpose of the study was to identify the advantages of working in a team and to distinguish the attributes of the most productive teams
- While rich in data, only three findings will be explored here that directly relate to providing wealth advisory services to high-net-worth (HNW) clients:
    - Client AUM distribution
    - Number of services offered
    - Team credentials

High-Performing Advisor Teams



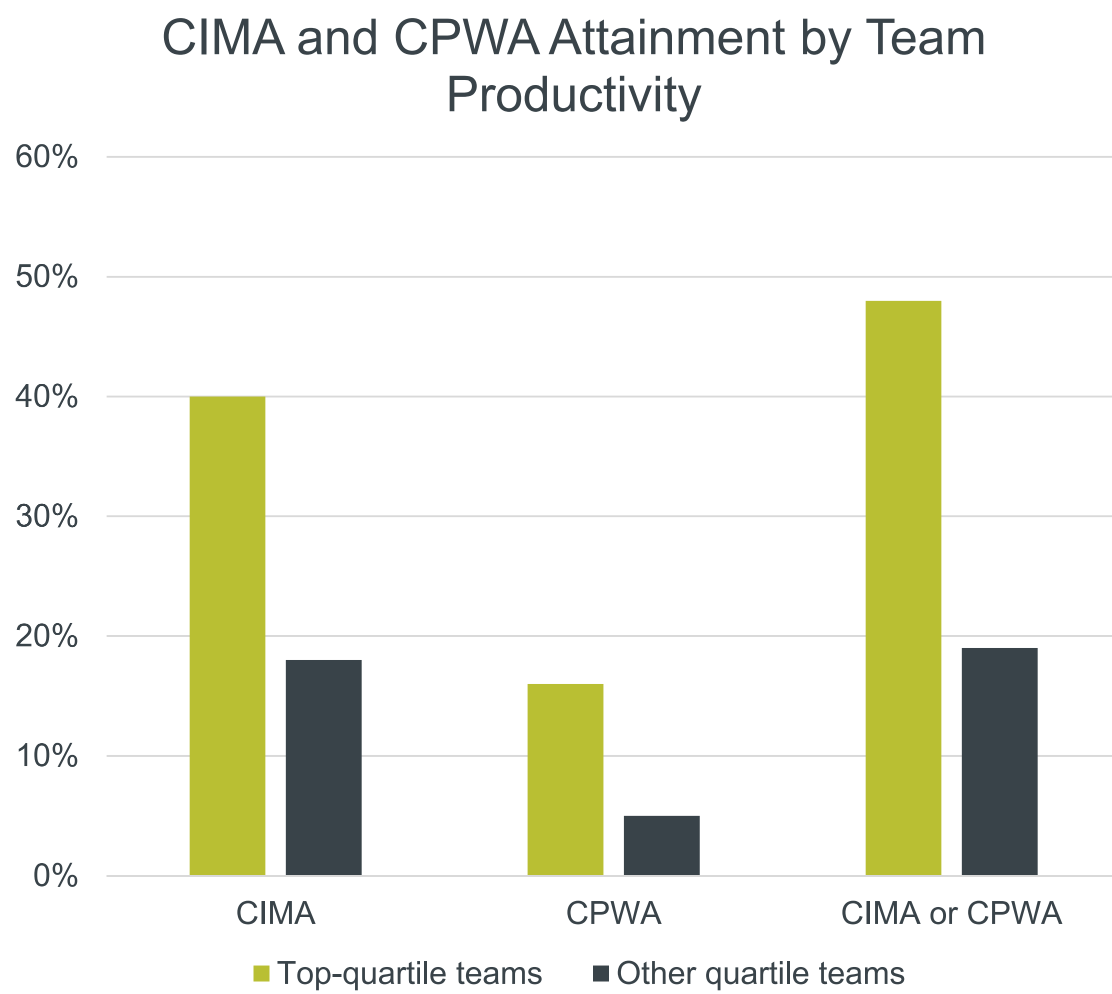
Key Finding: Teams are more likely to win HNW clients. Hierarchy teams with multiple leaders have the highest percentage of HNW clients with more than $2M in investable assets (35%).

High-Performing Advisor Teams



Key Finding: Top-quartile teams offer more services targeting HNW clients. They are more likely to offer services such as charitable planning, estate planning and business-oriented services.

High-Performing Advisor Teams



Key Finding: Top-quartile teams have a broader mix of advanced credentials compared to other quartile teams. These teams also bring together a mix of advisors with different backgrounds, strengths, expertise and interests.

High-Performing Advisor Teams

INVESTMENTS & WEALTH RESEARCH

FOCUS RESEARCH SERIES

ISSUE 4 2017

HIGH-PERFORMING ADVISOR TEAMS

By Kenton Shirk, Director, Intermediary, Cerulli Associates

This study of high-performing teams was conducted by Cerulli Associates in partnership with Investments & Wealth Institute and Janus Henderson Investors to identify the advantages of working in a team and to distinguish the attributes of the most productive teams.[1] For this study, teams were ranked based on the following three factors and then segmented into quartiles based on overall performance:

Assets under management (AUM) per producing advisor: Represents the advisor's ability to attract and retain clients.

AUM per total headcount: Represents the team's overall efficiency and ability to scale its practice when considering the contributions of advisors and staff roles collectively.

Average client size: Represents the team's ability to attract high-net-worth investors with complex needs and higher asset levels.

AUM per Senior Advisor ($ millions)

	AUM per Senior Advisor ($ millions)
Top-quartile teams	$280.4
Other quartile teams	$67.3

AUM per Total Headcount ($ millions)

	AUM per Total Headcount ($ millions)
Top-quartile teams	$120.8
Other quartile teams	$34.1

Source: Cerulli Associates

FIGURE 1:

PRODUCTIVITY PERFORMANCE COMPARISON, 2017

FIGURE 1 HIGHLIGHTS: High-performing teams substantially outperform other quartile teams.

KEY IMPLICATIONS: Teams ranked in the top quartile for overall performance manage 4.2 times more AUM per advisor compared to other quartile teams, excluding junior advisors. The average advisor in a top-quartile team manages $280.4 million in AUM compared to $67.3 million for other quartile teams. Similarly, top-quartile teams are 3.5 times more productive in terms of AUM per total practice headcount, which includes advisors and staff. The average top-quartile team manages $120.8 million per total headcount compared to $34.1 million for other quartile teams. This outperformance translates to higher top-line revenue generation and better bottom-line profitability.

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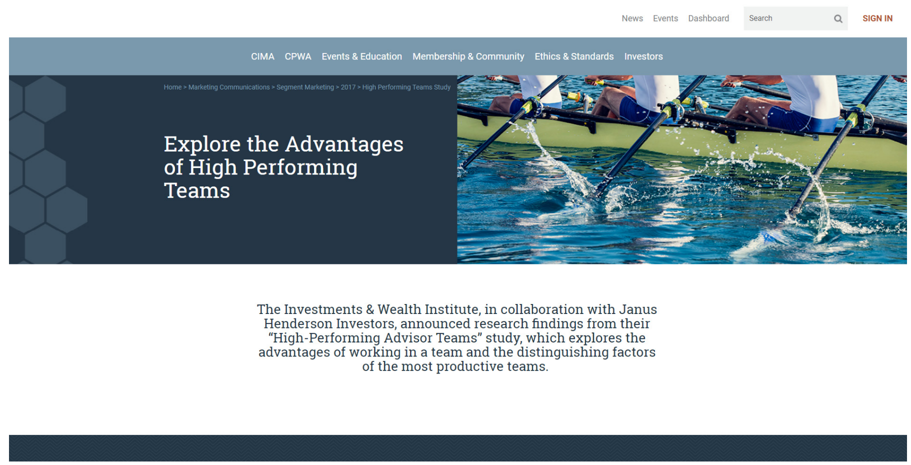
INVESTMENTS & WEALTH INSTITUTE™ formerly IMCA



Key Planning

Limits

Key Planning Limits

2018 Tax Rate Schedules				
If Taxable Income Is:		Then the Gross Tax Payable Is:		
Over	But Not Over	Amount	Plus (percent)	Of the Amount Over
Single Taxpayers (Other Than Surviving Spouses and Heads of Households)				
$0	$9,525	$0	10%	$0
$9,525	$38,700	$952.50	12%	$9,525
$38,700	$82,500	$4,453.50	22%	$38,700
$82,500	$157,500	$14,089.50	24%	$82,500
$157,500	$200,000	$32,089.50	32%	$157,500
$200,000	$500,000	$45,689.50	35%	$200,000
$500,000		$150,689.50	37%	$500,000
Married Individuals (and Surviving Spouses) Filing Joint Return				
$0	$19,050	$0	10%	$0
$19,050	$77,400	$1,905	12%	$19,050
$77,400	$165,000	$8,907	22%	$77,400
$165,000	$315,000	$28,179	24%	$165,000
$315,000	$400,000	$64,179	32%	$315,000
$400,000	$600,000	$91,379	35%	$400,000
$600,000		$161,379	37%	$600,000

Source: IRS

Key Planning Limits

2018 Tax Rate Schedules				
If Taxable Income Is:		Then the Gross Tax Payable Is:		
Over	But Not Over	Amount	Plus (percent)	Of the Amount Over
Heads of Households				
$0	$13,600	$0	10%	$0
$13,600	$51,800	$1,360	12%	$13,600
$51,800	$82,500	$5,944	22%	$51,800
$82,500	$157,500	$12,698	24%	$82,500
$157,500	$200,000	$30,698	32%	$157,500
$200,000	$500,000	$44,298	35%	$200,000
$500,000		$149,298	37%	$500,000
Married Individuals Filing Separate Returns				
$0	$9,525	$0	10%	$0
$9,525	$38,700	$952.50	12%	$9,525
$38,700	$82,500	$4,453.50	22%	$38,700
$82,500	$157,500	$14,089.50	24%	$82,500
$157,500	$200,000	$32,089.50	32%	$157,500
$200,000	$300,000	$45,689.50	35%	$200,000
$300,000		$80,689.50	37%	$300,000
Fiduciary (Estates and Trusts) Taxpayers				
$0	$2,550	$0	10%	$0
$2,550	$9,150	$255	24%	$2,550
$9,150	$12,500	$1,839	35%	$9,150
$12,500		$3,011.50	37%	$12,500

Source: IRS

Key Planning Limits

Income Tax Exemptions & Deductions	2018	2017	2016
Personal Exemption	**N/A**	**$4,050**	**$4,050**
Standard Deductions			
Single	$12,000	$6,350	$6,300
Married filing jointly	$24,000	$12,700	$12,600
Head of household	$18,000	$9,350	$9,300
Married filing separately	$12,000	$6,350	$6,300
Elderly and Blind Deductions			
Single	$1,600	$1,550	$1,550
Married	$1,300	$1,250	$1,250
Phase-Out of Itemized Deductions and Personal Exemptions			
Single	N/A	$261,500	$259,400
Married	N/A	$313,800	$311,300
Head of household	N/A	$287,650	$285,350
Married filing separately	N/A	$156,900	$155,650

Source: IRS

Key Planning Limits

Income Tax Exemptions & Deductions (Continued)	2018	2017	2016
Kiddie Tax			
Amount exempt from tax	First $1,050	$1,050	$1,050
Amount taxed at child's rate	Next $1,050	$1,050	$1,050
Unearned income over $2,100	Taxed at applicable trust and estate rates	Taxed at parent's rate	Taxed at parent's rate
Adoption Credit			
Maximum credit	$13,810	$13,570	$13,460
Phaseout amounts	$207,140-$247,140	$203,540-$243,540	$201,920-$241,920
AMT Exemption			
Single	$70,300	$54,300	$53,900
Married filing jointly	$109,400	$84,500	$83,800
AMT Exemption Phaseout			
Single	$500,000	$120,700	$119,700
Married filing jointly	$1,000,000	$160,900	$159,700

Source: IRS

Key Planning Limits

Social Security Planning	2018	2017	2016
Wage Base	**$128,400**	**$127,200**	**$118,500**
FICA Tax – Employee	**7.65%**	**7.65%**	**7.65%**
Social Security portion	6.20%	6.20%	6.20%
Medicare portion	1.45%	1.45%	1.45%
FICA Tax – Self-Employed	**15.30%**	**15.30%**	**15.30%**
Social Security portion	12.40%	12.40%	12.40%
Medicare portion	2.90%	2.90%	2.90%
Additional Medicare Payroll Tax	**0.90%**	**0.90%**	**0.90%**
Single	$200,000	$200,000	$200,000
Joint	$250,000	$250,000	$250,000
Quarter of Coverage	**$1,320**	**$1,300**	**$1,260**
Earnings Limitations			
Under full retirement age ($1 reduced for every $2 earned)	$17,040	$16,920	$15,720
Year of full retirement age ($1 reduced for every $3 earned)	$45,360	$44,880	$41,880
Beginning the month of full retirement age	No limit on earnings	No limit on earnings	No limit on earnings

Source: IRS

Key Planning Limits

Social Security Planning	2018	2017	2016
Cost of Living Adjustment	2.00%	0.30%	0.00%
Maximum Monthly Benefit	$2,788	$2,687	$2,639
Percentage of Social Security Benefits Subject to Tax			
Single filers with combined income			
less than $25,000	0%	0%	0%
between $25,000-$34,000	50%	50%	50%
over $34,000	85%	85%	85%
Joint filers with combined income			
less than $32,000	0%	0%	0%
between $32,000-$44,000	50%	50%	50%
over $44,000	85%	85%	85%

Source: IRS

Key Planning Limits

Medicare and Health Care Planning	2018	2017	2016
Medicare Part A Monthly Premium Amounts			
40+ quarters of coverage	$0	$0	$0
30-39 quarters of coverage	$232	$227	$226
< 30 quarters of coverage	$422	$413	$411
Medicare Part B Monthly Premium Amounts	**$134.00-$428.00**	**$109.00-$428.60**	**$104.90-$389.90**
Medicare Part A Hospital Insurance			
First 60 days – deductible	$1,340	$1,316	$1,288
Next 30 days – per day	$335	$329	$322
Next 60 days – per day	$670	$658	$644
Skilled Nursing Benefits			
First 20 days — per day	$0	$0	$0
Next 80 days – per day	$167.50	$164.50	$161.00
Over 100 days – per day	All	All	All
Part B Deductible	**$183**	**$183**	**$166**
Part D Deductible	**$405**	**$400**	**$360**
Coverage Limit	$3,750	$3,700	$3,310
Out-of-Pocket Threshold	$5,000	$4,950	$4,850

Source: IRS

Key Planning Limits

Medicare and Health Care Planning	2018	2017	2016
Health Savings Account Limits			
Individual	$3,450	$3,400	$3,350
Family	$6,850	$6,750	$6,750
Catch up contribution (age 55 or older)	$1,000	$1,000	$1,000
Health Savings Account Minimum Deductible			
Individual	$1,350	$1,300	$1,300
Family	$2,700	$2,600	$2,600
Health Savings Account Maximum Out-of-Pocket			
Individual	$6,650	$6,550	$6,550
Family	$13,300	$13,100	$13,100
Long-Term Care Per Diem Limit	**$360**	**$360**	**$340**
Long-Term Care Premium Deduction Limits			
Age 40 or under	$420	$410	$390
Age 41-50	$780	$770	$730
Age 51-60	$1,560	$1,530	$1,460
Age 61-70	$4,160	$4,090	$3,900
Over age 70	$5,200	$5,110	$4,870

Source: IRS

Key Planning Limits

Retirement Plan Limits	2018	2017	2016
Elective Deferral Limits			
401(k), 403(b) and 457(b) plans	$18,500	$18,000	$18,000
Catch-up contribution	$6,000	$6,000	$6,000
SIMPLE IRAs	$12,500	$12,500	$12,500
Catch-up contribution	$3,000	$3,000	$3,000
Traditional and Roth IRAs Contribution Limits	$5,500	$5,500	$5,500
Catch-up contribution	$1,000	$1,000	$1,000
Traditional IRA Deduction Phaseout for Active Participants			
Single	$63,000-$73,000	$62,000-$72,000	$61,000-$71,000
Married filing jointly	$101,000-$121,000	$99,000-$119,000	$98,000-$118,000
Married filing separately	$0-$10,000	$0-$10,000	$0-$10,000
Spousal IRA	$189,000-$199,000	$186,000-$196,000	$184,000-$194,000
Roth IRA Contribution Phaseouts			
Single	$120,000-$135,000	$118,000-$133,000	$117,000-$132,000
Married filing jointly	$189,000-$199,000	$186,000-$196,000	$184,000-$194,000
Married filing separately	$0-$10,000	$0-$10,000	$0-$10,000
Maximum Includable Compensation	$275,000	$270,000	$265,000
Defined Benefit Limit	$220,000	$215,000	$210,000
Defined Contribution Limit	$55,000	$54,000	$53,000
Highly Compensated Employees	> $120,000	> $120,000	> $120,000
Key Employee	> $175,000	> $175,000	> $170,000
SEP Minimum Compensation Limit	$600	$600	$600

Source: IRS

Key Planning Limits

Estate and Gift Tax Planning	2018	2017	2016
Annual gift exclusion	$15,000	$14,000	$14,000
Estate tax applicable exclusion amount	$11,180,000	$5,490,000	$5,450,000
Gift tax exclusion amount	$11,180,000	$5,490,000	$5,450,000
Noncitizen spouse annual gift exclusion	$149,000	$149,000	$148,000
GST exemption	$11,180,000	$5,490,000	$5,450,000
Special use valuation limit (qualified real property in the decedent's gross estate)	$1,120,000	$1,120,000	$1,110,000

Source: IRS

Key Planning Limits

Education Planning	2018	2017	2016
Interest Exclusion on EE Saving Bonds			
Single phaseouts	$79,550-$94,550	$78,150-$93,150	$77,550-$92,550
Married filing jointly phaseouts	$119,300-$149,300	$117,250-$147,250	$116,300-$146,300
Coverdell Education Savings Account Phaseout			
Single phaseouts	$95,000-$110,000	$95,000-$110,000	$95,000-$110,000
Married filing jointly phaseouts	$190,000-$220,000	$190,000-$220,000	$190,000-$220,000
Lifetime Learning Credit			
Maximum credit	$2,000	$2,000	$2,000
Single phaseouts	$57,000-$67,000	$56,000-$66,000	$55,000-$65,000
Married filing jointly phaseout	$114,000-$134,000	$112,000-$132,000	$111,000-$131,000
American Opportunity Credit			
Maximum credit	$2,500	$2,500	$2,500
Single phaseouts	$80,000-$90,000	$80,000-$90,000	$80,000-$90,000
Married filing jointly phaseout	$160,000-$180,000	$160,000-$180,000	$160,000-$180,000
Interest Deduction for Education Loans			
Maximum deduction	$2,500	$2,500	$2,500
Single phaseout	$65,000-$80,000	$65,000-$80,000	$65,000-$80,000
Married filing jointly phaseout	$135,000-$165,000	$135,000-$165,000	$130,000-$160,000
$4,000 Higher Education Deduction			
Single AGI cutoff	N/A	N/A	$65,000
Married filing jointly AGI cutoff	N/A	N/A	$130,000
$2,000 Higher Education Deduction			
Single phaseout	N/A	N/A	$80,000
Married filing jointly phaseout	N/A	N/A	$160,000

Source: IRS

Key Planning Limits

Investment Planning	2018	2017	2016
Top Long-Term Capital Gain Rate	20%	20%	20%
Top Rate on Qualified Dividends	20%	20%	20%
Medicare Surtax on Net Investment Income	3.80%	3.80%	3.80%
Single taxpayers	$200,000	$200,000	$200,000
Married taxpayers	$250,000	$250,000	$250,000
Estates & Trusts	$12,500	$12,500	$12,400

Source: IRS

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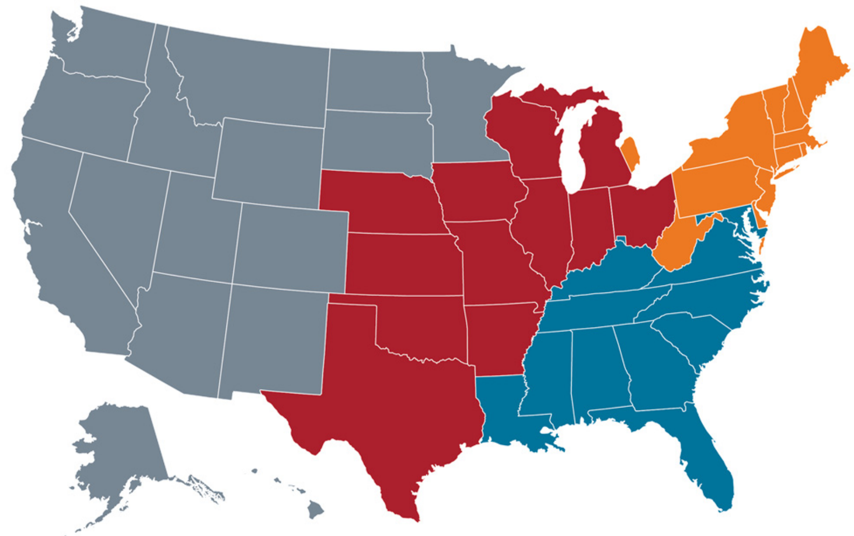

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