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In This Issue of Horizons...

RubinBrown has much to celebrate right now. This issue of Horizons is abundant with great news to share with you.

First, we’re thrilled to announce (on pages two and three) that not only have we expanded to Las Vegas, but we also moved our Kansas City office into new, larger space in the Power and Light District of downtown Kansas City!

The move into the Las Vegas market will help strengthen our position as a leader and service provider to the gaming industry. We have been serving this industry for a decade and this provides us “boots on the ground” access in the gaming capital of the United States.

The relocation of our Kansas City office downtown provides us the opportunity to participate in the revitalization of the downtown area and be accessible to our clients in both Missouri and Kansas. Our new office is located in the tallest building in Kansas City.

This Horizons also celebrates the retirement of Jim Castellano. Jim’s 40-year career with RubinBrown has been highly regarded. His impact on RubinBrown, the accounting profession and the business community in general is immense. I personally have learned so much from Jim and appreciate his wisdom and guidance over the years. All of us who have worked with Jim throughout his extraordinary career are all better for having known him. He will be missed.

This issue of Horizons is dedicated to our RubinBrown Wealth Advisory Services Group. RubinBrown has been serving clients with wealth advisory services for 15 years, and it is becoming an increasingly larger percentage of the services we provide every year.

Our clients asked us to enter the wealth advisory market to help them ensure financial success. This only made sense and so we sought out the best and brightest talent to help us serve you.

Today, I’m happy to report that our team is more than 40 team members strong with advisors located in Denver, Kansas City and St. Louis. We’re very proud to have more than $1 billion in assets under management through our investment advisory affiliate firm, RubinBrown Advisors LLC.

We recently branded our services as RubinBrown Wealth Advisors and launched a new website (www.RubinBrownWealthAdvisors.com). Our tagline, “Integrated Planning For Life,” illustrates our commitment to providing all services related to your financial success. Our clients enjoy wealth accumulation, portfolio management, income and estate tax planning and personal financial planning services – all in one place.

Another differentiator is we are a true fiduciary and offer no proprietary products. We are relationship oriented in serving, not transactional...just as we are with our traditional services.

I would love to introduce you to our wealth advisors. Feel free to contact me at john.herber@rubinbrown.com or call me at 314.290.3300.

Pleasant reading,

John F. Herber, Jr., CPA, CGMA
Chairman & Managing Partner
RubinBrown Expands to Las Vegas

RubinBrown is combining with Stewart Archibald & Barney (SAB), Las Vegas’ sixth largest accounting firm, effective June 1, 2017.

This combination brings together more than 600 team members working from offices in Denver, Kansas City, Las Vegas, Nashville and St. Louis.

The Las Vegas market is desirable for RubinBrown not only for the thriving business climate, but also the strategic platform it will provide for RubinBrown’s national gaming practice. Over the past decade, RubinBrown has become a leading provider of assurance and consulting services to gaming regulators and operators nationally. The firm now has ‘boots on the ground’ for its commercial gaming clientele in Las Vegas, as well as the tribal market in the Southwest.

SAB and RubinBrown share a common history and culture that is founded on client service. Glenn Goodnough, the current managing partner of SAB, will continue in his current role as managing partner of the Las Vegas office. In addition, each of the nearly 60 other team members of SAB will all continue with the expanded RubinBrown.
RubinBrown’s Kansas City Office Moves

RubinBrown is pleased to share that the Kansas City Office has moved to downtown Kansas City as of Friday, January 6, 2017.

Our new Kansas City office is located on the tenth floor of One Kansas City Place at 12th and Main. This is in the heart of the downtown business district. We are very happy to be a part of the revitalization of downtown Kansas City.

We will continue to provide RubinBrown-level service to our clients and partners throughout the entire Kansas City area.

Please note our phone number has changed as well.

RubinBrown Kansas City Office
One Kansas City Place
1200 Main Street, Suite 1000
Kansas City, Missouri 64105
816.472.1122

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Join us on your favorite social media site for updates, news stories and more!

@RubinBrown    RubinBrown LLP

Connect with RubinBrown Recruiting
@RubinBrown4U    @RubinBrown4U
Help RubinBrown celebrate and congratulate four RubinBrown Partners who will retire May 31, 2017. Each of these leaders has had a tremendous impact on the firm and its clients.

**Jim Castellano** will retire from RubinBrown on May 31, 2017, after an illustrious 43-year career at RubinBrown. Jim served as the second Managing Partner in the history of the firm, as well as the firm’s Chairman. Jim’s impact on our firm, the accounting profession and the business community as a whole has been exceptional.

Jim served as Chairman since 2004, when John Herber succeeded him as the firm’s Managing Partner. Jim had served as Managing Partner since 1989, when he took the reins from the late Mahlon Rubin, who had led the firm since its founding in 1952.

In addition to his leadership roles at RubinBrown, Jim continues as Chairman of Baker Tilly International, the world’s ninth largest network of independent accounting firms.

Jim served as Chairman of the Board of Directors for the American Institute of Certified Public Accountants (AICPA) during 2002, restoring public confidence during the accounting profession’s fallout from the Enron scandal.

On the 125th anniversary of the AICPA in 2012, the Journal of Accountancy named Jim one of the 125 People of Impact in the History of the Accounting Profession. In addition, the AICPA bestowed the accounting profession’s highest honor on him, the Gold Medal for Distinguished Service.

More recently, Jim was named to Ingram’s Magazine 50 Missourians You Should Know.

Currently, he serves on the board of governors for the Cardinal Glennon Children’s Foundation and is a member of the St. Louis Regional Business Council.
Brian Frevert joined RubinBrown in 2010, when Saltzman Hamma Nelson Massaro combined with RubinBrown. Brian joined predecessor firm Hamma and Nelson in 1994, which then merged with Saltzman Massaro in 1997. Brian has served clients with financial and estate planning, as well as provided wealth advisory services to individuals and organizations.

Greg Paulus joined RubinBrown in June 1979 and has worked almost exclusively in the construction industry for the past 37 years. He was promoted to partner in 1986. Greg has also been active over the years in construction-related organizations such as the CFMA (Construction Financial Management Association) and the AGC (Associated General Contractors).

Frank Seffinger joined RubinBrown in 2010, when Saltzman Hamma Nelson Massaro (SHNM) combined with RubinBrown. Frank joined SHNM as a partner in 2007 and has more than 40 years of diversified experience as a tax consultant and advisor.
Bill Rooney, CPA, CGMA, has joined RubinBrown as a partner in the Tax Consulting Services Group. Rooney has extensive expertise working with high net worth individuals and businesses of all kinds, from limited liability companies to partnerships and S Corporations, and handles individual tax, trust, real estate, multi-state taxation, non-profit organizations and IRS issues.

Michael Bean, CPA, CFA, joined RubinBrown as a manager in the Business Advisory Services Group. He provides business advisory, mergers and acquisitions and due diligence services for a variety of clients.

Christine Boushka, CPA, joined RubinBrown as a manager in the Wealth Advisory Services Group. She provides family office, tax and wealth management services to clients in the entertainment, real estate, construction, manufacturing and distribution and not-for-profit industries.

Roland Thomas, CPA, joins the firm as a manager within the Tax Consulting Services Group. Thomas has more than 14 years of tax and accounting experience serving publicly and privately held businesses and business owners.
New Website for the

RUBINBROWN WEALTH ADVISORS

The RubinBrown Wealth Advisors are excited to announce the launch of its new website featuring a convenient location to access service offerings, market and investment news updates, client resources and more.

www.RubinBrownWealthAdvisors.com
What Does it Mean to Provide "Integrated Planning for Life"?

by Bob Jordan, CPA, PFS & Steve Wisniewski
Google the word “integrated financial planning” and you will receive more than three million hits. It’s not surprising, because the notion that true financial planning could be accomplished on anything other than an integrated basis is preposterous.

If the prevalence of the term “integrated” is any indication of the industry’s recognition of its importance in crafting a successful financial plan, one might be forgiven if one assumed that all financial planning is accomplished on an integrated basis. Experience tells us otherwise.

No one quite knows exactly when the term or process of “financial planning” originated; but at least one writer credits a gentleman named Loren Dunton who, at a meeting of 13 like-minded people at O’Hare Airport in Chicago in 1969, started the Society for Financial Counseling Ethics.

Prior to that time, the industry wasn’t much more than stock brokers and insurance salesmen selling their products. Forty years later, sales still play a prominent role in compensating some planners.

There is nothing inherently wrong with a method of compensation based on “the sale” as long as the planner remains focused on the promised objective: integrated financial planning in the client’s best interest.

When choosing a financial planner, satisfactory answers to two questions should be paramount in the decision. First, is the planner truly interested in going through the entire financial planning process with you? It’s impossible to accomplish true financial planning in anything other than an integrated fashion.

Yet there is much in the industry touted as such that upon closer examination might more accurately be described as siloed insurance planning, retirement planning, tax planning or very often, simply investment planning. As American psychologist Abraham Maslow said, “I suppose it is tempting, if the only tool you have is a hammer, to treat everything as if it were a nail.”

In an interview with a potential financial planner, inquire about the planner’s approach and listen carefully to the answers. You should be hearing a process described that is intently focused on your goals and objectives.

Should you choose to engage that planner, you should expect to provide copies from a comprehensive list of documents and be asked a wide range of very personal questions.

From all the questions, you may wonder at some point if this person plans to write your autobiography; but this is all necessary information for the planner to approach your situation on an integrated basis.

For example; it may make a difference if your parents are wealthy. That information could affect your current family gifting strategies, education funding, investment approach and a whole host of other actions. In an integrated approach, virtually no piece of information exists on an island.

Once the planner has sufficient data, he or she will begin the analysis. Much like putting together a puzzle, each discrete piece must be examined to see how it fits with the others. Should some pieces be turned or modified to work more efficiently with others? Are enough pieces present to complete the picture or are all of the pieces necessary?

This detailed analysis must take place before the planner can develop and present recommendations to you. Only after these recommendations have been communicated and completely understood can the implementation take place.
Don’t be surprised if you end up implementing strategies that you may have once thought unrelated to your goal. You came in looking for a better stock fund and ended up implementing a health savings account because when all your objectives were truly understood, the tax-free growth of such a vehicle beat the additional risk of the new hot stock fund. That’s integration.

After the identified strategies have been implemented, follow up should occur continuously. Whenever something occurs that changes a goal or objective, changes in strategy must be evaluated.

If you accept a new job on Monday and learn you and your spouse are expecting on Thursday, you should expect to have at least two conversations with your planner that week. Now, thankfully, change does not typically occur at such a rapid pace; but the point is that an integrated approach necessitates constant communication of changing life circumstances. The fact that the Dow rose 50 points the same week does not adequately address either event. This follow up is where many plans fall short.

Assuming you are fortunate enough to find a planner who understands the importance of an integrated approach to planning, a second critical question must be addressed.

Does the planner have the resources, expertise and capability to successfully address and integrate the various pieces of your plan? It’s not enough to be aware of the importance of integration, the planner must also be able to execute with a high degree of competence.

Can the planner bring together a high level of expertise in the following areas that may impact your plan:

- Health care/Medicare
- Investment analysis
- Investment management
- Company compensation plans
- Qualified plans – retirement plans
- Social security strategies
- Risk management
- Education funding
- Intergenerational family wealth dynamics
- Estate planning and related vehicles
- Charitable objectives
- Long-term care
- Lifestyle portfolios
- Legacy portfolios
- Business planning
- Ex-patriate taxation
- Innovative income tax planning
- Income tax compliance

Awareness of the need to address each of these areas is a step in the right direction. But you should also feel confident the planner and his or her team is knowledgeable in all of these areas.

An objective way to determine this is to turn to the marketplace. The planner’s offering in each area should be strong enough to stand on its own. While it remains true that comprehensive financial planning must be accomplished on an integrated basis, not everyone is seeking to engage in financial planning.

When someone needs a standalone service, the planner’s discrete offerings should be strong enough to compete in the marketplace. Many people simply want tax planning and compliance. Does the community at large engage the planner’s team for this service as well?

You’re much more likely to get top-notch expertise and service in a particular area from an organization providing that service to the public as a main service line rather than simply a back-office accommodation.

To whom would you rather entrust decisions surrounding your compensatory stock options; the planner who has assembled a team with some past tax experience just to accommodate you or the planner
organization engaged by Fortune 500 companies to provide this planning service to their executives? Who do you think will be more current on the issues?

It is possible for a planner who is mindful of his or her own limitations in a critical area to enlist the help of third parties to address those areas.

In fact, this is preferred over a planner trying to provide services in areas in which he or she is unqualified. It is then absolutely essential, however, that constant communication between all parties involved in serving the client takes place and that each service provider attaches equal import to the client relationship.

Further, it must be agreed in advance who is responsible for sharing critical information. As a financial planning client you should not have to call three different parties to tell them that college tuition is coming due and you...

a) need a distribution from an investment account that

b) will need trustee approval and

c) will cause your tax liability for the year to be affected.

The key is integration.

Finally, even if the team of separate service providers works seamlessly, it is important to identify any overlap in services and more importantly any overlap in fees. Life events and market fluctuations are going to occur regardless of how well one plans, but fees are one area over which the client has some degree of control. Overpaying for duplicative services (or simply overpaying) is an enormous drag on investment performance, one that is not often overcome in the long term.

Finding best-in-class services from a single provider is not only more convenient for you as the client; but oftentimes will make it much more cost effective as well.

Everyone needs a financial plan, whether you are just starting out or deciding how to best preserve what you have accumulated for future generations. You are more likely to accomplish your objectives with a clear direction laid out in a plan that considers all aspects of your life in an integrated approach.
Why RubinBrown Entered Wealth Advisory

After the technology bubble burst in 2001, RubinBrown leadership gathered to discuss ways to help clients through the economic downturn.

A marketing research firm helped RubinBrown conduct focus groups with clients to ask specifically how the firm could provide a higher level of service. From the information obtained, the marketing research firm reported that clients wanted RubinBrown to provide them with the following services to increase their chances of achieving financial success:

1. Provide independent and objective financial planning advice, including investment advice
2. Integrate income tax, estate tax, and investment advice together, in one team
3. Offer no proprietary products
4. Become their personal CFO
5. Offer very competitive pricing
6. Provide these services for an asset based fee better aligned with clients’ financial interests
7. Act in a fiduciary capacity in providing the advice and services
8. Be relationship oriented, not transactional
9. Avoid conflicts of interest

Consistent with the firm’s first core value, “Superior Quality & Service,” the partners listened to their clients and established a team to provide the services desired.

Accordingly, RubinBrown Wealth Advisory Services was born in 2002. For skill sets not covered with existing team members the firm hired outside individuals with the requisite skills needed to provide these services to complete the team.

Since its inception, RubinBrown Wealth Advisory Services has been the firm’s fastest growing business unit, successfully providing exactly the services that clients requested, with a fully integrated team of experienced professionals.
Mark Your Calendars

Glean insight into the latest tax legislation. Learn more about how new accounting rules will affect your business. Find out how your organization can benefit from business strategies and innovative ideas. Throughout the year, RubinBrown is an excellent source for learning and insight.

Registration will be available 5 weeks prior to each event at www.RubinBrown.com/Events.

**Ethics**
- **DENVER** NOVEMBER 14, 2017
  Denver University
- **KANSAS CITY** NOVEMBER 15, 2017
  The Gallery
- **ST. LOUIS** NOVEMBER 16, 2017
  St. Louis Art Museum

**Public Sector Update**
- **DENVER** JANUARY 19, 2018
  RubinBrown Office
- **ST. LOUIS** JANUARY 31, 2018
  RubinBrown Office

**Year-End Update**
- **DENVER** DECEMBER 5, 2017
  RubinBrown Office
- **KANSAS CITY** DECEMBER 6, 2017
  Overland Park Convention Center
- **ST. LOUIS** DECEMBER 7, 2017
  Donald Danforth Plant Sciences Center

**Not-For-Profit Update**
- **DENVER** JANUARY 30, 2018
  RubinBrown Office
- **KANSAS CITY** FEBRUARY 6, 2018
  Overland Park Convention Center
- **ST. LOUIS** JANUARY 24, 2018
  RubinBrown Office

**SEC Update**
- **ST. LOUIS** JANUARY 4, 2018
  RubinBrown St. Louis Cortex Office
The **Top 10** Most Common Mistakes Made by Investors

by Tom Tesar, CPA, CFP®, Cory Underwood, CFA, CFP®, Hannah Castellano, CPA & Matt Hartman, CFP®
One of the most critical elements to achieve the goals and objectives in your financial plan is making the right investment choices.

Making the wrong choices can be costly and result in failure in achieving your long-term goals. RubinBrown Wealth Advisors share the most common mistakes investors make, as well as provide guidance to avoid them.

1. Not understanding the all-in cost of your portfolio
Fees can include transaction costs (commissions, mark ups and loads), ongoing investment advisory fees charged by advisors, embedded fees contained in investment products (mutual funds, annuities, exchange traded funds, separately managed accounts, etc.), custody fees and the like.

Fees can have a significant impact on the performance of your portfolio. Ask your broker or investment advisor to disclose the “all-in cost” of managing your portfolio, including all the fees you see and especially those you do not see.

2. Investing without identifying goals or assessing your risk tolerance
Quite frequently, RubinBrown Wealth Advisors find individual investors take on more risk than they need or can tolerate. As a result, when markets are volatile, they panic, sell at the wrong time and often do not get back into the market until it has recovered.

It is important to know and clearly articulate what you are saving money for. This will enable your advisor to create a plan, and design a portfolio as part of that plan with an appropriate asset allocation. This approach will help you achieve the long-term return you need to achieve your goals and objectives at a level of risk you can tolerate.

3. Chasing returns
Many investors look at the past performance of an investment and mistakenly assume that the same performance is repeatable in the future, only to be disappointed when the investment does not meet their expectations.

Because the performance of different asset classes (stocks, bonds, real estate, commodities and cash) fluctuates at different times in the business cycle, and the timing is not easily predictable, investors shouldn’t chase returns. Our experience has shown this is the primary reason that past performance is not necessarily a good predictor of future performance.

4. Not rebalancing your portfolio
It is important to review your portfolio periodically to be sure that its asset allocation is consistent with your plan. Left to its own devices, a portfolio can quickly get out of balance as different asset classes move in and out of favor over the course of the business cycle.

Especially after a period of volatility, you can easily find your portfolio over weighted to one or more asset classes. This change in asset class weightings can result in a portfolio with a different risk/return profile from the one your advisor originally designed.

Look at the portfolio asset class weightings periodically with your advisor and make adjustments to the allocation as needed to maintain your desired risk/return profile.
5. Portfolio lacks diversification
Many Nobel Prize winning studies have demonstrated the primary driver of the risk/return profile of an investment portfolio is the asset allocation. Many investors believe investing in different stocks or mutual funds means their portfolios are diversified.

Upon further analysis, RubinBrown oftentimes finds many of the stocks or mutual funds owned are in the same asset class or sub asset class (e.g., large/mid cap growth or value, small cap growth or value, etc.) and will likely fluctuate similarly as the business cycle progresses, thereby mitigating the risk reduction benefits of being truly diversified. It is important to understand exactly what you own.

6. Not investing in a tax efficient manner
Many investors don’t think about the tax implications of where their investments are held. It is important to remember that it is not what you make that matters, but what you keep after taxes. Pay attention to taxation.

Different types of accounts and investments have different income tax implications. Capital gains and dividends are taxed at preferred rates, while interest can be either taxed at ordinary rates or tax exempt. Also, any earnings in a traditional IRA or 401k account can be deferred until withdrawn in retirement and are then taxed at ordinary rates, including dividends and capital gains on stocks.

Earnings in a Roth IRA or Roth 401k account are tax exempt, even when withdrawn after retirement. Therefore, it makes sense, if you have a diversified portfolio containing tax inefficient assets that generate ordinary income (e.g., taxable bonds, commodities and real estate investment trusts) to hold these in tax deferred accounts, such as traditional IRAs and 401k’s.

Doing so will allow you to defer any income tax without giving up any tax preference when the returns are withdrawn in retirement.

For those assets that generate returns that are taxed at preferred rates (e.g., capital gains and dividends on stocks), consider holding them in taxable accounts so that the tax preference is not lost, or hold them in a Roth IRA or 401k account where none of the returns will be taxed.

Also, if a portfolio has trust accounts that are not included in an investor’s estate, it may make sense to consider holding growth assets like stocks in them since the appreciation will not be included in the investor’s estate.

7. Not monitoring your managers
Many investors buy a fund or invest in a separately managed account and never look at it again. Many portfolio managers managing mutual funds and separately managed accounts come and go. The investment philosophies, strategies and organizations they work for can change or be bought and sold over time.

Portfolio management fees and costs can also change. Manager performance can lag versus a peer group or benchmark. It is important to pay attention to the investments you buy and the portfolio managers you use. Sit down with your advisor periodically and review the portfolio managers you are using. Make an informed decision based on whether they are still meeting your goals and objectives and whether they should be retained.

Also, understand how your advisor evaluates the portfolio managers recommended to you and what each investment’s role is in your overall portfolio strategy.

8. Lacking an overall strategy
Our experience is that many investors have accounts spread out with several advisors and custodians. Because the accounts were opened at different times, each contains different investments or strategies. As a result, the investor has no overall strategy at all, making it difficult to know if his or her goals and objectives are achievable. Typically, all of the accounts are there to serve the same purpose – meet your needs in retirement. Therefore, it makes sense to have one overall investment strategy.

Keep things simple and work with one advisor that can create a plan for you, and as part of that plan, develop an overall investment strategy to help you achieve your goals and objectives at a level of risk you can tolerate.
Your advisor can recommend different portfolio managers to use in your portfolio to achieve proper diversification, avoid overlapping services and reduce costs.

9. Fearing instead of embracing volatility
Investors have been conditioned over the years to fear volatility (risk). However, the reason that stocks have higher returns than bonds is because they are more volatile. To get the required returns from your portfolio needed to achieve your goals, you will likely need stocks in your portfolio.

This is why it is important to work with your advisor to create an investment strategy with the right returns at an acceptable level of risk. Your advisor anticipates volatility will occur from time to time in the future, and creates your strategy with that in mind.

When the market volatility does come, you may have the opportunity to rebalance your portfolio and buy stocks when prices are lower. Embrace volatility as a means of achieving your goals. After all, isn’t it better to buy when assets are on sale rather than at full price?

10. Not knowing what you own
Many investors are sold investment products without really understanding what they bought, the cost and their role in their portfolios. Because of this, investors can be more anxious about holding on when the markets are volatile.

Ask your advisor to clearly explain what each investment in your portfolio is, how it works, how much it costs and how it fits into your overall strategy. In our experience, the simpler the investments in a portfolio are to understand, the more likely an investor will stay the course during periods of market volatility.

RubinBrown Advisors may only transact business in any state if we are first registered, excluded or exempted from the applicable registration requirements. Follow-up, individual responses or rendering of personalized investment advice for compensation will not be made absent compliance with applicable state registration requirements or an applicable exemption or exclusion.
RubinBrown Wealth Advisors asked Carolyn Bunch, PAHM, who consults on Medicare transitions for The Daniel and Henry Co. to shed light on the complexities of Medicare.

Connect with Carolyn on LinkedIn at: www.linkedin.com/in/carolynbunch
Are you one of the 3.6 million Americans becoming Medicare eligible this year?

Many people are surprised to find out how complicated the transition to Medicare can be. Each individual situation is a bit different and there is not a clear road map or checklist to follow.

Many people find that it is helpful to work with someone who knows the ins-and-outs for the various pieces that need to be put into place and the timing for each of them. Doing so can help you avoid penalties, delays and issues with the IRS.

There are four primary areas of Medicare coverage.

**Medicare Part A**
Medicare Part A provides coverage for inpatient hospital services as well as short-term rehab services. If you have coverage with a large employer health plan, then Medicare will pay secondary making enrollment in Part A additional coverage. If you or your spouse has worked for at least ten years, Medicare Part A is free.

**Medicare Part B**
Medicare Part B covers services (doctor visits, lab tests, surgeries, etc.) and supplies that are medically necessary to treat a condition. Medicare Part B has a monthly premium. The amount of the premium depends on your income. The 2017 Medicare Part B Premiums chart on the next page shows how your modified adjusted gross income impacts your premium.

As you can see, depending on your income, your Part B premium can range from $134.00 to $428.60 per month in 2017.

It is important to note that the Social Security Administration looks back two tax years to determine your premium. For example, your Modified Adjusted Gross Income (MAGI) from your 2015 tax return will be used to determine your 2017 premiums.

If your income is going to be significantly less than it was in 2015 due to a life changing event (retirement, divorce, work reduction, loss of income producing property, etc.), you should alert the Social Security Administration in an attempt to reduce your premiums. Form SSA-44 should be completed and submitted to attempt to reduce your premium due to a life changing event.

There is an annual deductible of $183.00; then Medicare pays 80%. A Medicare Supplement Insurance policy (medigap) can be used to cover the deductible and the 20% coinsurance, regardless of how large the bill is.

For example, if you have a $50,000 outpatient surgery, Medicare will pay $40,000 and a medigap can cover the remaining balance.

You can opt out of Medicare Part B if you have health insurance through a large employer without a penalty.
These plans are true privatization of Medicare, also known as Medicare Advantage. There are about 20 Medicare Advantage plans available depending on where you live. The U.S. government pays carriers to provide the coverage that Medicare Parts A and B (and sometimes Part D) would have provided.

These plans do have a network of providers, and you may need a referral. These plans also have deductibles, coinsurance and copays, along with an out-of-pocket maximum.

Some of these plans have no out-of-network coverage; so if you travel this may be a concern. These plans are appealing to many people because some of them have a $0 premium. But there are restrictions and out-of-pocket costs that should be considered.

Prescription drug coverage will either be included in the Medicare Advantage plan or you may be able to purchase a separate policy.

Medicare Part D provides prescription drug coverage. Like Part B, Medicare Part D has a monthly premium, a deductible and copays. The premium for Part D can range from $17.00 – $149.00 per month. There is also a premium charged by the government for wealthier seniors, in addition to the policy premium.

The best prescription plan will be based on your current medications, because the amount that carriers can charge can vary widely. There are dozens of prescription plans available to you, and the cost difference can be hundreds if not thousands of dollars when you consider more than just the monthly premium.

Resources for a prescription analysis may be your healthcare advisor, a local pharmacist, www.Medicare.gov or 1-800-Medicare.

After your initial enrollment, you can review your coverage options and make changes based on your needs each year during open enrollment.

Options
If you plan on retiring before age 65, when to enroll into Medicare Part A and Part B is pretty straightforward. It is likely your health insurance costs will go down and you will want to enroll as soon as you are eligible.

Options for people not yet Medicare eligible may include COBRA, another employer plan or individual health insurance either through the marketplace or purchased through a broker. There are pitfalls for someone who is Medicare eligible to be enrolled in COBRA, which include late enrollment penalties and a delayed opportunity to enroll in Medicare. There are also different benefits for dependents who are eligible for COBRA because their spouse or parent is Medicare eligible.

### 2017 Medicare Part B Premiums

<table>
<thead>
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<th>In 2015, filed single with MAGI of:</th>
<th>In 2015, married, filed jointly with MAGI of:</th>
<th>In 2015, married, filed separately with MAGI of:</th>
<th>2017 Medicare Part B monthly premium per person:</th>
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<td>$85,000 or less</td>
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<td>$428.60</td>
</tr>
</tbody>
</table>
If you have COBRA, a small employer health plan (fewer than 20 employees) or a personal health insurance policy, Medicare will pay primary. These types of policies will pay secondary whether you are enrolled in Medicare or not. It gets a bit more complicated if you or your spouse work past age 65 and you are receiving coverage through an employer. If you decide to stay on your employer plan, you may want to enroll in Medicare Part A and Medicare Part B, depending on your situation. If you, or your spouse, is actively working for a company with at least 20 employees, Medicare will pay secondary to your employer plan.

Another common mistake is making contributions to your health savings account (HSA) after being enrolled in Medicare. It is not permissible to make HSA contributions after you have enrolled in Medicare. This seems straightforward, but the Social Security Administration can make your Medicare coverage effective retroactively back 6 months, potentially making contributions to health savings accounts 6 months before enrolling ineligible.

In addition to identifying possible penalties and enrollment periods for Medicare, you need to consider your “total risk”. This is your total out-of-pocket cost which should include your premium, deductibles, coinsurance and copays. Because your current coverage has a different benefit structure than Medicare does, identifying this “total risk” will allow you to compare the plans on an equal basis. When you compare total risk, or total out-of-pocket expense, you may glean great insight allowing you to make an educated decision. For example, the premium may be lower on your employer plan, but you may pay more for prescription copays.

Having Medicare alone will leave you with an unlimited financial risk, specifically for outpatient services including tests, physical therapy, doctor’s office visits, etc. Medicare supplements can cover all or part of this risk by covering all or most of the deductibles, coinsurance and copays that Medicare has depending on the plan that you choose.

Medicare supplements also allow you to choose your providers and don’t require a referral to see a specialist. The cost for a Medicare supplement is often less than the out-of-pocket maximum of a Medicare Advantage plan and doesn’t have some of the restrictions of Medicare Advantage plans.

Because all of these details can be overwhelming, taking advantage of the knowledge and guidance of a qualified advisor may end up saving you time, headaches and money. However, make sure that the adviser specializes in Medicare, is independent and can offer multiple types of policies from a variety of carriers.
Clients report to RubinBrown Wealth Advisors that Social Security serves as a source of great confusion, especially given the changes that are constantly being made.

The following represents the most frequently asked questions, as well as answers provided by the RubinBrown Wealth Advisory Services group.
I used to receive a social security statement each year in the mail; why don’t I receive this anymore?

As a cost saving measure in 2011, the Social Security Administration stopped mailing statements to recipients. You can register for an account and access your statement online at www.ssa.gov/myaccount.

When is my full retirement age for social security purposes?

- If you were born after 1959, your full retirement age is 67
- If you were born before 1955, your full retirement age is 66
- If you were born between 1955 and 1959, your full retirement age is between 66 and 2 months (born in 1955) and 66 and 10 months (born in 1959)

When am I entitled to a benefit?

Assuming you are entitled to a retirement benefit, you can begin collecting your benefit at age 62. However, if you elect to receive a benefit at age 62, your benefit will be reduced by 25% – 30%, depending on your full retirement age.

Your benefit increases each month you delay collecting your benefit from age 62 to your full retirement age. Also, if you elect to delay your benefit past your full retirement date, your benefit will increase by 8% per year until you reach age 70.

Am I penalized if I collect social security benefits and continue to work?

If you begin collecting social security benefits before your full retirement age and continue to work, your social security benefits will be subjected to an earnings test. If you have attained your full retirement age, the earnings test does not apply.

In 2017, the annual exempt earnings amount is $16,920. If you are working and collecting early retirement social security benefits, the Social Security Administration will withhold $1 of benefits for every $2 you earn above $16,920.

For example, if you are collecting $15,000 in early retirement social security benefits and earn $40,000, the Social Security Administration will reduce your benefit by $11,540.

My spouse’s social security benefit is much less than mine. Is my spouse entitled to a benefit based on my earnings record?

Yes, spouses are entitled to the greater of their own benefit or 50% of their spouse’s full retirement benefit, which is called a spousal benefit. Spousal benefits are reduced if collected before attaining full retirement age.

Can my spouse start taking a spousal benefit before I collect mine?

If your spouse does not have a benefit based on their earnings record, her or she can’t collect a spousal benefit until you start collecting.

How much will my spouse’s social security benefit be if my spouse outlives me?

Assuming your spouse has reached full retirement age, he or she will receive the greater of his or her own benefit or yours.

Survivors can begin collecting benefits as early as age 60 but their survivor’s benefit will be reduced if they begin collecting before their full retirement age.

I am divorced. Can I receive benefits based on my former spouse’s earnings record?

If you do not remarry and were married for at least 10 straight years to your former spouse, you are entitled to a spousal benefit of 50% of your former spouse’s full retirement benefit if greater than your own benefit.

If you remarry, you can’t receive benefits on your former spouse unless your current marriage ends in divorce, death or annulment.
My former spouse passed away. Am I entitled to a survivor’s benefit?  
Yes, if your former spouse passes away and you were married for at least 10 straight years, you are entitled to a survivor’s benefit as early as age 60, at a reduced benefit (if you wait until your full retirement age to collect the survivor benefit, there is no reduction).

If you remarry before 60, you are not entitled to a survivor’s benefit on your former spouse unless your current marriage ends in divorce, death or annulment.

If you reach full retirement age and are eligible for a survivor’s benefit, you have the option of collecting a survivor’s benefit and allowing your own retirement benefit to accrue. If your own retirement benefit exceeds your survivor’s benefit, you can switch to your own benefit.

I have heard about strategies such as ‘File and Suspend’ and ‘File and Restrict’ to maximize benefits. Are these strategies still available?  
The Bipartisan Budget Act of 2015 eliminated the ability for couples to employ the file and suspend strategy effective April 30, 2016.

If you were born on or before January 1, 1954, you still may have the option to employ the file and restrict strategy.

When should I start taking my social security benefit?  
The decision of when to start taking benefits can have a dramatic impact on your ability to meet your needs in retirement. This decision should be made as part of a comprehensive financial plan. RubinBrown Wealth Advisors are happy to assist you with this process.
RubinBrown Wealth Advisors asked Sharon Greenstein-Gorman, CMC, who is president of Certified Care Management, LLC in St. Louis, to provide a short explanation of the specialized services that are available to families from a professional care manager.

For more information, go to www.certifiedcm.com
When it comes to healthcare terminology and titles, each are haphazardly thrown about and are often confusing.

To make matters worse, the terms are typically discussed at a time in life when you feel the most vulnerable and unsure. No one should feel this way; this is when a care manager steps in.

Much like a wealth advisor works with a client to identify financial goals and develops a plan to reach those goals, a care manager works with individuals to identify care goals and locates services that are the best solution to meet those goals. Now more than ever, the two are becoming very closely intertwined. Healthcare costs can destroy wealth if not planned for, and what’s more, why accumulate wealth in the first place if not to add value to your life?

You may have heard of a healthcare advocate, care consultant or even licensed social worker or case manager. These are each different than a care manager and the role it plays. The first two are not certified, but their titles are indicative of how they hope to assist their clients.

Licensed social workers and case managers are typically employed by an organization such as a hospital or health agency.

To understand the difference, you need to know only one thing: a care manager works for you. Care managers are paid directly by you and cannot take a finder’s fee or commission of any kind. Therefore, they remain completely unbiased, working exclusively for their clients’ best interests.

You’ll find that as information, providers and services become consolidated, costs are contained and even more importantly, your time and well-being are preserved.

To instill confidence, there is a national governing body that ensures care managers are certified, that they’ve met stringent educational and practice requirements and that they adhere to a strict code of ethics and standards of practice. It is called the Aging Life Care Association.

If you visit the Aging Life Care Association website (www.aginglifecare.org), you can search for a care manager in your area (by zip code), learn about his or her practice and find contact information to learn more.

All care managers will offer a consultation to determine if they are a good fit and can provide the type of service you are expecting. Once hired, you can plan to pay between $100 – $150 an hour.

The scope of services and knowledge areas a care manager possesses include:

- Health, disability and disease management
- Financial assistance
- Housing needs or facilitation of a move
- Family communication and understanding of family dynamics
- Outreach to local resources
- Advocacy and support
- Answers to legal concerns
- Crisis intervention

Sometimes, services are “one and done,” meaning your needs are assessed and a plan of care is developed. You may find your situation is better suited for ongoing care manager services, if for instance, you or your loved one is out of town or the needs are more progressive in nature.
YEAR-ROUND
Tax Strategies and Opportunities

by Cheryl Heller, CPA, CGMA, Scott Quinn, CPA/PFS, CFP®, & Mary Ramm, CPA
Most people do not think of tax planning until the end of the year, right before the big tax bill hits, and by then it is sometimes too late to take action.

Tax planning is a year-round exercise, so now is the perfect time to start thinking about how you can reduce your 2017 income tax liability. The following are various tax planning strategies you should consider throughout the year in order to minimize your tax bill and increase tax savings.

**Education Savings Vehicles**

As the cost of education continues to rise, it is important for taxpayers to consider effective tax planning strategies to help cover some of the increasing costs. Since college aid is not always available to higher-income families, it is important to identify options that are available to any and all taxpayers, regardless of income. The following are a few ideas to consider when planning for future educational expenses.

**529 Plans**

A 529 plan, also referred to as a Qualified Tuition Plan, is a tax-advantaged savings plan used to encourage savings for future college expenses. There are two types of 529 plans: savings and prepaid plans.

Savings plans are similar to investment accounts in which your contributions are invested in mutual funds or similar investments. The entire balance in this account is available to be used at any accredited public, nonprofit or private college or university.

Prepaid plans allow you to pre-pay all or part of future college costs. In effect, you are purchasing future college tuition at today’s prices. While these state programs are set up to cover in-state tuition, some states have provisions that allow the savings to be used for tuition at a private or out-of-state school. There is no guarantee, however, that the tuition purchased will cover the same credits at another school.

Although contributions are not deductible for federal tax purposes under either type of plan, earnings in a 529 plan grow tax-free as long as the money is ultimately used to pay for qualified higher-education expenses. Many states, however, do offer state tax benefits by offering a deduction or a credit for a contribution to the plan.

If earnings are withdrawn from the plan and used for non-educational purposes, the income is subject to income tax as well as a 10% penalty. If the funds are no longer needed for the beneficiary’s education, most 529 plans are flexible in that they provide the ability to change the beneficiary of the account to another qualifying family member.

While your investment options for a 529 plan are directed by the state plan, you can change your investments twice a year. Furthermore, if you decide you don’t like the 529 plan originally selected, you can rollover your funds into another 529 plan allowed once every 12 months.

A 529 plan is a savings vehicle that anyone can take advantage of. There are no income limits, age limits and the contribution limits, while varying by state, are generally high. It is important to keep in mind, that the deposits made to the plan are considered gifts and, therefore, could be subject to gift tax.
Contributions up to $14,000 per individual per year, or $28,000 for married couples filing jointly, will qualify for the annual gift tax exclusion. For those interested in contributing more than the annual gift tax exclusion in a given year, a 529 plan does offer an estate planning technique whereby a contribution to a 529 plan in one year can be treated as if it were made over a five-year period. This allows a taxpayer the ability to contribute $70,000 in one year ($140,000 for couples) without generating a taxable gift to the beneficiary.

Coverdell Education Savings Accounts (ESA)
A Coverdell ESA is an investment account created merely for the purpose of covering a beneficiary’s elementary, secondary and/or college expenses. Similar to a 529 plan, earnings grow tax-free and are ultimately not taxable as long as the account is used to pay for qualified education expenses of the beneficiary. If distributions are made from the account in excess of qualified education expenses, the earnings’ portion of the distribution is taxable and subject to a 10% penalty.

Contributions to a Coverdell ESA are not deductible and are limited to $2,000 a year. Furthermore, the maximum annual contribution is phased out for single taxpayers with an adjusted gross income between $95,000 – $110,000, and married filing joint taxpayers with adjusted gross income between $190,000 – $220,000. In such a case, a parent may consider giving the money to the child and letting the child open his/her own Coverdell ESA.

Unlike a 529 plan, contributions to a Coverdell ESA must be made before the beneficiary reaches 18. In addition, whereas control of an account for a 529 plan remains with the contributor, a Coverdell ESA is controlled by the beneficiary when he or she becomes “of age” (18 in most states). Account funds must be used by the time the beneficiary turns 30. If there are remaining funds at that time, the remaining balance can be rolled over into a Coverdell ESA for a qualified relative tax free.

Similar to contributions to a 529 plan, contributions to a Coverdell ESA are considered gifts to the beneficiary. As a result, they qualify for the annual gift tax exclusion and should be considered in a taxpayer’s annual gifting.

Know Your Marginal Rate
While it is interesting to note what your total tax bill is in relation to your income, for investment and tax planning purposes, it is more important to know your marginal rate. Your marginal rate is simply the increase or decrease in tax for a given change in income.

For example, to decide whether it makes sense to invest in taxable bonds at a higher interest rate and pay income tax or to invest in tax-free municipal bonds, you will want to know the tax that would be paid on that amount of taxable bond interest. It is more complicated than just looking up the bracket shown on tax tables.

The actual tax rate can be a combination of factors such as whether you are subject to alternative minimum tax, net investment income tax, to what extent phase outs are eliminating deductions as your income increases, whether your capital gains tax rate is increasing due to the increase in other taxable income and more.

Roth IRAs
Roth IRAs are a great way to earn not just tax deferred, but tax-free, income. With a Roth IRA, you don’t receive a tax deduction when you contribute, but any investment appreciation and income is not subject to tax when withdrawn.
To qualify for the tax-free treatment, the distribution must be made after age 59½ and the account must have been open for at least five years. In many cases, distributions of the amounts contributed (or converted) can be withdrawn tax free before age 59½.

Contributions to Roth IRAs can be made by individual taxpayers until income reaches $133,000 and married filing joint taxpayers up to $194,000 of income.

The annual contribution limit is $5,500 with an extra $1,000 allowed for taxpayers age 50 and over.

The annual contribution is also limited to earned income such as a salary or self-employment income.

Taxpayers (even those with higher incomes) also have the ability to convert existing IRA balances to Roth IRAs. The amount converted must be included in income currently, but then future income and appreciation can be excluded from income.

This strategy can be useful if your current marginal tax rate is lower than the expected marginal rate in retirement. This might occur if you have current year tax losses, you expect your income to increase in retirement or you expect tax rates to increase.

You may also consider this strategy if the account value decreases significantly due to investment performance, which provides an opportunity to pay tax on a lower amount of conversion income.

An additional opportunity for higher income taxpayers to move money to a Roth IRA is nicknamed a “backdoor Roth IRA” contribution. Any taxpayer under age 70½ with earned income can contribute to a traditional IRA. Higher income taxpayers that participate in a company retirement plan can’t take a tax deduction for the contribution. This results in after-tax money trapped in the IRA until distributed, when a pro rata portion of each distribution is not taxable.

If the taxpayer does not have other IRA balances, then a conversion from the traditional IRA to a Roth IRA will avoid tax, other than any increase in traditional IRA account value prior to conversion. This two-step process results in a contribution to a Roth IRA which would not otherwise be available.

**Tax Credits**

There are many tax credits in the tax code available to low and middle-income taxpayers such as the earned income tax credit, the savers tax credit and the various tuition tax credits. The following are some of the credits often missed that are available to all taxpayers regardless of income.

The Alternative Minimum Tax (AMT) Credit is available for taxpayers who paid AMT in prior years due to certain timing items such as accelerated depreciation or employee incentive stock options. The AMT paid allocable to these items is computed and tracked on Form 8801.

Often, when the income item reverses, for example the stock acquired by options is sold or the accelerated depreciation in early years results in lower depreciation in later years, the credit can be claimed to reduce the tax. Form 8801 has to be completed each year until the credit is claimed or eliminated, even if there were no AMT items during the year.

The Foreign Tax Credit is available when income subject to tax in the U.S. has already been subject to tax in a foreign country. Often, taxes are paid to a foreign country for stocks of foreign companies and mutual funds investing globally. Foreign taxes paid up to $300 on an individual return and $600 on a joint return can be claimed directly on the Form 1040.

Once the credit exceeds this amount, the allowable credit is calculated on Form 1116, Foreign Tax Credit. The amount allowable each year is generally the amount of U.S. tax paid on the foreign income. So the credit may be limited if the foreign country has a higher tax rate than the U.S.

Residential energy credits can help reduce your tax liability. The Non-Business Energy Credit is a relatively modest credit with a lifetime maximum of $500.
This credit is for the cost of certain new energy efficient appliances, windows, doors, insulation, etc.

The Residential Energy Efficient Property Credit is for investment in certain alternative energy property in your home such as solar electric property or solar water heating, wind energy property and geothermal heat pumps (through 2016). This credit is equal to 30% of eligible costs and is not limited. For example, a $100,000 investment could result in a $30,000 tax credit.

Federal Insurance Contributions Act (FICA) tax of 6.2% is paid on the first $118,500 of wages during the year in 2016. If a taxpayer changed jobs during the year and paid FICA tax on more than $118,500, then the excess can be reclaimed as a credit on the taxpayer’s individual tax return.

Education tax credits such as the American Opportunity Credit and the Lifetime Learning Credit are phased out once income reaches $180,000 and $131,000, respectively, on jointly filed returns, preventing many parents from claiming the credits.

However, if a dependent student has a tax liability, then the credit can be shifted to the dependent to help offset his or her tax liability. If a dependency exemption for the student is not claimed on the parent’s tax return, then the student will be deemed to have paid the education expenses and can claim the credit.

The benefit of the credit on the student’s return has to be compared to the cost of losing the dependency exemption. However, the exemption is subject to an income phase out which may reduce or eliminate any benefit of the exemption to the parent.

Charitable Giving
For the charitably inclined, donating to a cause can also result in tax savings for taxpayers who itemize their deductions. A few strategies to keep in mind when considering your contributions include:

Donate Stock to a Charity Versus Cash
Cash is often used because it is the simplest and most straightforward way to make a donation. However, cash may not be the most tax efficient. Gifting appreciated shares of a publicly traded security can be a win-win for you and the charity.

Donations of publicly traded securities held for more than one year yield an income tax deduction equal to the fair market value of the security on the day you make the contribution. Furthermore, you avoid paying income tax on the capital gain.

To illustrate, let’s assume John and Betty purchased 500 shares of a publicly traded security in 2000 for $10,000. Today, the stock is worth $30,000 and they want to use this asset to make a contribution to a public charity.
Assume their marginal tax rate is 39.6% making them subject to a 20% capital gains rate and the 3.8% net investment income tax. If they sell the security and donate the after-tax proceeds to the organization, John and Betty will first pay a capital gains and Medicare surtax of $4,760 on the built-in appreciation of $20,000. This leaves $25,240 for the charity and John and Betty with a tax savings from the charitable contribution of $9,995.

Alternatively, if John and Betty donate the long-term appreciated securities worth $30,000, they receive a charitable contribution deduction equal to the fair market value and a tax savings of $11,880.

As a result of using this strategy, John and Betty avoid the tax on the capital gain, receive a greater tax savings while the charity receives a large donation.

When donating long-term appreciated securities, it is important to keep in mind that, your deduction is generally limited to 30% of your adjusted gross income. If you are limited in a given year, you may carry over the excess contribution deduction for the next 5 years. If it is not used by such time, the carryover will expire.

Donating shares of a publicly traded security is a great idea when your stock has appreciated, but not so if the shares have declined in value. Since you are only allowed a deduction for the fair market value of the shares, it is more advantageous, in this case, to sell the shares.

If you sell the stock, you can recognize the capital loss for tax purposes and offset any capital gain income for the year. If you donate the proceeds from the sale, you can deduct that amount as a contribution.

Qualified Charitable Distribution from an IRA
For taxpayers at least 70½ taking distributions from an IRA, a qualified charitable distribution may be appealing. This technique can be attractive because it can satisfy the required minimum distribution (RMD) requirement and fulfill your charitable contribution desire without resulting in any tax consequences.

Taxpayers using a qualified charitable distribution (QCD) can choose to donate up to $100,000 of the RMD to a qualified charitable organization. In such cases, the funds are withdrawn from the IRA and transferred directly to the charity. The QCD is not included in income, and the charitable deduction is not claimed as a deduction.

This can be especially helpful for taxpayers who do not itemize deductions (so would not receive a tax benefit for the charitable contribution) or taxpayers making contributions that exceed their adjusted gross income limitations (so do not receive an immediate tax benefit).

It should be noted that some charitable organizations are not qualified to receive QCDs (i.e. private foundations, donor-advised funds, etc.) so be sure to verify the organization is eligible before making the QCD.

In addition, if a taxpayer’s RMD in a given year is greater than $100,000, the taxpayer will have a taxable RMD for the amount not directed to a charity.

Donor-Advised Fund
For taxpayers who may want to donate publicly traded securities with value but aren’t sure which organization(s) to contribute to a donor-advised fund may be an option to consider.

This option allows taxpayers to receive an income tax deduction in the year the securities are donated to the fund; however, it provides the taxpayer time to decide which organizations to support.
Donor-advised funds are also great vehicles for taxpayers interested in leaving a legacy of charitable giving. Donor-advised funds can be set up in the name of the family so there is ongoing support of charitable causes in generations to follow.

Once the donation is made to the fund, the funds can be invested until it is decided how such dollars will be used. The taxpayer can make grants over time to support qualified charitable organizations. Donor-advised funds are generally low cost to start up and relatively low maintenance. Some donor-advised funds even allow contributions of complex, non-publicly traded appreciated assets such as shares of a privately held company or real estate.

### Income Timing

Minimizing your tax bill takes planning. One way to do this is by timing income in a way that will result in less tax. No one wants to pay income taxes sooner than they have to, so generally, taxpayers often look for opportunities to defer income. This is even more important if you expect to be in a lower tax bracket in a future year.

Deferring income may include maximizing your 401(k) retirement plan contribution. This will lower your current year taxable income and allow the earnings in your 401(k) to grow tax free until a future date in time.

Instead of deferring income, there may be opportunities to offset the income you receive and therefore, reduce your taxable income. One way to do this is by offsetting gains and income with losses.

This strategy is referred to as tax-loss harvesting and when used, can reduce taxes. In its simplest form, tax-loss harvesting is selling a capital asset with a loss so it can be used to offset other gains or income.

Each taxpayer is allowed to offset capital gain income with capital losses and pursuant to the tax code, short and long-term capital losses must be first used to offset short and long-term capital gain income, respectively. To the extent the short or long-term losses exceed the gains of the same type, the excess losses can be used to offset the income of the other type.

The most effective tax loss harvesting will result when losses are used to offset short-term capital gain income since this income is taxed at your marginal rate on ordinary income.

Even if you do not have any capital gain income in a given year, generating a capital loss may still help reduce your taxes. Each taxpayer is allowed to deduct up to a $3,000 capital loss to offset ordinary income. If you have losses in excess of $3,000, the amount above and beyond $3,000 will carry over into future tax years until they are fully utilized.

After investments are liquidated to generate your losses, you will need to make decisions about what new investments to purchase. Keep in mind that the IRS will not let you sell an investment and reap the benefit of the loss, just to turn around and purchase a substantially identical security within 30 days before or after the date of the initial sale.
If such a security is purchased, the IRS will disallow the loss. You can still purchase assets targeting a similar industry in order to have exposure to the market; however, it is always best to contact your tax advisor prior to taking any action.

When reviewing your tax-loss harvesting strategy, you should also consider the income levels at which the net investment income tax applies.

This tax applies to taxpayers filing married, filing jointly and single filers with adjusted gross income levels in excess of $250,000 and $200,000, respectively. Planning around these income thresholds will help to minimize your tax bill.
Estate Planning
Preparing for What’s Ahead
by Jason Uetrecht, CPA, CFP®, AEP®, Christine Boushka, CPA & Ted Clifton
Everyone’s worst nightmare is having something unexpectedly happen to a family member.

This news can be compounded significantly if there is no estate plan in place. Today, more than 50% of Americans have no estate plan at all.

In addition to leaving a burden of work on descendants, spouses, parents and siblings, the lack of a plan can also mean the maximum amount of estate tax will have to be paid on all assets.

A recent tragedy in pop culture revealed the consequences of failing to establish an estate plan. When the music artist Prince unexpectedly passed away last year, he did so without any estate planning documents. As a result, his estate could reportedly end up paying 40% of his estate’s value in taxes.

Of Prince’s perceived $250 million in assets, the tax bill could be in excess of $100 million. This is before the massive amount of attorneys’ fees to get the estate through probate. There were also no beneficiaries of his estate indicated.

Likely, there will be endless court battles between half-siblings and siblings as to who is entitled to what. If there were any close friends, charities or managers that Prince wanted to benefit, they will not receive anything.

Planning ahead can help to diminish the tax burden that relatives have to bear. It can also assure that assets end up where you intended. Good estate plans can make sure your final wishes are carried out. If you already have these documents, be sure to review them regularly.

Another excellent benefit to having an estate plan is there will be less that is left for a court to decide, reducing the amount of legal, probate and estate costs and expenses.

Tools Needed for an Estate Plan

A fundamental part of a sound estate plan is having several basic legal documents. These documents include a will, a revocable living trust, a durable power of attorney for financial matters, a health care power of attorney and a living will (health care directive). These documents provide the foundation for any estate plan and help you stay in control. If you already have these documents, be sure to review them regularly.

Some basic estate tax terminology is important to understand throughout the estate planning process. These include:

- The **annual exclusion** is the amount you can gift to an individual in a single year without incurring gift tax implications. The amount is $14,000 in 2017.

- The **applicable exclusion amount** is the value an estate must exceed before estate taxes become due. The amount is $5,490,000 in 2017.

- The **lifetime exclusion** is the amount you can gift during your lifetime without incurring gift tax implications. It is $5,490,000 in 2017. As you make gifts to individuals that exceed the $14,000 annual exclusion, you begin to reduce the lifetime exclusion.
Using the $14,000 annual gift exclusion, allows taxpayers to pass money or assets every year, reducing the remaining value of their estates. The best practice is to start with assets that have the potential to highly appreciate so that you can avoid taxation on the appreciated value.

One other easy option that an individual can utilize for gifting is for the payment of medical or education expenses for someone else. As long as the payments are made directly to the provider, they do not count against the annual exclusion or lifetime exclusion. They are essentially tax-free gifts.

Using trusts is a backbone of smart estate planning. Trusts come in many sizes, shapes and forms. There are a variety of trusts to use to transfer assets and hold them until their final distribution. Revocable living trusts are one example of a basic way to get assets into a trust that won’t “activate” until your death.

Qualified terminable interest property (QTIP) trusts allow assets to be put aside for a surviving spouse to use to live on during his or her lifetime. There may also be access to principal based on discretion of the trustee.

When the surviving spouse passes away, then the money continues on to the remainder beneficiaries.

There are also trusts designed to help people with donating to charity, such as charitable remainder trusts.

Another strategic planning tool is to transfer a portion of business interests to future generations with limited shares. By giving limited, or non-voting shares, many times a valuation discount can be obtained to reduce the amount taken from the lifetime exclusion. These are sometimes held in a family limited partnership.

There are some legislative changes that could take place in the wake of the recent election. The possible new adjustments to estate taxation could mean only capital gains over $10 million would be taxed.

This would continue to relieve the tax burden for smaller estates. However, there is still speculation as to whether assets would miss out on the step up of basis that they are currently entitled to. There is also a chance the estate tax could be repealed.

As an overall best practice, have your estate in order regardless of age or income level. This includes knowing value, ownership, beneficiaries and location of your assets.
Another important aspect to estate planning is ensuring that your spouse and descendants are abreast of all estate plan information. Having a trusted advisor to coordinate this information is extremely helpful.

It is also important to continue to keep apprised of your situation and update your estate plan accordingly. As things change in your life, so should your estate plan.

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**Estate Planning Points**

- Estate and lifetime gift tax exemption amount: $5,490,000 (in 2017).
- Portability: The unused amount from a deceased spouse can be carried forward and used when the surviving spouse passes away.
- Estate assets are stepped up to the fair market value at the date of death.
- The most recent legal documents are followed, regardless if circumstances have changed.

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The RubinBrown Wealth Advisory Services Group helps clients identify, prioritize and achieve their financial goals and objectives utilizing an experienced group of professionals that can integrate income taxes, estate taxes, financial planning, risk management and investment management needs, all in one place, throughout their lifetimes.


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**Jason Uetrecht, CPA, CFP®, AEP®**

Partner
Wealth Advisory Services Group
314.290.3283
jason.uetrecht@rubinbrown.com

**Ted Clifton**

Manager
Wealth Advisory Services Group
303.952.1228
ted.clifton@rubinbrown.com

**Christine Boushka, CPA**

Manager
Wealth Advisory Services Group
314.678.3510
christine.boushka@rubinbrown.com
CHARITABLE GIVING
GOOD FOR THE COMMUNITY...GOOD FOR YOU
by Jason Uetrecht, CPA, CFP®, AEP® & Mark Breakfield, CPA, CGMA
Charitable organizations provide benefits to society and individuals in need of their services.

Charitable giving can also generate personal benefits to the donor. With the right guidance, development and planning, charitable giving can serve as a tax-savings tool in your financial plan while supporting the causes that are meaningful to you.

**Helping to Achieve Your Goals**
Charitable giving can play a crucial role in achieving your wealth management goals. By giving money to charities, donors are given the opportunity to align their personal values and interests with their financial goals. It can facilitate the transfer of wealth and provide valuable tax benefits for donors and their heirs.

Charitable giving not only creates income tax benefits for individuals, but can also provide substantial estate tax benefits. The individual income tax charitable deduction is subject to adjusted gross income limitations, whereas the estate tax charitable deduction is not subject to such limitations.

Determining which charitable structure is right for you will depend on what your charitable goals are, and if they will be manageable in the long term.

There are numerous vehicles that are commonly used that can help you take full advantage of tax deductions.

**Public Charity**
A public charity is a nonprofit organization that receives public support, actively functions to support another charity or is devoted to testing for public safety.

Donations to public charities are fully tax deductible to the extent of the law. Excess contributions over and above the tax law limitations are carried forward and are deductible for up to five years following the year of the gift.

**Donor Advised Funds (DAFs)**
DAFs allow donors to make charitable contributions at a specific date in time, receive an immediate tax benefit and then give recommendations as to which nonprofits will receive distributions.

Donors may take a tax deduction in the year of their contribution and have the ability to give funds to various charities over a number of years. This allows donors to get an upfront tax deduction for the fair market value of the cash or securities gifted and avoid paying federal and state income taxes upon the sale of the securities.
Don’t Forget!

At tax time, the IRS requires substantiation for all of your charitable contributions. Donations over $250 require written acknowledgment from the charity and non-cash donations over $5,000, other than publicly traded securities, may require an appraisal.

Charitable deductions under $250 must be substantiated by receipts or canceled checks. In addition, charitable organizations are required to provide documentation for contributions in excess of $75 for which you received a benefit, such as event tickets or merchandise.

Example: Suppose you have a portfolio of appreciated securities and have considered charitable giving; however, you are unsure of the appropriate time to give. If you are in a higher tax bracket or have a year with a large amount of income (through a bonus, business sale, options exercise, etc.), a DAF will present an opportunity for you to reduce your current year tax liability by making charitable contributions to offset income.

You will receive an immediate tax benefit for the donation of appreciated securities and avoid paying any capital gains tax on the sale of those securities, reducing your potential income tax burden. From this point on, you can advise the DAF on which charities the contributions will be distributed to.

Many private foundations do not accept donations and instead invest their principal funding, then distribute the income from investments for charitable purposes.

Supporting Organization
A supporting organization carries out its exempt purposes by supporting a named public charity. This type of charity is treated as a public charity for income tax purposes.

Gift Annuity
A gift annuity involves a contract between a donor and charity, whereby the donor transfers cash or property to a charity in exchange for a partial deduction and a lifetime stream of annual income from the charity.

Deferred Gifts
Deferred gifts are similar to a charitable gift annuity with the exception that you choose to wait for the first annuity payment, rather than having payments begin immediately. This can give donors the opportunity and flexibility to meet their wealth management goals.

Charitable Remainder Trust (CRT)
A CRT typically sells stock and reinvests the proceeds in a diversified portfolio. The donor transfers highly appreciated assets into a CRT

Community Foundation
Generally set up in large metropolitan areas, community foundations serve with the goal of enhancing the lives of people within a geographic area. Community foundations are typically recognized as public charities in part because they receive support from the general public.

Private Foundation
A private foundation is a nonprofit organization that is typically established via a single primary donation from an individual or a business and whose funds and programs are managed by its own trustees or directors.
and in the event that the donor passes or the fixed term ends, the assets in the CRT are transferred to a charity.

The CRT will not recognize gains and instead will defer the gain and spread it out over annual payments. This provides the donor a current year charitable deduction for the discounted value of the assets transferred to a charity in the future, while reducing the donor’s taxable estate.

**Charitable Giving from an Individual Retirement Account (IRA)**

You are allowed to make a tax-free donation of up to $100,000 of your required minimum distribution to a qualified charity. Instead of taking your required distribution, you can have it directly sent to the qualified charity of your choice. This will lower your adjusted gross income and allow you to avoid reporting the income and paying taxes on the distribution.

As an estate planning tool, thought should be given to naming a charity as the beneficiary of an IRA or other retirement account.

As the beneficiary of an IRA or retirement account, charities do not pay tax on distributions, whereas an individual beneficiary will pay tax at ordinary rates. An estate can also take a charitable deduction on the amount of the IRA or retirement account donated to a qualified charity.

**Going Forward**

Charitable giving may not be an option for everyone. For many, philanthropy is about personal values and not just the fact that it may create a tax deduction. You have to decide if it is important to you, and if it is, the next step is planning. Many of the options previously described involve extensive planning.

In light of the recent election, it has been speculated that there could be a cap on itemized deductions. While nothing official, President Trump has informally indicated that he plans on adopting the House’s proposal to eliminate all deductions except for mortgage interest and charitable contributions, as well as eliminate the estate tax. This possibility will be something to watch very closely in the coming months.

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Jason Uetrecht, CPA, CFP®, AEP®  
Partner  
Wealth Advisory Services Group  
314.290.3283  
jason.uetrecht@rubinbrown.com

Mark Breakfield, CPA, CGMA  
Manager  
Wealth Advisory Services Group  
314.678.3579  
mark.breakfield@rubinbrown.com

The RubinBrown Wealth Advisory Services Group helps clients identify, prioritize and achieve their financial goals and objectives utilizing an experienced group of professionals that can integrate income taxes, estate taxes, financial planning, risk management and investment management needs, all in one place, throughout their lifetimes.

Family Office Services
NOT JUST FOR THE UBER WEALTHY
by Jackie Jacquin, CPA
As proper management of the family finances becomes even more complex, more and more families are turning to a “family office” solution. Once a province available only for the super-wealthy, the family office concept is increasingly becoming mainstream.

Although numerous definitions can be found, a descriptive definition of family office would be “an organization dedicated to serving wealthy individuals and their families on a diverse range of financial, estate, tax, accounting and personal family needs.”

There are basically two structures for family office – single family and multi-family. While ultra-wealthy families have utilized single family offices for years, they can be cost prohibitive to operate and, therefore, are not a feasible option for everyone.

The multi-family office, an organization that serves more than one family, continues to emerge as an important cost-effective alternative to the single family office, hence the proliferation of families who now avail themselves of the service. A multi-family office solution offers families still in the process of building their wealth an opportunity to receive desired support services that might not otherwise be affordable.

Multi-family offices offer families an affordable solution, often with a dedicated team of credentialed professionals. These organizations offer individualized services and provide solutions designed to fit a client’s lifestyle and financial goals. Working with a family office, clients find that they have more time for themselves and their families, less stress associated with financial deadlines and a team of experienced professionals available to handle virtually any financial situation that arises.

A word of caution, when choosing a family office service provider, it is of the utmost importance to inquire about the provider’s internal controls, security and track record in these matters. Ask to examine the policies and procedures in place to protect your privacy, finances and overall personal interests.

Choose only a family office service provider that has spent a considerable amount of time addressing these issues and has a robust set of controls in place to protect you. Longevity and reputation of the provider is a great indicator that your safety is a high priority.

Some of the specialized services you should expect to find offered by a full-service family office include bill paying, cash flow management and reporting, investment services, tax return planning and compliance, retirement planning, estate planning and insurance evaluation and procurement.

Other concierge services offered should also include managing collectibles, preparing personal financial statements, budgeting, executing household payroll, facilitating estimated tax payments, monitoring charitable giving and document management among others.

The following are some common indicators that you could benefit from utilizing family office services.
1. You travel extensively and your bills do not get paid while you are away.
2. You have multiple residences with utilities, real estate taxes, repairs, etc. at each that need to be managed.
3. You have multiple bank accounts and credit cards that you utilize to pay your bills.
4. You incur late fees from missed bill deadlines.
5. Your investment statements are not reviewed on a regular basis.
6. Your bank account or credit card statements go unreconciled.
7. You don’t track your spending to know how much is spent on travel, entertainment, utilities or any other specific category that is important to you.
8. Your paid invoices are disorganized to the extent that you can’t access them when necessary.
9. You have a difficult time identifying and accumulating the year-end tax information you need to provide to your tax preparer.
10. You simply want to free up your time from the administrative tasks associated with managing your finances.

If any of these statements describe your situation, it may be in your best interest to start investigating how family office services may have a beneficial impact on your finances and your life.

The RubinBrown Wealth Advisory Services Group helps clients identify, prioritize and achieve their financial goals and objectives utilizing an experienced group of professionals that can integrate income taxes, estate taxes, financial planning, risk management and investment management needs, all in one place, throughout their lifetimes.

For more information, visit www.RubinBrownWealthAdvisors.com/Family-Office.

Jackie Jacquin, CPA
Manager
Wealth Advisory Services Group
314.290.3414
jackie.jacquin@rubinbrown.com
ABACUS Recruiting, an affiliate of RubinBrown, can help. Our specialty includes both permanent and temporary placements in the following areas:

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**Tamara Tucker**
President
314.878.5522
tamara.tucker@abacusrecruiting.com

**Paul Iadevito**
Recruiting Manager
314.878.5522
paul.iadevito@abacusrecruiting.com

Visit us at
www.AbacusRecruiting.com
Timely Reminders

**May 31, 2017**
*IRA or SEP*
Annual statements to the IRS must be filed regarding 2016 account balances for an IRA or SEP (Form 5498). Participants and the IRS must be provided with IRA plan contribution information.

**June 15, 2017**
*Individuals*
Individuals (other than farmers and fisherman) must pay the second installment of 2017 estimated income tax (Form 1040-ES).

*Corporations*
Calendar year corporations must pay the second installment of 2017 estimated income tax.

**July 31, 2017**
*Employers*
Employers of non-agricultural and non-household employees must file Form 941 to report income tax withholding and FICA taxes for the second quarter of 2017.

*Benefit Plans*
The applicable form of the Form 5500 series must be filed for calendar year benefit plans. An additional two and one-half month extension can be requested on Form 5558.

**September 15, 2017**
*Partnerships*
If extended, file a 2016 calendar year return (Form 1065).

*S Corporations*
If extended, file a 2016 calendar year return (Form 1120-S).

*Individuals*
Individuals (other than farmers and fisherman) must pay the third installment of 2017 estimated income tax (Form 1040-ES).

*Corporations*
Calendar year corporations must pay the third installment of 2017 estimated income tax.
October 16, 2017

Individuals
If extended, file a 2016 calendar year return (Form 1040).

Corporations
If extended, file a 2016 calendar year return (Form 1120).

Benefit Plans
If extended, file a 2016 calendar year return (the applicable form of the Form 5500 series).

November 15, 2017

Exempt Organizations
File a 2016 calendar year return (Form 990, Form 990-EZ or Form 990-PF)

Additional Resources

Market & Investment News
RubinBrown Advisors regularly provides market updates and quarterly investment news.

Sign up to receive these electronic communications by visiting www.RubinBrownWealthAdvisors.com/Signup.

Seminars
From our year-end tax and accounting updates to industry-specific education, we offer events to help you learn and connect with other businesses.


Guides and Statistical Analysis
Thought leadership and market research are provided annually to assist our clients benchmark their own results.

Any federal tax advice contained in this communication (including any attachments): (i) is intended for your use only; (ii) is based on the accuracy and completeness of the facts you have provided us; and (iii) may not be relied upon to avoid penalties.

Readers should not act upon information presented without individual professional consultation.
Founded in 1952, RubinBrown’s team members establish best practices within specific industry segments and work to serve the community both inside and outside the workplace. RubinBrown’s mission is to help clients build and protect value, while at all times honoring the responsibility to serve the public interest.

RubinBrown expanded to Kansas City in 2005, Denver in 2010, and Nashville in 2015. Currently, the firm is ranked number one (by number of CPAs) in St. Louis by the St. Louis Business Journal and is ranked as the 45th largest firm in the country by Inside Public Accounting. RubinBrown is also an independent member of Baker Tilly International, a high-quality, dedicated network of 126 independent firms in 147 countries.