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Hello Everyone!

I hope you all had a very Merry Christmas and enjoyed the holidays with your families.

I pray that you enter the new year in good health and that you enjoy many blessings. I think you'll agree that last year was certainly good, at least financially. I hope it was good to you in many other ways as well.

Please let us know if there is anything we can do for you, your family, or your friends. Thank you for your friendship, trust, and business.

Happy New Year!

John

Winter 2018

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What You Can Do with a Will

A will is often the cornerstone of an estate plan. Here are five things you can do with a will.

Distribute property as you wish

Wills enable you to leave your property at your death to a surviving spouse, a child, other relatives, friends, a trust, a charity, or anyone you choose. There are some limits, however, on how you can distribute property using a will. For instance, your spouse may have certain rights with respect to your property, regardless of the provisions of your will.

Transfers through your will take the form of specific bequests (e.g., an heirloom, jewelry, furniture, or cash), general bequests (e.g., a percentage of your property), or a residuary bequest of what's left after your other transfers. It is generally a good practice to name backup beneficiaries just in case they are needed.

Note that certain property is not transferred by a will. For example, property you hold in joint tenancy or tenancy by the entirety passes to the surviving joint owner(s) at your death. Also, certain property in which you have already named a beneficiary passes to the beneficiary (e.g., life insurance, pension plans, IRAs).

Nominate a guardian for your minor children

In many states, a will is your only means of stating who you want to act as legal guardian for your minor children if you die. You can name a personal guardian, who takes personal custody of the children, and a property guardian, who manages the children's assets. This can be the same person or different people. The probate court has final approval, but courts will usually approve your choice of guardian unless there are compelling reasons not to.

Nominate an executor

A will allows you to designate a person as your executor to act as your legal representative after your death. An executor carries out many estate settlement tasks, including locating your will, collecting your assets, paying legitimate creditor claims, paying any taxes owed by your estate, and distributing any remaining assets to your beneficiaries. As with naming a guardian, the probate court has final approval but will usually approve whomever you nominate.

Specify how to pay estate taxes and other expenses

The way in which estate taxes and other expenses are divided among your heirs is generally determined by state law unless you direct otherwise in your will. To ensure that the specific bequests you make to your beneficiaries are not reduced by taxes and other expenses, you can provide in your will that these costs be paid from your residuary estate. Or, you can specify which assets should be used or sold to pay these costs.

Create a testamentary trust or fund a living trust

You can create a trust in your will, known as a testamentary trust, that comes into being when your will is probated. Your will sets out the terms of the trust, such as who the trustee is, who the beneficiaries are, how the trust is funded, how the distributions should be made, and when the trust terminates. This can be especially important if you have a spouse or minor children who are unable to manage assets or property themselves.

A living trust is a trust that you create during your lifetime. If you have a living trust, your will can transfer any assets that were not transferred to the trust while you were alive. This is known as a pourover will because the will "pours over" your estate to your living trust.

Caveat

Generally, a will is a written document that must be executed with appropriate formalities. These may include, for example, signing the document in front of at least two witnesses. Though it is not a legal requirement, a will should generally be drafted by an attorney.

There may be costs or expenses involved with the creation of a will or trust, the probate of a will, and the operation of a trust.

Proposed tax reform legislation may make changes to the estate and gift tax, the personal exemption, the standard deduction, and the alternative minimum tax.

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Key Retirement and Tax Numbers for 2018

Every year, the Internal Revenue Service announces cost-of-living adjustments that affect contribution limits for retirement plans, thresholds for deductions and credits, and standard deduction and personal exemption amounts. Here are a few of the key adjustments for 2018.

Employer retirement plans

- Employees who participate in 401(k), 403(b), and most 457 plans can defer up to $18,500 in compensation in 2018 (up from $18,000 in 2017); employees age 50 and older can defer up to an additional $6,000 in 2018 (the same as in 2017).
- Employees participating in a SIMPLE retirement plan can defer up to $12,500 in 2018 (the same as in 2017), and employees age 50 and older can defer up to an additional $3,000 in 2018 (the same as in 2017).

IRAs

The limit on annual contributions to an IRA remains unchanged at $5,500 in 2018, with individuals age 50 and older able to contribute an additional $1,000. For individuals who are covered by a workplace retirement plan, the deduction for contributions to a traditional IRA is phased out for the following modified adjusted gross income (AGI) ranges:

	2017	2018
Single/head of household (HOH)	$62,000 - $72,000	$63,000 - $73,000
Married filing jointly (MFJ)	$99,000 - $119,000	$101,000 - $121,000
Married filing separately (MFS)	$0 - $10,000	$0 - $10,000

Note: *The 2018 phaseout range is $189,000 - $199,000 (up from $186,000 - $196,000 in 2017) when the individual making the IRA contribution is not covered by a workplace retirement plan but is filing jointly with a spouse who is covered.*

The modified AGI phaseout ranges for individuals to make contributions to a Roth IRA are:

	2017	2018
Single/HOH	$118,000 - $133,000	$120,000 - $135,000
MFJ	$186,000 - $196,000	$189,000 - $199,000
MFS	$0 - $10,000	$0 - $10,000

Estate and gift tax

- The annual gift tax exclusion for 2018 is $15,000, up from $14,000 in 2017.
- The gift and estate tax basic exclusion amount for 2018 is $5,600,000, up from $5,490,000 in 2017.

Personal exemption

The personal exemption amount for 2018 is $4,150, up from $4,050 in 2017. For 2018, personal exemptions begin to phase out once AGI exceeds $266,700 (single), $293,350 (HOH), $320,000 (MFJ), or $160,000 (MFS).

Note: *These same AGI thresholds apply in determining if itemized deductions may be limited. The corresponding 2017 threshold amounts were $261,500 (single), $287,650 (HOH), $313,800 (MFJ), or $156,900 (MFS).*

Standard deduction

These amounts have been adjusted as follows:

	2017	2018
Single	$6,350	$6,500
HOH	$9,350	$9,550
MFJ	$12,700	$13,000
MFS	$6,350	$6,500

Note: *The 2018 additional standard deduction amount (age 65 or older, or blind) is $1,600 (up from $1,550 in 2017) for single/HOH or $1,300 (up from $1,250 in 2017) for all other filing statuses. Special rules apply if you can be claimed as a dependent by another taxpayer.*

Alternative minimum tax (AMT)

	2017	2018
Maximum AMT exemption amount		
Single/HOH	$54,300	$55,400
MFJ	$84,500	$86,200
MFS	$42,250	$43,100
Exemption phaseout threshold		
Single/HOH	$120,700	$123,100
MFJ	$160,900	$164,100
MFS	$80,450	$82,050
26% on AMTI* up to this amount, 28% on AMTI above this amount		
MFS	$93,900	$95,750
All others	$187,800	$191,500
*Alternative minimum taxable income		

Demographic Dilemma: Is America's Aging Population Slowing Down the Economy?

It's no secret that the demographic profile of the United States is growing older at a rapid pace. While the U.S. population is projected to grow just 8% between 2015 and 2025, the number of older Americans ages 70 to 84 will skyrocket 50%.[1]

With roughly 75 million members, baby boomers (born between 1946 and 1964) make up the largest generation in U.S. history. As a group, boomers have longer life expectancies and had fewer children than previous generations.[2]

Now, after dominating the workforce for nearly 40 years, boomers are retiring at a rate of around 1.2 million a year, about three times more than a decade ago.[3]

Though the economy has continued to improve since the Great Recession, gross domestic product (GDP) growth has been weak compared with past recoveries. A number of economists believe that demographic changes may be the primary reason.[4]

Spending shifts

The lower birth rates in recent decades generally mean that fewer young people are joining the workforce, so the consumer spending that fuels economic expansion and job creation could take a hit. When young people earn enough money to strike out on their own, marry, and start families, it typically spurs additional spending — on places to live, furniture and appliances, vehicles, and other products and services that are needed to set up a new household.

On the other hand, when people retire, they typically reduce their spending and focus more on preserving their savings. Moreover, retirees' spending habits are often different from when they were working. As a group, retirees tend to avoid taking on debt, have more equity built up in their homes, and may be able to downsize or move to places with lower living costs. More spending is devoted to covering health-care costs as people age.

If a larger, older population is spending less and the younger population is too small to drive up consumer spending, weaker overall demand for products and services could restrain GDP growth and inflation over the long term. Less borrowing by consumers and businesses could also put downward pressure on interest rates.

A new normal?

The onslaught of retiring baby boomers has long been expected to threaten the viability of Social Security and Medicare, mainly because both are funded by payroll taxes on current workers. But this may not be the only challenge.

A 2016 working paper by Federal Reserve economists concluded that declining fertility and labor force participation rates, along with increases in life expectancies, accounted for a 1.25 percentage point decline in the natural rate of real interest and real GDP growth since 1980. Furthermore, the same demographic trends are expected to remain a structural impediment to economic growth for years to come.[5]

Put simply, a nation's potential GDP is a product of the number of workers times the productivity (output) per worker, and the U.S. workforce is shrinking in relation to the total population.

The labor force participation rate — the percentage of the civilian labor force age 16 and older who are working or actively looking for work — peaked at 67.3% in early 2000, not coincidentally the last time GDP grew by more than 4%. The participation rate has dropped steadily since then; in August 2017, it was 62.9%. This reflects lower birth rates, increased college enrollment, some men in their prime working years dropping out of the labor force, and large numbers of retiring baby boomers.[6]

Many economists acknowledge that U.S. population trends are a force to be reckoned with, but the potential impact is still up for debate. Some argue that labor shortages could drive up wages and spending relatively soon, followed by higher growth, inflation, and interest rates — until automated technologies start replacing larger numbers of costly human workers.[7]

Even if demographic forces continue to restrain growth, it might not spell doom for workforce productivity and the economy. Another baby boom would likely be a catalyst for consumer spending. Family-friendly policies such as paid maternity leave and day-care assistance could provide incentives for women with children to remain in the workforce. It's also possible that a larger percentage of healthy older workers may delay retirement — a trend that is already developing — and continue to add their experience and expertise to the economy.[8]

1, 3) The Conference Board, February 24, 2017

2) *The Wall Street Journal,* January 16, 2017

4-5) Federal Reserve, 2016

6, 8) *The Financial Times,* October 25, 2016

7) U.S. Bureau of Labor Statistics, 2016-2017, Bureau of Economic Analysis 2017

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What financial resolutions should I consider making as I look ahead to 2018?

A new year is right around the corner, bringing with it a fresh start for you and your finances. What will you do this year to help improve your financial situation?

Evaluate your savings goals. The beginning of the year is a great time to examine your overall financial plan. Maybe you want to buy a new vehicle this year or save money toward a Caribbean cruise next year. Perhaps you want to focus less on material items and more on long-term goals, such as your retirement savings. Regardless of what you are setting money aside for, make sure you come up with a realistic savings plan that will help you achieve your goals and avoid the risk of significant loss.

Pay down debt. Whether you owe money on your credit cards or have student loan payments to make, the start of a new year is a good time to develop a strategy to reduce your overall level of debt. Reducing your debt can help create opportunities to contribute toward other goals throughout the year. But unless you can definitely afford it, don't plan to pay off all your debts in one fell swoop. Set a smaller goal that you'll be more likely to achieve over the course of the year.

Automate as much as you can. Your plan to pay down debt can be accomplished more easily if you automate your bill paying, saving, and investing. Most banks, credit card issuers, retirement plan providers, and investment companies offer services that make payments automatic — allowing you to worry less about payment dates. The best part is that it might only take a few taps on your smartphone to make these processes automatic.

Think about organizing your financial documents. If your overall financial situation is already in good shape for the new year, consider taking time now to clear out and organize your financial records. Do you have important documents, such as your tax returns or passport, in a safe place? Are you holding on to records that you no longer need? Organizing your financial records now can save you time and frustration later if you need to locate a particular document.

What can I do to crack down on robocalls?

You may not mind if a legitimate robocall provides a helpful announcement from your child's school or an appointment reminder from a doctor's office. But sadly, criminals often use robocalls to collect consumers' personal information and/or conduct various scams. Newer "spoofing" technology displays fake numbers to make it look as though calls are local, rather than coming from overseas, which could trick more people into answering the phone.

Robocalls have been illegal since 2009 (unless the telemarketer has the consumer's prior consent). In mid-2017, federal agencies announced they are ramping up enforcement by fining violators and encouraging blocking technologies. What should you do if you want to help put an end to this nuisance?

1. Don't answer calls when you don't recognize the phone number. If you pick up an unwanted robocall, just hang up. Don't answer "yes" or "no" questions, provide personal information, or press a number to "opt out." Responding to the call in any way verifies that it has reached a real number and could prompt additional calls.
2. Look into robocall blocking solutions that may be offered by your phone service provider. If they're available, you may need to follow specific instructions to "opt in." Otherwise, consider a mobile app or cloud-based service designed to block robocalls; some of them are free or cost just a few dollars.
3. Consider registering your phone number on the National Do Not Call Registry. While taking this step can help mitigate the amount of robocalls you receive, it's only a partial solution to the problem. The Federal Trade Commission advises consumers whose numbers are on the registry but still receive unwanted calls to report robocall violations at complaints.donotcall.gov. The phone numbers provided by consumers will be released each day to companies that are working on call-blocking technologies, which largely depend on "blacklists" with numbers associated with multiple complaints.