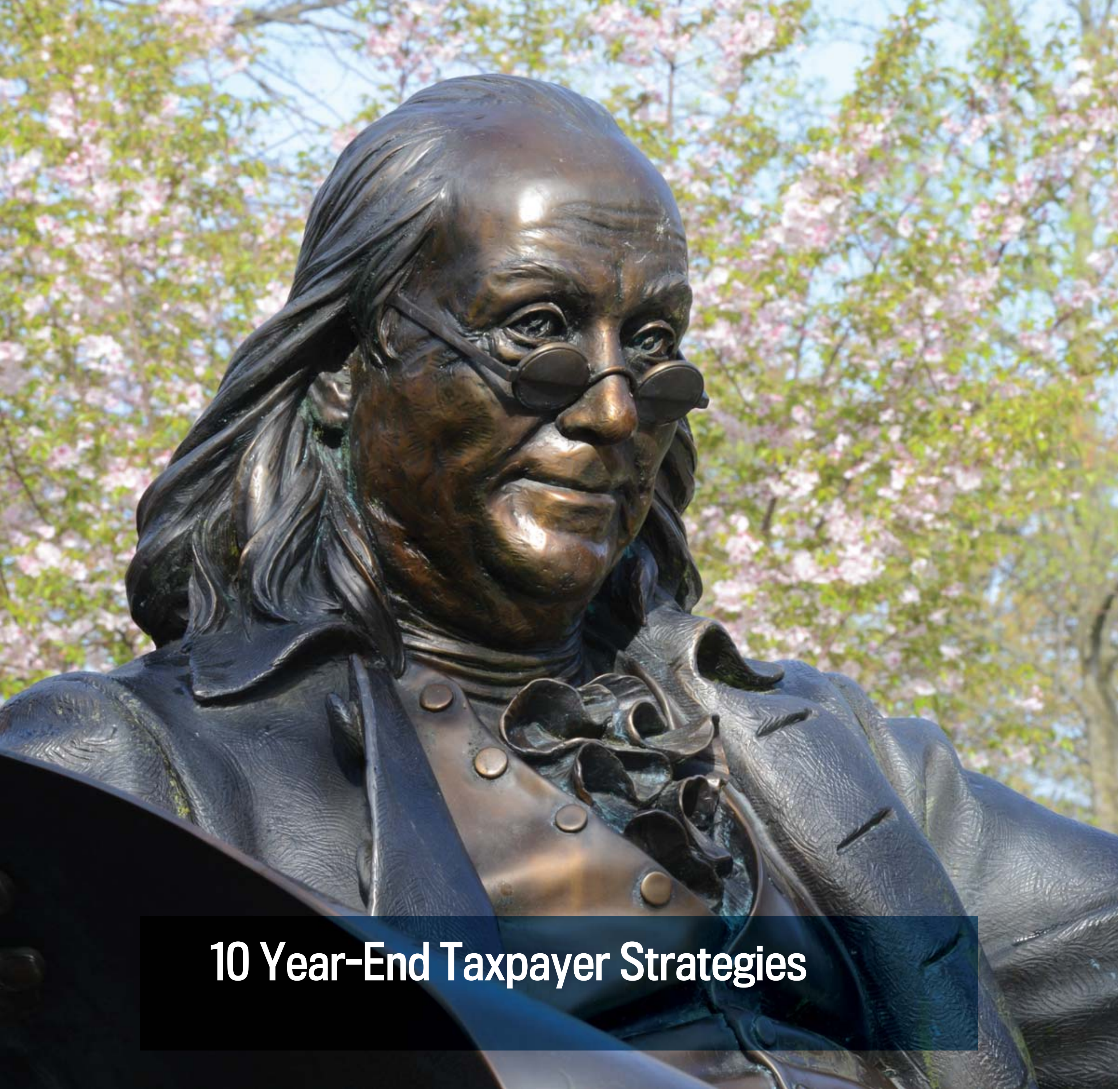

10 Year-End Taxpayer Strategies

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Paying It Forward: Philanthropy Matters

Franklin College

Understanding Your Tax Options Can Help Your Bottom Line

Deferring taxes, reducing taxes, avoiding taxes—all can play a role in your year-end strategy. Knowing your planning and giving options helps you shape a meaningful charitable legacy while providing important benefits to you and your loved ones. Please contact us for more information about personally satisfying ways to meet charitable goals and help us make a difference.

Tax-Wise Charitable Giving

1 IRA Required Minimum Distributions

If you are age 70½ or older and subject to required minimum distributions from your IRA, consider using these required withdrawals to make charitable gifts. Simply instruct your IRA custodian to transfer funds **directly** to the charities you choose. The transfer counts as part (or all) of your required distribution. There is no deduction for your gift, but you save on taxes because no tax is due on the withdrawal *and* the distribution will not raise your adjusted gross income (AGI). This is an advantage because increasing your AGI can trigger additional taxes—the 3.8% surtax on net investment income, income tax on Social Security payments, and Medicare premiums.

Talk to: *Tax Advisor/IRA Custodian*

Example of IRA charitable rollover
Carla, an unmarried IRA owner, has AGI of $225,000—$180,000 of investment income (thanks to a sale of stock) and a required IRA payout of $45,000. This year, she plans to write a check for $35,000 to her favorite charity. Under current law, $25,000 of her investment income would be subject to the 3.8% surtax because Carla's AGI is above the $200,000 income threshold for individual taxpayers. However, if she makes a $35,000 charitable gift directly from her IRA, her tax picture changes. Carla does not receive a tax deduction for her gift, but she reduces the taxable portion of her IRA payout to $10,000 and lowers her AGI to $190,000. Since she is now below the $200,000 income threshold, she is no longer subject to the 3.8% surtax on her investment income.

IRA charitable rollover rules:

- Available to those 70½ or older on the date of the distribution.
- The distribution must be transferred directly from the IRA to a qualified charity.
- Taxpayers may exclude up to $100,000 for federal income tax purposes.
- Amounts transferred count toward required minimum distributions.

2 Gifts of Appreciated Stock or Mutual Fund Shares

Making a gift of appreciated stock or mutual fund shares (held for more than a year) provides greater tax savings than a gift of cash. These gifts can generate an income tax charitable deduction for the full fair market value of the shares *and* allow you to completely avoid long-term capital gains tax on the appreciation. Leveraging the untaxed gain can reduce your taxes.

Talk to: *Tax Advisor/Charity*

Securities/funds to consider:

3 Timing Your Gifts

Because the standard deduction increased significantly under the 2017 tax law, fewer people will itemize on their federal returns. Those who want to make the most of their charitable deductions may find it makes sense to “bunch” donations into a single tax year in order to reach the threshold amount required to take a deduction that exceeds the standard deduction available. This lets donors benefit from taking the standard deduction in some years and itemizing in other years. In addition, the amount of charitable contributions made in cash that can be deducted in any particular year has been increased to 60% (from 50%) of adjusted gross income. This is particularly helpful for donors making large, legacy-shaping gifts because it allows for a higher deduction in a given tax year.

Talk to: *Attorney/Charity*

4 Gift Annuities

One very popular life income gift is a charitable gift annuity. In exchange for your gift, you qualify for an immediate income tax charitable deduction and receive fixed payments for life.

Talk to: *Tax Advisor/Attorney/Charity*

5 Charitable Remainder Trusts

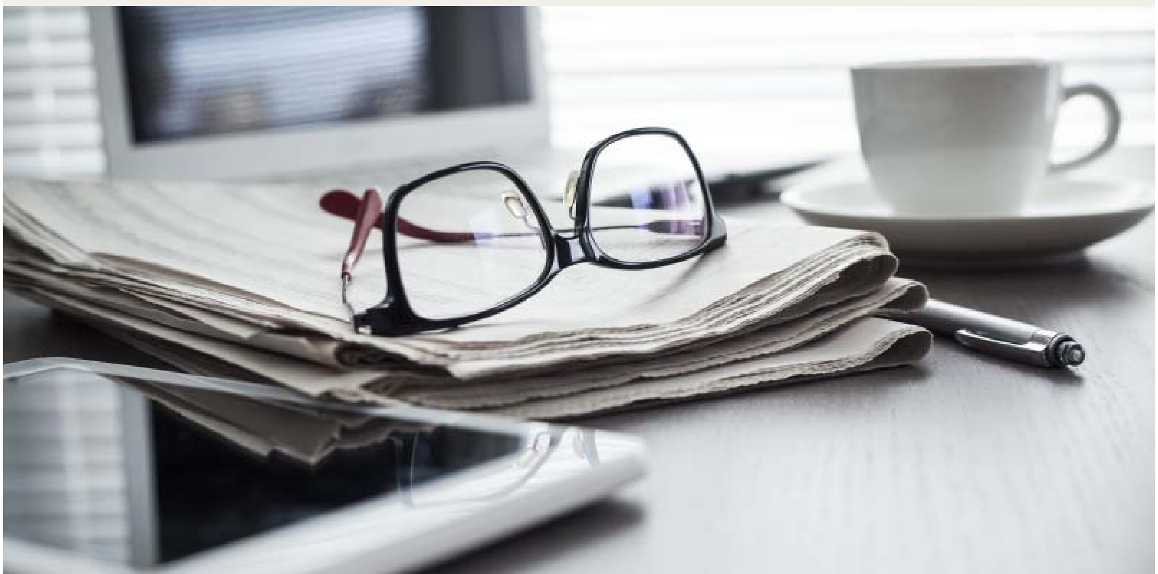
A charitable remainder trust (CRT) can reduce taxes by converting highly appreciated assets (e.g., stock or real estate) into a lifetime income stream. You simply transfer assets to an irrevocable trust. This removes the assets from your estate and provides you with an immediate income tax deduction. The trustee pays you (or others you choose) a lifetime income. At death (or at the end of the stated trust term), remaining assets are transferred to charity.

Talk to: *Attorney/Charity*

6 Gifts of Retirement Plan Assets

Donating retirement account assets by naming us as a beneficiary can be a wise gift choice. Undistributed funds are taxable in an estate *and* when received by heirs, but a direct gift of retirement assets eliminates this potential for double taxation. Other investments, such as stocks which receive a "step-up" in basis, can be better to leave to heirs.

Talk to: *Tax Advisor/Attorney/Charity*



Maximize Opportunities for Tax Deferral

7 Retirement Funds

Have you fully funded your IRA or deferred the maximum allowable contribution under your employer-sponsored retirement plan? Remember, if you are age 50 or older, 2018 catch-up provisions let you contribute an additional:

- $1,000 to your IRA (for a total of $6,500) or
- $6,000 to your 401(k) plan (for a total of $24,500).

Confirm your options with your employer or IRA custodian.

Talk to: *Employer/IRA Custodian*

8 Health Savings Accounts

Have you contributed the maximum amount to your Health Savings Account? Even though you may not currently need the funds for medical expenses, any contributions you make are tax deferred, grow tax free, and can never be forfeited.

Talk to: *Employer*

9 Flexible Spending Accounts

Have you used up all of the contributions you made this year to your Flexible Spending Account (FSA)? These tax-deferred contributions offer an opportunity to avoid tax when paying for expenses such as child care or medical costs, but in most cases, if you don't use all of the funds by the end of the year, you lose them. If your employer offers an FSA and you did not contribute this year, now is the time to determine if you should take advantage of this opportunity next year.

Talk to: *Employer*

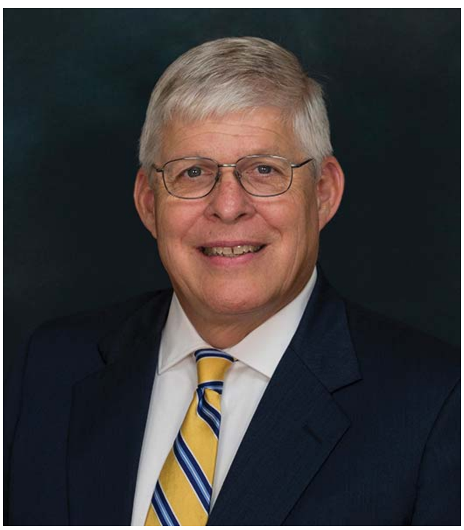
10 Education Expenses

Have you contributed to a 529 plan? This is a good way to plan for future tax savings. There is no tax deduction for contributions, but money invested grows tax free, and children or grandchildren will not pay income tax on these funds when they're withdrawn to pay for qualified higher education expenses. Some states exempt contributions from state income tax.

Talk to: *Financial Advisor/Attorney*

2018 Tax Checklist

- [ ] Copy of 2017 tax return
- [ ] Social Security numbers for taxpayers and dependents
- [ ] W-2 forms from all employers
- [ ] 1099-INT forms showing interest payments received
- [ ] 1099-G form showing any refund, credit, or offset of state/local taxes
- [ ] Receipts pertaining to a business (if the taxpayer is a small business owner)
- [ ] 1099-DIV and 1099-R forms
- [ ] Other income receipts: rental real estate, royalties, partnerships, S corporations, trusts
- [ ] Social Security benefits documentation
- [ ] Medical/dental expenses
- [ ] Receipts for taxes paid: state, local, real estate, personal property
- [ ] Form 1098 mortgage interest and points
- [ ] Receipts for charitable contributions and gifts
- [ ] Casualty and theft losses



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