KLINGENSTEIN FIELDS
WEALTH ADVISORS

Five Tips to be Financially Prepared

"For every minute spent in organizing, an hour is earned."

—Benjamin Franklin

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As we hurtle toward holiday time and the New Year, the last thing on your mind may be organizing your finances. But a few actions can get you started on the right financial foot in the new year, help fulfill your goals, and even reduce your taxes for 2018 and in the future. To help guide you, Klingenstein Fields Wealth Advisors (KFWA) provides a few pointers. Your tax advisor and other experts can also provide guidance on the tax impact of potential actions, or other constructive opportunities.

1. *Don't leave tax-advantaged dollars on the table* — Contributing to an individual or company retirement plan is a great way to reduce your taxable income. Contributions to your company plan are typically made on a pre-tax basis and grow in a tax-deferred account. Some companies may even partially match your contributions, so be sure to contribute the maximum amount possible and check your plan details. The contribution limit for 401(k) plans is $18,500 in 2018 (going to $19,000 in 2019), with an additional $6,000 in catch up contributions for those over age 50. Similarly, contributions to a traditional IRA are usually fully or partially deductible and are not taxable until distributed (your tax advisor can provide guidance based on your personal situation). With compounding, the numbers can really add up.
2. *Take care of your health (savings account)* — Health Savings Accounts (HSAs) can provide similar tax benefits to retirement plans. If eligible, you can contribute money on a pre-tax basis to be used for qualified medical expenses. The funds roll over, so if you don't use them in the contribution year, you don't "lose" them. You may also be able to invest the funds and defer taxes, so you can save for health expenses you may incur in the future. Limits on contribution amounts depend on whether it's for an individual or a family, and there are also catch up contributions for those over age 55.
3. *Don't forget to give* — As we discussed in our most recent communication, "Five Tips to Giving Effectively," it's the giving season. Giving can be a win-win; it lets you support your valued causes and can also provide tax benefits. In order to count toward your 2018 tax returns, contributions must be received before the year end. The Tax Cuts and Jobs Act of 2017 may have positively affected how much you can count as a deduction, which your tax advisor can explain.
4. *Remember your loved ones also* — Annual gifting can help reduce your taxable estate, and you receive the satisfaction of providing for your loved ones. The 2018 annual gift tax exclusion amount is $15,000 per recipient, and married couples can give a total of $30,000 to an individual. You can make larger gifts, but consult us or your tax advisor to consider the tax filing and estate planning issues.
5. *You may need to take a required minimum distribution (RMD)* — Depending on your age or type of IRA (regular, Roth, Inherited or other individual retirement account), you may need to take an RMD to avoid any penalties from the IRS. Your account custodian may have already contacted you, or they may put the burden on you to let them know how much you want to take, when you want to receive it and any federal or state withholding you want on the distribution.

Finally, if you have any year end transactions you need to make, KFWA is here to help. If you have an upcoming major purchase, extended travel plans or need any assistance, please let us know as soon as possible, and we will do everything we can to help.

KFWA will work with you, your tax advisor and other specialists to help implement any moves you would like to make prior to year end. We welcome discussion on how to keep your wealth plan on track to reach your goals. To learn more about how KFWA can help you and your family protect, preserve and grow your wealth, please contact us at 212.492.7000 or email us at info@klingenstein.com.

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