SEPTEMBER 7, 2018

PREPARING FOR TOMORROW STARTS TODAY

ADVERTISING SUPPLEMENT TO COLUMBUS BUSINESS FIRST

FPA FINANCIAL PLANNING ASSOCIATION OF CENTRAL OHIO

3 Why everyone needs a financial planner

4 Mortgage and home equity loan interest deductions under the Tax Cuts and Jobs Act

6 Find a financial planner near you

8 The Qualified Charitable Distribution – no longer Mr. Irrelevant

9 Can we rely on Social Security?

EXPERIENCE
MATTERS

You need an advisor who will help you transform your money into the things that mean the most to you!

Budros Ruhlin & Roe's team of experts is comprised of multiple CERTIFIED FINANCIAL PLANNER™ (CFP®), Certified Public Accountants, and Chartered Financial Analyst (CFA®) professionals, two Chartered Advisors in Philanthropy (CAP®), two Certified Retirement Plan Specialists (CRPS®), an Accredited Investment Fiduciary (AIF®), a Certified Divorce Financial Analyst® (CDFA®), a Certified Exit Planning Advisor (CEPA®), a Retirement Income Certified Professional (RICP®), and an attorney. You can be sure you are working with the brightest minds in the business.

BUDROS RUHLIN ROE

Building money towards meaning.

Budros, Ruhlin & Roe, Inc. BRR is a fee-only, SEC registered investment adviser, located in Columbus, Ohio. For more disclosure information, please visit: www.b-r-r.com/disclaimer/

www.b-r-r.com

Why everyone needs a financial planner

By President-elect:
Adria M. Rosebrock, CFP®

I grew up in small town Ohio. The kind of town where people worked hard, saved and were dedicated to their employers. They worked at the same company for 20, 30 or even 40 years. They saved into their 401(k), bought the company stock, and expected to retire with the peace of mind of a pension and health insurance for the rest of their lives. These folks had "skin in the game." They made the best decision they could with the information they had available to them. And then things changed… stock prices fell, and companies cut pension and medical benefits for future and current retirees. Suddenly, life was turned upside down. This ultimately led me to my path as a financial planner. I wanted to help people secure their future.

Like most people, when I first thought about being a financial planner, I thought it was all about investments; helping people to build a diversified portfolio of stocks and bonds and navigate the ups and downs of the markets. This is certainly part of financial planning, but it is so much more. Financial planning starts with YOU and your goals and concerns. Investment planning is part of financial planning because for many of us, we cannot reach our goals unless we save, and our savings needs to achieve a certain rate of return typically not offered by a bank account. However, financial planning does not exist solely for the purpose of providing investment advice. Rather, financial planning is a comprehensive process which has been formally defined by the CERTIFIED FINANCIAL PLANNER™Board of Standards and is practiced daily by thousands of professionals around the world who hold the CFP® certification. It's the process used by CERTIFIED FINANCIAL PLANNER™ professionals to help improve their clients' lives by identifying their goals, and then developing solutions to help them achieve their unique goals and mitigate the risks they may experience in life.

Those holding the CFP® certification have completed extensive training and experience requirements and are held to rigorous ethical standards. Anyone can use the title "financial planner" but only those who have fulfilled the certification and renewal requirements established by the CFP Board can display the CFP® certification trademarks which represent a high level of competency, ethics and professionalism. CERTIFIED FINANCIAL PLANNER™ professionals are held to a fiduciary standard of care when providing financial planning services, and as such, they are required to act in your best interest.

Whether you're looking to secure your retirement and build an investment portfolio, save for a home or college, ensure your loved ones will be cared for when you pass, or just make sure you're financially on the right track wherever you are in life, CERTIFIED FINANCIAL PLANNER™ professionals have the education and experience necessary to answer your questions. More important, working with a financial planner can give you the peace of mind that you have planned for your future and your family's future. ■

PLEASE JOIN US!
If you've ever wondered about these topics, we invite you to join us on Wednesday, October 10 from 4:00 to 8:00 PM for the Central Ohio Financial Planning Day. The event will be held at the Fawcett Center. As part of the event there will be CERTIFIED FINANCIAL PLANNER™ professionals available for 30 minute complimentary consultations. There will also be a variety of financial workshops available for you to attend. There is no cost to attend this event. We encourage you and your family to come out and learn more about the benefits of having a financial plan in place.

MEET THE BOARD

FPA FINANCIAL PLANNING ASSOCIATION OF CENTRAL OHIO

BEN
MURRAY, MBA, CFP®

President
Summit Financial Strategies
ben.murray@summitfin.com
(614) 885-1115

ADRIA
ROSEBROCK, CFP®

President-elect
Hamilton Capital Management, Inc.
amr@hamiltoncapital.com
(614) 273-1000

LUKE
SALCONE, CFP®

Treasurer
Summit Financial Strategies
Luke.Salcone@summitfin.com
(614) 885-1115

ARYN
BATES

Secretary
Overmyer Hall Associates
abates@oh-ins.com
(614) 453-9369

WILLIAM
VASIL, CPA, CFP®, MACC

Chair-Immediate Past President
Ary Roepcke Mulchaey, P.C.
wvasil@armcpa.com
(614) 486-3600

JAMIE
RIZER, CFP®

Career Development Director
Budros, Ruhlin & Roe, Inc.
jamie.rizer@b-r-r.com
(614) 481-6900

W. PHIL
RATCLIFF, AIF®, CFP®, CLU®, CHFC®

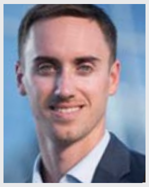
Government Relations Director
rebel Financial
phil@rebelfinancial.com
(614) 441-9605

GREG
JOHNSON CFP®, CAP®, RICP®

Membership Director
Compass Financial Group
GJohnson@compassfg.com
(614) 791-0093

MICHAEL
MCMEANS, CFP®

Partnerships Director
Silverling Financial
mike.mcmeans@infinexgroup.com
(614) 898-6100



MARK
BEAVER, CFP®

Pro Bono Director
Keeler & Nadler Financial Planning
mark.beaver@keelernadler.com
(614) 791-4123

BOB
FRANZ, MPAS®, CRC®

Programs Director
Alexander Financial Planning
bfranz@afp-advisors.com
(614) 538-1600

JAMES
ATKINSON, CFP®, AIF®, MPAS

Public Relations Director
Columbus Capital
jim.atkinson@raymondjames.com
(614) 656-1230

EMILY
ZELLER, CRPS®

NexGen Director
Budros, Ruhlin & Roe, Inc.
emily.zeller@b-r-r.com
(614) 481-6900

Mortgage and home equity loan interest deductions under the Tax Cuts and Jobs Act

With its passage in December 2017, the Tax Cuts and Jobs Act (TCJA) changed the deductions for interest on mortgage and home equity loans. On February 21, 2018, the Internal Revenue Service (IRS) provided clarification on how the TCJA will be applied to mortgage and home equity loan interest deductions.

Initially, application of the TCJA was ambiguous because of (1) definitions from the 1986 "old" tax law and (2) the multiple ways to use home equity. The IRS's recent guidance establishes that the interest on some refinanced mortgages and home equity loans and lines of credit will be deductible under the TCJA if it qualifies as acquisition debt. Here, we'll answer some questions on how the TCJA is applied to mortgage and home equity loan interest, starting with a definition of residential debt.

How does the Internal Revenue Code define residential debt?
The mortgage interest deduction began under the Tax Reform Act of 1986 (a.k.a. the old tax law). This law allowed a deduction for qualified residence interest in two separate categories: acquisition indebtedness and home equity indebtedness. It defined "acquisition debt" as new or refinanced secured debt used to acquire, construct, or substantially improve a residence. It defined "home equity debt" as secured debt that could, but did not have to, be used to acquire, construct, or improve a house.

Diane Armstrong, CFP®, CPA
diane@armstrongfinancialservices.com
Armstrong Financial Services LLC

The TCJA did not change or modify either definition.

What interest can be deducted?
Prior to 2018, you could deduct interest on mortgage debt up to $1,000,000. The $1,000,000 could be either a single mortgage or a total combined mortgage debt on a primary residence and a vacation home.

You could also deduct up to $100,000 of the interest paid on home equity loans and lines of credit. This interest was deductible irrespective of how you used the loan proceeds. Debt consolidation? Deductible. College tuition? Deductible.

Under the TCJA, however, only acquisition debt qualifies for the interest deduction. Obviously, mortgages are loans for the acquisition or construction of a home. The TCJA caps the interest deduction for mortgages obtained after January 1, 2018, at $750,000. All mortgage debt secured before December 31, 2017, is grandfathered under the old rules. This means that the $1,000,000 limit still applies to mortgages that existed before the end of last year.

The TCJA also eliminates the interest deduction for home equity loans and lines of credit. Here, the TCJA contains no grandfather provisions. Even if a home equity loan or line of credit was taken before December 31, 2017, an interest deduction on its remaining balance may depend entirely on whether the debt is acquisition debt.

Will interest on a home equity loan or line of credit used for home improvement be deductible?
Yes. This is one of the ambiguities that the IRS has clarified. The TCJA kept the old tax law's definitions of acquisition debt and home equity debt; however, the TCJA looks only at the use of the debt. That is, interest is deductible if the loan is acquisition debt used to build, acquire, or improve a home. The fact that a primary residence secures a new home equity loan or line of credit is irrelevant.

Home equity loans and lines of credit are often, but not always, used to improve a residence. For example, a home equity loan used for debt consolidation or college tuition does not qualify as acquisition debt because it does not enhance the home's value. On the other hand, the same home equity loan used to build an addition that increases the home's cost basis and improves its market value meets the definition of acquisition debt.

Will a refinanced mortgage qualify as acquisition debt?
Yes. This is another aspect of the TCJA that initially lacked clarity. The original mortgage was acquisition debt. But what if part of the refinancing is used to pay off credit cards? The interest on that portion of the refinanced loan is not acquisition debt.

Was there general agreement that interest on a refinanced mortgage or home equity loan may be deducted if it meets the definition of acquisition debt?

No. Some tax preparers took a literal approach. They read the TCJA as barring a deduction for all home equity debt, irrespective of its use. Others took a more practical view. They interpreted the TCJA in conjunction with the old tax law's definition of acquisition debt. The IRS's recent guidance supports the practical view: interest on home equity loans and refinanced mortgages is deductible under the TCJA if the debt was used to acquire, construct, or improve residential property.

New territory
As you can see from this discussion, it's important to have a clear understanding of the rules regarding mortgage and home equity loan interest deductions under the TCJA. Given this new territory, be sure to track the use of your home equity debt so that you can provide your tax preparer with all supporting documentation. ■

This material has been provided for general informational purposes only and does not constitute either tax or legal advice. Although we go to great lengths to make sure our information is accurate and useful, we recommend you consult a tax preparer, professional tax advisor, or lawyer.

SOME FINANCIAL PLANNERS GET TO KNOW YOUR MONEY.

WE GET TO KNOW YOU.

After all, you're the one with goals and dreams—not your money. We believe everything starts with getting to know you. It's how we're able to best advise you toward achieving those goals and dreams. Getting to know you now helps us plan for what you want your money to do next.

summit FINANCIAL STRATEGIES

(614) 885-1115 summitfin.com

The largest membership organization for CFP® professionals in Ohio that includes members who support the financial planning process.

FIND A FINANCIAL PLANNER NEAR YOU AT **PLANNERSEARCH.ORG**

Mark Aldridge, CFP®, CFA, ChFC®
mark.aldridge@raymondjames.com
Aldridge Financial Consultants, LLC
(614) 824-3080

Teri Alexander, CFP®, MSFP
talexander@afp-advisors.com
Alexander Financial Planning, Inc.
(614) 538-1600

Diane Armstrong, CFP®, CPA
diane@armstrongfinancialservices.com
Armstrong Financial Services LLC
(614) 725-5260

James Atkinson, CFP®,AIF®, MPAS
jim.atkinson@raymondjames.com
Columbus Capital
(614) 656-1230

Mark Beaver, CFP®
mark.beaver@keelernadler.com
Keeler & Nadler Financial Planning
(614) 791-4123

Vance Bennett, CFP®
vanceb@know-parallel.com
Parallel Equity Advisors
(740) 973-3792

Geoffrey Biehn, CPA, CFP®
gbiehn@tfadvisors.com
Trinity Financial Advisors LLC
(614) 848-7667

Kurt Brown, CFA
kbrown@pdsplanning.com
PDS Planning, Inc.
(614) 481-8449

Jane Callahan
jcallahan@frazierfinancial.com
Frazier Financial Advisors, LLC
(614) 793-8297

Jason Codrea, CFP®, CMFC
jason@codreafinancial.com
Codrea Financial
(614) 452-8185

Mark Coffey, JD, CFP®
mark@summitfin.com
Summit Financial Strategies, Inc.
(614) 885-1115

Connie Demers, CFP®
dfp@rrohio.com
Demers Financial Planning
(614) 451-4505

Lori Eisel, MS, CFP®, CDFA
lori@arcadiafp.com
Arcadia Financial Partners, LLC
(614) 563-9363

Jason Eliason, CFP®, ChFC®, CFA
jeliason@waller.com
Waller Financial Planning Group, Inc.
(614) 457-7026

Jason Farris, CFP®, CAP
jfarris@waller.com
Waller Financial Planning Group, Inc.
(614) 457-7026

Benj Foor, CFP®, EA
bfoor@frazierfinancial.com
Frazier Financial Advisors
(614) 793-8297

Bob Franz, MPAS®, CRC®
bfranz@afp-advisors.com
Alexander Financial Planning
(614) 538-1600

Chandler Fugate-Laus, CFP®
chandler@partnershipfinancial.com
Partnership Financial, LLC
(614) 328-9319

Brian Houts, CFP®, CFS
bhouts@frazierfinancial.com
Frazier Financial Advisors LLC
(614) 738-3400

Jim Hyre, CFP®, CAP®
jhyre@hpwealth.com
Hyre Personal Wealth Advisors
(614) 225-9400

Rita Itsell
ritsell@pdsplanning.com
PDS Planning, Inc.
(614) 481-8449

Barry Jamieson, CFP®, MA
barry@cmpfinancial.com
CMP Financial Planning (740) 815-3969

Christopher Johnson, CRPC, AAMS, CLTC, CEP, AWMA
Chris@collaborativefp.com
Collaborative Financial Partners, LLC
(614) 799-2900

Robert Keidan, CFP®
bob@keidanfinancial.com
Keidan Financial Consultants, LLC
(614) 469-5003

Katherine Kincaid, CFP®

kkincaid@waller.com
Waller Financial Planning Group, Inc.
(614) 457-7026

Charlene Kott, CFP®

Charlene.Kott@raymondjames.com
Asset Management/RJFS
(614) 895-2990

Laurie Licata, CFP®

llicata@pdsplanning.com
PDS Planning, Inc.
(614) 481-8449

Whitney Logan, CFP®, CLU, ChFC®

whitney.logan@raymondjames.com
Logan Financial Group, LLC
(614) 442-0214

Samantha Macchia, CFP®, ChFC®

sam.macchia@summitfin.com
Summit Financial Strategies, Inc.
(614) 885-1115

Meghan Mader CFP®, CRPC, RICP, MSFP

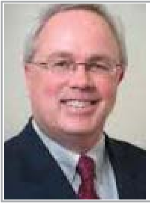
Meghan@collaborativefp.com
Collaborative Financial Partners, LLC
(614) 799-2900

Richard Martin, MS, CFP®

Ric.Martin@BluestoneWP.com
Bluestone Wealth Partners
(614) 431-4342

Jamie Menges, CFP®, CPA

jmenges@pdsplanning.com
PDS Planning, Inc.
(614) 481-8449



Brian Mills, CFP®

bmills@ceteraadvisors.com
Mills Financial Planning, Inc.
(614) 504-0402

Fred Minich, CFP®, AAMS

fred.minich@edwardjones.com
Edward Jones
(614) 451-6004

Kristen Moosmiller, CFP®

kristen@partnershipfinancial.com
Partnership Financial, LLC
(614) 328-9319 EXT106

Ben Murray, MBA, CFP®

ben.murray@summitfin.com
Summit Financial Strategies
(614) 885-1115

R. Michael O'Brien, CFP®, CRPC, CRPS

mike.obrien@bluestonewp.com
Bluestone Wealth Partners
(614) 431-4307

Christopher Olsgard, CFP®

colsgard@waller.com
Waller Financial Planning Group, Inc.
(614) 457-7026

Christina Povenmire, CFP®, MBA

christina@cmpfinancial.com
CMP Financial Planning
(614) 487-1244

W. Phil Ratcliff, AIF®, CFP®, CLU®, ChFC®

phil@rebelfinancial.com
rebel Financial
(614) 441-9605

Kenneth Reed, AAMS

michael.reed@raymondjames.com
Logan Financial Group, LLC
(614) 442-0214

Scott Rendle, CFP®

srendle@waller.com
Waller Financial Planning Group, Inc.
(614) 457-7026

Luke Salcone, CFP®

luke.salcone@summitfin.com
Summit Financial Strategies, Inc.
(614) 885-1115

Michael Scherer, CFP®

mike@summitfin.com
Summit Financial Strategies, Inc.
(614) 885-1115

Dean Schuler, CFP®, CLU®

dschuler@pdsplanning.com
PDS Planning, Inc.
(614) 481-8449

William Shorthill, CFP®

Bill@bhadvisory.com
Beacon Hill Investment Advisory
(614) 469-4685

Douglas Smith

stocksmith@hotmail.com
Douglas C. Smith Company, LLC
(614) 885-1480

Matthew Stewart, CFP®, ChFC®

mstewart@forestviewfp.com
Forestview Financial Partners, LLC
(614) 954-1154

Timothy Swain, CFP®

tim@summitfin.com
Summit Financial Strategies
(614) 885-1115

Todd Walter, CFP®, CPA

todd.walter@josephgroup.com
The Joseph Group
(614) 907-8638

FPA FINANCIAL PLANNING ASSOCIATION OF CENTRAL OHIO

The Qualified Charitable Distribution – no longer Mr. Irrelevant

“Mr. Irrelevant” is the title given to the last player picked each year in the NFL draft - not exactly a vote of confidence! No one expects him to be a difference maker. The Qualified Charitable Distribution has historically been the Mr. Irrelevant of financial planning tools for most taxpayers. This is no longer the case thanks to the Tax Cuts and Jobs Act of 2017. Before we explore the reasons why, here is a refresher on the Qualified Charitable Distribution.

What is a Qualified Charitable Distribution (QCD)? Qualified Charitable Distributions allow taxpayers over the age of 70½ to make distributions to charity using an IRA and:

1) Not report the IRA distribution as taxable income on their tax returns,

2) Not report the charitable deduction on Schedule A of their tax returns,

3) Count the distribution towards the annual Required Minimum Distribution (RMD) which must be made after age 70½.

Todd Walter, CFP®, CPA
todd.walter@josephgroup.com
The Joseph Group

A few important rules:
1) The IRA check must be directly payable to the charitable entity and not to the IRA owner.

2) The charity must be a public charity and not a private foundation or donor advised fund.

3) There is a $100,000 annual limit on QCDs per taxpayer.

QCDs were created in 2006, but were not made permanent until 2015.

Why do a Qualified Charitable Distribution? Let’s consider a couple examples:

Mike does a QCD and requests a check for $5,000 be payable from his IRA directly to his church. Mike does not report the $5,000 as income on his tax return, but he also does not report the $5,000 charitable deduction. There were no Federal tax consequences.

John does NOT do a QCD. John requests a $5,000 check be payable to him from his IRA, deposits it in his bank account, and then writes a $5,000 check to his church. John reports the $5,000 taxable income from his IRA on his tax return, but he also itemizes his deductions so he claims a $5,000 charitable deduction. For John, the deduction offsets his income and therefore, he too has no Federal tax consequences – it’s a wash! This is why the QCD has essentially been irrelevant for most taxpayers who itemize their deductions.

If a taxpayer’s standard deduction is more than his itemized deductions, he claims the standard deduction and not his itemized deductions. Here is where the Tax Cuts and Jobs Act of 2017 has impact: the Act nearly doubled the standard deduction available to taxpayers (in addition to eliminating or limiting several itemized deductions). This means many taxpayers will no longer be itemizing their deductions and will be claiming the standard deduction instead.

Let’s go back to John. What if John’s itemized deductions were less than his standard deduction? He would claim the standard deduction, not get any tax benefit of his charitable contribution, and still be required to claim the $5,000 as taxable income. To avoid the $5,000 taxable income, John should process a QCD. It’s that simple!

If you are over the age of 70½ and are interested in making charitable gifts, you should absolutely talk with your tax advisor to see if the Qualified Charitable Distribution is right for you. With less people itemizing deductions in the future, the QCD has become an incredibly powerful financial planning tool. Mr. Irrelevant is now a first-round draft pick! ■

The game plan: Top 5 tax time game changers you can implement NOW

Is it too early to think about year-end planning?

The school year and football season just started, and our minds are on other things. But if you want to avoid a Hail Mary play on December 31st to save on your taxes, here are five tips to consider now:

Have you added enough to your company retirement plan? If you own a business, you still have time to start a plan and make contributions. If you are already adding to your current company retirement plan, consider increasing your amount to get closer to the maximum contribution. Most company retirement plans are set up with pre-tax contributions which means that every dollar you add could lower your taxable income.

Will you be itemizing deductions on your taxes in 2018? This has been one of the most talked about changes to the tax law that directly and indirectly affects individuals and potentially charities. The standard deduction nearly doubled, and your previous year-end planning tips may not affect your taxable income as they have in the past.

Jason Codrea, CFP®, CMFC
jason@codreafinancial.com
Codrea Financial

Can you still deduct your mortgage interest, state & local income taxes, property taxes, student loan interest, or receive the same child tax credits as you have in the past? The answer is that this will change for almost everyone in some way because of the new tax law changes. Consider increasing charitable contributions to adjust the amounts you will lose from some changes if it is better to itemize your taxes.

Does your health insurance plan offer a health savings account? Most likely you have spent money this year on an expense that qualifies for a health savings account that you could be reimbursed for. Contributions are deductible on your taxes so take advantage if you can.

Contribute to your state specific college 529 plan if you have children or grandchildren that you are helping save for future college expenses. There are additional expenses that qualify for tax free withdrawals from the 529 savings plans that include K-12 expenses. The state tax credit for plans in Ohio was increased from $2,000 up to $4,000 per year.

There have been several changes to taxes for 2018 and moving forward. Almost everyone will be affected in one way, or another. Some are beneficial, and some are not. Just as a coach watches film and scouts out the competition to prepare his team, your financial professionals should be staying on top of the current financial landscape and working with you to prepare for these tax changes, enabling you to take advantage of them so you focus on what will benefit you the most.

> There have been several changes to taxes for 2018 and moving forward. Almost everyone will be affected in one way or another.

Good luck with your preparation to reach the end zone before the clock runs out at midnight on December 31st for some of your tax savings. ■

Boring, but important: congress blesses Backdoor Roth IRA Contribution

Jason Ferris, CFP®, CAP
jfarris@waller.com
Waller Financial Planning Group, Inc.

Buried in the footnotes of the Tax Cuts and Jobs Act (TCJA) Conference Report was a boring, but important explanation: No longer will tax professionals debate the legitimacy of contributing to a traditional, non-deductible IRA and immediately converting it to a Roth IRA. Many are worried the Internal Revenue Service would disallow the contribution as it violated the step-transaction doctrine; however, footnotes 268, 269, 276 and 277 of the Conference Committee's explanatory report provided clarity and validated the back door Roth IRA contribution.

Below are the income limits for 2018:

Are You Eligible? – Generally, you can contribute to a Roth IRA if you have taxable compensation, and your modified adjusted gross income (AGI) is less than:

- $189,000 for married couples filing jointly, or a qualifying widow(er)

- $120,000 for single, head of household, or married filing separately, and you did not live with your spouse at any time during the year

- $0 for married couples filing separately, and you lived with your spouse at any time during the year

If your modified AGI exceeds the threshold, your contribution limit will be reduced, or you may be ineligible for a Roth IRA contribution all together.

Not eligible, now what? If you are not eligible to make a Roth IRA contribution, all hope is not lost. If you are a high-income earner, and want to contribute to a Roth IRA, it is still possible; however, it's a two-step process.

While you may be ineligible to contribute directly to a Roth IRA, Congress enacted a law that opened the "back door" to Roth IRAs. The law, which took effect in 2010, lifted income restrictions on converting to a Roth IRA; therefore, high-income earners willing to take an additional step can place money into a Roth IRA.

The first step is to make a non-deductible traditional IRA contribution. There are no income limitations on making a traditional IRA contribution, as long as the taxpayer is not claiming a deduction.

The second step is to immediately convert the traditional IRA contribution to a Roth IRA. A non-deductible traditional IRA contribution creates cost basis in the IRA. The cost basis represents after-tax money, and it will not be taxed again when it is converted to a Roth IRA. Thus, high earners willing to take the extra steps can effectively make a Roth IRA contribution.

However, it is not always this easy for every investor. If you have an existing traditional IRA, additional analysis is required – conversions may be fully taxable, partly taxable or non-taxable. Determining the taxable amount depends on how the contributions were made, and how much accumulation of tax-deferred growth (investment earnings which accumulate tax free until investor withdraws and takes possession of them) has occurred. If only deductible IRA contributions (IRA contributions deducted against your income) or any rolled-over pretax amounts were made to your traditional IRA, you have no cost basis in your IRA. Because you have no basis in your IRA, any conversions are fully taxable. If you made non-deductible contributions or rolled over any after-tax amounts, you have a cost basis. These non-deductible contributions are not taxed when they are converted.

Many investors have a combination of pre-tax and after-tax amounts in their IRA, thus any conversions would be partly taxable. So how much would be taxable? The IRS provides instructions on how to calculate the taxable amount; however, in general terms each dollar converted will have a prorated cost basis associated with it. While this could be an extremely beneficiary strategy one should consult with their financial planner or tax professional before implementing.

Who are likely candidates to utilize Backdoor Roth contribution? Investors should consider implementing this strategy if they have all their pretax money invested in an employer-sponsored retirement plan, are contributing the maximum amount to their existing employer-sponsored retirement plan, do not have existing IRA balances and have extra cash flow to invest. ■

Can we rely on Social Security?

"The reports of my death have been greatly exaggerated." -Mark Twain

For years, many Americans have doubted the likelihood of receiving Social Security benefits by the time they reach retirement age. This is especially common for millennials and Gen Xers. However, like the (albeit, slightly misquoted) Mark Twain quote above, those fears are exaggerated.

A recent Trustee Report by the Social Security Administration on the health of the program has reignited these fears. As the report found in 2017, this year's analysis estimates that the system will be insolvent by 2034. This point seems to be one causing much of the confusion. This, while not being great news by any means, does not mean Social Security will disappear in 2034. It means that the trust fund that supplements the program will run out at that time, leaving only contributions from payroll taxes to foot the bill. So, if no changes are made between now and then, all Social Security benefits would be reduced by 21% (Source: ssa.gov). Not a great situation, but it doesn't mean the death of Social Security.

Mark Beaver, CFP®
mark.beaver@keelernadler.com
Keeler & Nadler Financial Planning

How Social Security is Funded
The bulk of Social Security benefits are funded by payroll taxes. Typically, you pay 6.2% into Social Security each paycheck and your employer also pays 6.2% on the first $128,400 of wages in 2018 (if you're self-employed you pay both, 12.4%). This is one of the reasons the program is under pressure; with baby boomers retiring, there are less workers paying in and more retirees taking out of the system. Social Security has a trust fund that can be used to supplement this gap, but it is not enough to sustain it long-term.

Should We Plan on Getting Only 79% of Our Benefits?
Planning for the uncertainties of the future is always a challenge and now Social Security seems to be a new uncertainty. Planning on a reduced benefit may be a prudent thing to do, but do not discount it completely.

Can it be Fixed?
There are many "levers" lawmakers can pull to prolong the health of Social Security. They could increase the amount of income subject to payroll taxes, increase the retirement age of younger workers or increase the tax on the benefits themselves. Notice that each time I said "increase" in the previous sentence it would mean a decrease is benefits to some percentage of the population. None of the options will be popular, but there are options. The Committee for a Responsible Federal Budget created an interesting tool that allows you to see the impact some of these changes would make that is available on their website at www.crfb.org/socialsecurityreformer.

Hopefully lawmakers will start working on solutions now, rather than delaying. The longer the issue goes unaddressed, the harder it will be to fix, which means more dramatic actions will be necessary. Congress isn't known for being very proactive, but hopefully they can realize the importance that time plays in this case.

In Conclusion
With all of that being said, yes, Social Security has some issues, but it will be around in some way into the future. While discounting benefits for retirement planning purposes may be prudent, we remain confident that some changes will be enacted that will bridge the gap - hopefully sooner rather than later. In any case, Social Security is not meant to be your sole retirement income source. Proper financial planning should factor in all retirement income sources and determine how much you need to save to meet your specific goals. ■

For more information:
https://www.ssa.gov/oact/tr/2018/
http://www.crfb.org/papers/analysis-2018-social-security-trustees-report

Trust a financial advisor who works for **you**, not Wall Street.

PROUD CFP PROFESSIONAL · CERTIFIED FINANCIAL PLANNER · THE HIGHEST STANDARD

FPA. FINANCIAL PLANNING ASSOCIATION

Fee FO Only

NAPFA THE POWER OF TRUST

$100 off one-time Flat-Fee Planning session

One complimentary portfolio analysis

One quarter fee waived for new/on-going clients (up to $2,500)

Schedule your appointment today at **(614) 441-9605** or **rebelfinancial.com**.

rebel FINANCIAL
People before profits

rebel Financial LLC is a registered investment adviser. A detailed description of the company, its management and practices are contained in its "Firm Brochure (Form ADV, Part 2A)".

Special needs planning: How STABLE accounts and special needs trusts can work together

Barry Jamieson, CFP®, MA
barry@cmpfinancial.com
CMP Financial Planning

This article addresses how STABLE accounts and Special Needs Trusts (SNTs) can work towards the same purpose of maximizing future benefits for the individual with a disability. In many situations special needs families will want to avail themselves of both tools to enhance the quality of life of not only their loved one but of other family members as well.

Before determining how the two vehicles can work together, let's recap what the features of STABLE accounts and SNTs are.

STABLE Accounts

STABLE accounts are savings accounts that grow tax free but don't impact the individual's eligibility for Medicaid and Social Security as long as certain rules are followed. The contribution limit is $15,000 per individual per year if the individual has no work earnings. If the individual has work earnings they will be able to save in 2018 an additional $12,060 (the federal poverty limit). Importantly, monies in the account after the individual dies will be used to pay back Medicaid for services rendered.

Special Needs Trusts

SNTs are legal agreements where assets are managed by a trustee according to the terms in the trust agreement. Trusts do not need to be funded initially. Similar to STABLE accounts, funds in the account are not counted as resources for Medicaid and Social Security purposes. Unlike STABLE accounts, withdrawals from SNTs for non-room and board expenses can trigger benefit reductions. There are no contribution limits to an SNT. For third party wholly discretionary trusts, residual funds can be designated towards other beneficiaries named in the trust.

The table below shows the key advantages and weaknesses of both vehicles.

The key advantage of an STABLE account is flexibility. It is relatively easy to set up and takes minimal costs to maintain. SNTs by contrast can be costly to set up and maintain. In addition, a trustee needs to be mindful how withdrawals may impact SSI benefits. However, a key advantage of third party SNTs is that funds can remain with the family. Another advantage of SNTs over STABLE accounts is that there are no limits on contributions or overall assets limits.

The key advantage of an STABLE account is flexibility. It is relatively easy to set up and takes minimal costs to maintain.

Utilizing features of both SNTs and STABLE accounts

In order to avoid paying back the State for Medicaid benefits, a third party SNT can be used to harbor long term assets. Short term savings can be kept in an STABLE account to provide a flexibility in how funds are used for the individual. STABLE accounts can be replenished with contributions coming from the individual's work earnings, family members and even from the SNT (see related article). Since funds can move from an SNT to an STABLE account penalty free, the trustee of the SNT can use contributions to the STABLE account as a means of providing penalty free withdrawals from the SNT.

Both SNTs and STABLE accounts should be strongly considered by families as key savings and planning tools for individuals with disabilities. One tool need not be considered over the other. An effective planner can utilize both to maximize benefits for the individual with disabilities. ■

Account Type	Assets Sheltered	Costs	Flexible Withdrawals	Contribution Limits	Asset Limits	Govt. PayBack	Taxes on Withdrawals
Stable	Yes	Minimal	Yes	Yes	Yes	Yes	No
SNTs	Yes	Higher	No	None	None	Depends	Possible

Personal finance… it's more personal than (just) finance

Ben Murray, MBA, CFP®
ben.murray@summitfin.com
Summit Financial Strategies

As I know many other CERTIFIED FINANCIAL PLANNER® professionals have experienced, friends and family members regularly ask questions off-the-cuff about something going on in their lives as it relates to their money. They're looking for thoughts on what to do in this type of market, clarification for an article they read online, or advice about a decision they're on the fence about making.

While I truly enjoy these questions and the discussions that follow, I repeatedly must disclose something that many aren't expecting to hear – it depends! Yes, it's the classic response, but it's the truth because so much of what makes financial planning successful is entirely dependent on variables unique to you (things like age, job situation, income, goals, other resources, and health, to name a few).

In addition to being different for each of us, these variables themselves change over time… which is why the "it depends" answer is appropriate until more information has been gathered!

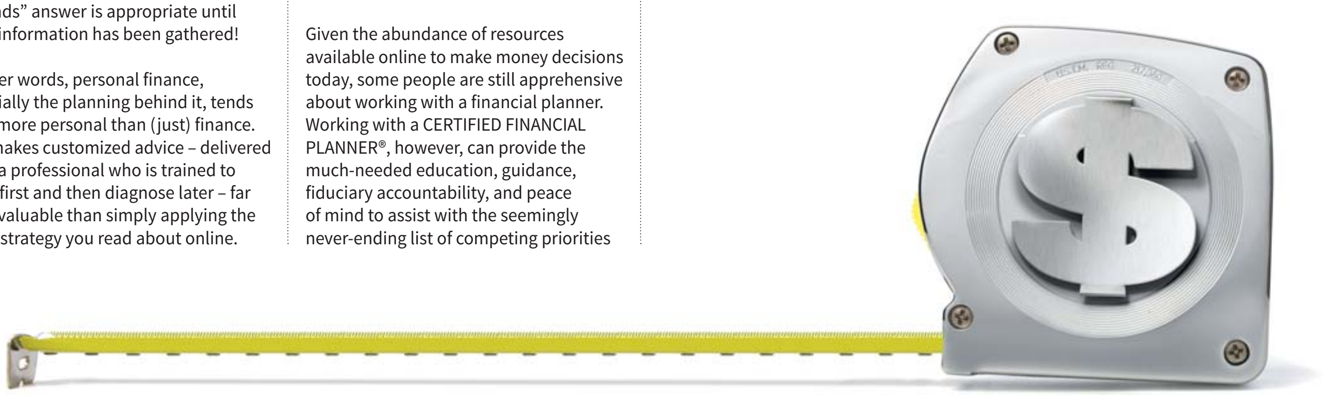
In other words, personal finance, especially the planning behind it, tends to be more personal than (just) finance. This makes customized advice – delivered from a professional who is trained to listen first and then diagnose later – far more valuable than simply applying the latest strategy you read about online.

For example, one common planning question relates to maintaining an emergency fund… but what's your right number? Well, to begin assessing that question, how secure is your job? Do you have any savings now? If so, how much? How much do you spend monthly? What portion of that spending is discretionary? What kind of skills do you have? In this type of job market, how long would it reasonably take to find another? These are just a sample of the questions that ought to be considered before a decision is made with respect to your emergency fund. The articles you'll read, however, will provide exactly none of the details you need to answer these questions and find true comfort in the size of your financial cushion.

Given the abundance of resources available online to make money decisions today, some people are still apprehensive about working with a financial planner. Working with a CERTIFIED FINANCIAL PLANNER®, however, can provide the much-needed education, guidance, fiduciary accountability, and peace of mind to assist with the seemingly never-ending list of competing priorities we encounter in everyday life. In fact, the 2018 Planning & Progress Study completed by Northwestern Mutual again showed that those who use a financial advisor are more likely to have a better handle on their finances than those who don't. And while magazine articles can provide ideas, you are likely to navigate your money decisions much more confidently – and remove the uncertainties surrounding "it depends" – when you establish a relationship with an expert rather than relying on tips written by complete strangers.

In the end, whether it's guiding you through a conversation to determine the appropriate size for an emergency fund, discussing your options as they relate to balancing education with retirement funding, or simply nudging you along to ensure your cash flow decisions make sense, CERTIFIED FINANCIAL PLANNER® professionals have satisfied rigorous examination, education, experience, and ethical standards requirements to help you get where you want to go. ■

… so much of what makes financial planning successful is entirely dependent on variables unique to you…



Reclaiming charitable deductions

Scott Rendle, CFP®
srendle@waller.com
Waller Financial
Planning Group, Inc.

When the new tax law was debated, there was a lot of chatter around the possibility that Congress would eliminate the deduction for charitable contributions. While this is not the case, because this proposal never made it into the final Tax Cuts & Jobs Act, but in other ways, the tax changes may wind up having a similar effect on many taxpayers.

How? By doubling the standard deduction, the Tax Code will significantly reduce the number of tax filers who itemize. The new law also adds to the reduction of itemizing by capping the value of the deduction for state and local taxes at $10,000—far below what many taxpayers living in high-tax areas of the country will actually pay.

The result? In the past, roughly 30% of us were itemizers. That number is expected to drop to 10% by the time we start filing this year's taxes. Of course, if you don't itemize your deductions, you can't deduct your charitable contributions.

Some quick math shows how this works: Let's suppose a married couple plans to make $14,000 worth of charitable gifts this year. Their state and local tax deduction are capped at $10,000. Together, the two equal $24,000 — which happens to be the same as the new standard deduction. They get no incremental deduction for their $14,000 of charitable gifts.

What to do? One way to overcome the impact of the new tax provisions is to bundle several years worth of charitable contributions into a single tax year, contributing the higher amount to a donor-advised fund rather than to the charities directly. If the same couple were to give two years worth of donations to a donor-advised fund, that would come to $28,000. Add in the $10,000 maximum deduction for state and local taxes, and suddenly it makes sense to itemize. The additional $14,000 results in a tax savings of about $5,180 for people in the 37% tax bracket.

Of course, if the couple was to bundle five or ten years worth of charitable contributions into the same tax year, that would further increase the value of the deduction, and they can happily take the standard deduction in the other years. Going forward, the money in the donor-advised fund can be contributed each year to charitable causes just as it had been before, in $14,000 annual increments. Meanwhile, the assets that remain in the fund are growing tax-free, creating additional charitable assets for future donations.

Not familiar with Donor-Advised Funds? For more information regarding Donor-Advised Funds check out Charlie Kerwood's article on "Charitable Gifts: Donor Advised Fund or Private Foundation?" ■

SPEND MORE

[TIME DOING WHAT MATTERS MOST TO YOU]

HAMILTON CAPITAL

Future In Sight

Time is your most valuable asset.

We can help you invest it wisely.

We help you cut through the complexity of managing your money and building your wealth by asking smart questions, recommending personalized solutions backed by original research and actively managing your investments.

Let's start a conversation.

614-273-1000 | HamiltonCapital.com