The
FINANCIAL UPDATE

DAY & ENNIS, LLC
FEE-ONLY FINANCIAL PLANNING

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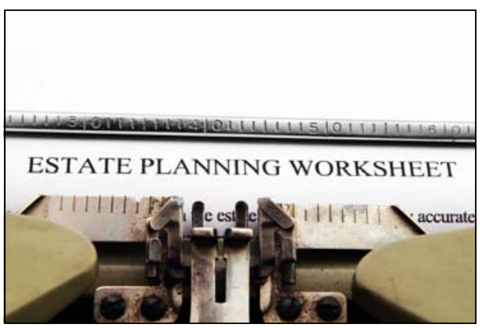
New Year's Resolution: Review Your Estate Plan

Before you ring in another New Year, you may want to take time out of your busy schedule to observe another annual ritual: a review of your estate plan. If you're like most people, you probably stuck your will and other documents in a drawer or a safe deposit box as soon as you had them drawn up—and have rarely thought about them since. But changes in your personal circumstances or other events could mean it's time for an update.

It normally makes sense to review an estate plan at least once a year, just to make sure it's still meeting your main objectives.



Events That Could Spur Changes

What sort of changes might necessitate a change in your plan? Here are events that require alterations in your will or other estate documents.

- The birth or adoption of a child, grandchild, or great-grandchild;
- The death of a spouse or another family member;
- Marriage, divorce, or re-marriage;
- Illness or disability affecting you or another family member;
- A child or grandchild reaching the age of majority;
- A child or grandchild in need of education funding;
- The death of a guardian, executor, or trustee;
- Taking on or paying off a sizeable debt;
- Significant changes in the value of your assets;
- The sale of your residence or a second home;
- A significant promotion at work or a change in jobs;
- Retirement of you or your spouse;
- A large gift or inheritance;
- Sale of a business interest;
- Revisions in federal or state income tax or estate tax laws.

What You May Need To Do

If one or more of these events happens to you, there are several legal documents you may need to revisit.

Your will: As the centerpiece of your estate plan, your will dictates who gets which assets, and it also specifies a guardian for any minor children. Changes in your life since you had the will drafted could require significant alterations. (Note: If a will is kept in a bank safe, it may be sealed upon death. It's better to keep it in another safe.)

Often that will include revisions in the bequests for some of your heirs. For instance, you might expand the list of beneficiaries to include a newborn in the family or reduce it if you've had a falling-out with a relative. A divorce could necessitate a complete overhaul. Also, you might decide to switch

(Continued on page 4)

Matt Heller To Become Partner At Day & Ennis

We're happy to announce that effective January 2018, Matt Heller will become a partner at Day & Ennis.

Matt is a CERTIFIED FINANCIAL PLANNER™, having attained the certification issued by the Certified Financial Planner Board of Standards. He joined our firm in 2013 with extensive experience in financial planning for healthcare professionals.

Since then, he has expanded his expertise to developing financial plans for individuals and businesses in a variety of fields. He has helped create retirement plans for business owners including 401(k) plans, cash balance and exit plans. With Matt's assistance, we've been able to free more clients from worrying about their financial concerns, so they can concentrate on doing what they do best.

Matt is a Registered Financial Advisor with the National Association of Personal Financial Advisors. (**www.napfa.org**) and has over 12 years of experience in financial planning. He is also a member of the Macon Estate Planning Council and the Rotary Club of Macon. He and his wife Jennifer have a son, Stone.

Matt's insights offer a significant contribution to our planning work. We look forward to his continued input as an integral part of our growing firm.

Sincerely,
Day & Ennis, LLC

"New and Improved" QSBS Tax Break

Maybe you're interested in investing in a new business venture that seems promising. It might even be a business you're trying to kick-start yourself. Either way, you could be in line for a special tax break for investing in "qualified small business stock," (QSBS).

If you hold onto QSBS for at least five years before selling it and you meet other tax law requirements, any profit on your investment is exempt from tax. The Protecting Americans from Tax Hikes (PATH) Act preserved this tax break permanently.

This tax exclusion for QSBS has been kicking around for a while. Prior to 2009, you could exclude only 50% of the gain from the sale of QSBS held at least five years. That effectively reduced the 28% tax rate on QSBS profits to 14%—just one percentage point lower than the maximum long-term capital gains tax rate of 15% (and only 6 percentage points less than the higher 20% long-term capital gains rate for investors in the top tax bracket for ordinary income).

Eventually, the tax exclusion for QSBS was raised to 75%, and after September 27, 2010, it was 100%. And although it was scheduled to fall to 50% after 2014, the PATH Act preserved the full 100% exclusion, retroactive to January 1, 2015, and made it permanent.

Now that the uncertainty is over you can comfortably invest in QSBS, knowing that you might benefit from big tax-free profits in the future if the company is successful.

But the tax exclusion isn't automatic. To qualify, six requirements must be met:

1. The stock must have been issued after August 10, 1993.

2. The stock can't have been acquired in exchange for other stock.

3. The issuing corporation must be a C corporation.

4. At least 80% of the corporation's assets must be used in the active conduct of a qualified trade or business.

5. Certain businesses involving real estate or personal services (for example, law, health, financial services, etc.) are excluded.

6. The corporation can't have had more than $50 million in assets at the time the stock was issued.

In addition to the 100% exclusion for long-term profits, you won't owe any current tax on a gain from the sale of QSBS if you roll over the proceeds into new QSBS within 60 days.

Do keep in mind, however, that investments in new business ventures can be extremely risky, and tax savings won't matter if your QSBS loses all or most of its value. Do your homework before investing and make sure that the investment makes good financial sense as well tax sense. ●

Lending Money? Watch Your Tax Step

Doug Burnside is in a quandary. His daughter, Megan, needs money to get a new business venture going. But Doug can't afford to give her the money outright and she has had trouble getting a loan from a bank.

What can be done? One idea is for Doug to lend his daughter the cash. Megan can repay Doug, with interest, if the business succeeds. Everyone wins.

But this kind of intra-family loan brings several potential tax pitfalls. As long as the loan is for $10,000 or less, there won't be a problem. However, if the borrowed amount is larger and he doesn't charge the going rate of interest, the IRS will "impute" interest for him, based on its own assumptions. He'll end up being treated as if he had charged his daughter interest, even though he hadn't, and he'll owe tax on that "phantom income" that he didn't receive.

In such cases, if the loan is for $100,000 or less, the interest you will be considered to have received annually for tax purposes is limited to the amount of your child's net investment income for the year. And if that amount doesn't exceed $1,000, you can avoid taxable interest income on the intra-family loan. But the IRS may still intercede if it suspects that you're trying to dodge the tax liability.

How do you figure out what the "going rate" for interest is? It depends on several factors, including the type of loan, its length, and the interest rates in your local area. You might be able to charge slightly less than a local bank would get, but you can't go overboard.

What happens if Megan's business fails and she can't pay Doug back? The IRS could determine that the "loan" was always meant to be a gift. To avoid that problem, it's best

10 Common Questions About Social Security

If you're nearing retirement or you recently retired, you probably have plenty of questions about Social Security retirement benefits. Here are answers to 10 common queries posted online by the Social Security Administration (SSA).

Q1. How do I obtain a replacement Social Security card?

A. You can get an original Social Security card or a replacement card if yours is lost or stolen for free. Generally, all you have to do is submit the request to the SSA online. However, in some states, you must show additional documentation. Visit the SSA website for more information.

Q2. How do I change or correct my name on my Social Security number card?

A. If you're legally changing your name because of marriage, divorce, court order, or for any other reason, promptly notify the SSA and obtain a corrected card. This service is also free. Simply follow the procedures for getting a replacement card.

Q3. What are the ramifications if I receive Social Security retirement benefits while I'm still working?

A. If you haven't reached full retirement age (FRA) and you earn more than a specified annual limit, your benefits are reduced under this "earnings test" as follows:

- If you're under FRA for the entire year, you forfeit $1 in benefits for every $2 you earn that exceeds the annual limit. For 2017, that ceiling is $16,920.
- In the year in which you reach FRA, you forfeit $1 in benefits for every $3 earned above a separate limit, but only for what you earn before the month in which you reach FRA. For 2017, this limit is $44,880.

Beginning with the month in which you reach FRA, you can receive benefits that won't be affected by whatever you may earn.

Q4. What is my FRA?

A. It depends on the year in which you were born. The FRA gradually increases from age 65 for those born in 1937 or earlier to age 67 for those born in 1960 and after. The FRA for Baby Boomers born between 1943 and 1954 is age 66.

Q5. Can I collect benefits if I retire before my FRA?

A. Yes. You can retire and apply for benefits as early as age 62, but your monthly benefits will be reduced by as much as 30% in that case.

Q6. Are benefits increased if I wait to apply until after my FRA?

A. Yes. You can receive increased monthly benefits by applying for Social Security after reaching FRA. The benefits may increase by as much as 32% if you wait until age 70. After age 70, there is no further increase. Visit the SSA website to figure out the exact amount of your "early" and "late" benefits.

Q7. How do I apply for Social Security retirement benefits?

A. You should apply for retirement benefits three months before you want your payments to start. The easiest and most convenient way to apply is to use the online application. Note that the SSA may request certain documents to verify your eligibility.

Q8. How do I handle benefits for an incapacitated person?

A. If your elderly parent or someone else who is entitled to receive Social Security benefits needs help in managing those benefits, contact your local Social Security office about becoming that person's representative payee. Then you assume the responsibility for disbursing the funds for that person's benefit.

Q9. Who is entitled to receive Social Security survivors' benefits?

A. A spouse and children, or both, of someone who has died may be in line for benefits based on that person's earnings record. Visit the SSA website for more details. Survivors must apply for this payment within two years of the date of death.

Q10. Are Social Security benefits subject to tax?

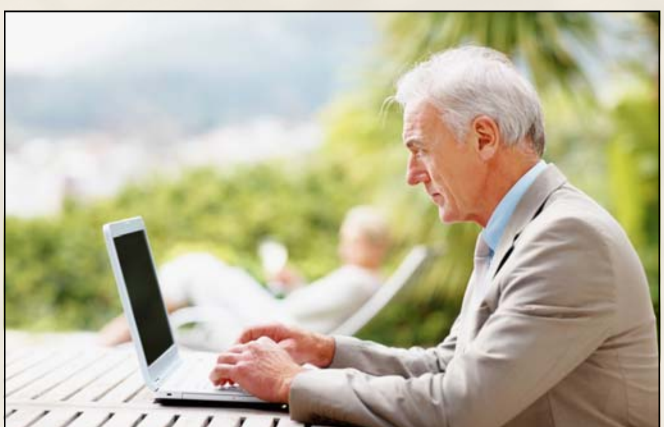
A. Yes, but not everyone is liable. You are taxed on Social Security benefits under a complex formula if your provisional income (PI) exceeds the thresholds within a two-tier system. PI is the total of (1) your adjusted gross income (AGI), (2) your tax-exempt interest income, and (3) one-half of the Social Security benefits you received.

- For a PI between $32,000 and $44,000 ($25,000 and $34,000 for single filers), you're taxed on the lesser of one-half of your benefits or 50% of the amount by which PI exceeds $32,000 ($25,000 for single filers).
- For a PI exceeding $44,000 ($34,000 for single filers), you're taxed on 85% of the amount by which PI exceeds $44,000 ($34,000 for single filers) plus the lesser of the amount determined under the first tier or $6,000 ($4,500 for single filers).

In many cases, these answers will lead to even more questions. The SSA website is helpful, but you may need additional guidance for your personal situation. Don't hesitate to contact us for assistance. ●

to have an attorney draft a formal loan document. It should include the usual terms that would be found in a bank loan. For instance, the document will usually indicate:

- The amount of the loan;
- The time allowed for repayment;
- The interest rate structure;
- A description of the collateral securing the loan.



Finally, have the loan document witnessed and notarized. This is the best proof you can have if the IRS ever challenges the deal. Also, keep records showing repayments to demonstrate that the arrangement is a bona fide loan. ●

Four Tax Strategies In Retirement

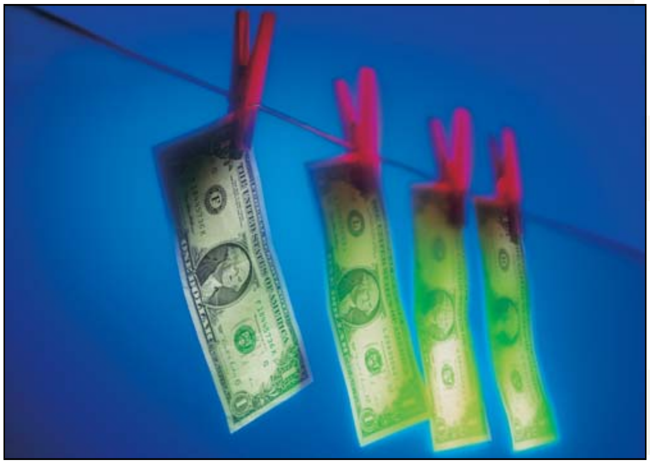
If you're like most people, you've invested in a crazy quilt of assets ranging from stocks and bonds to real estate to precious metals. Amid this dizzying variety, the prevailing tax rules can provide further complications, especially after you've retired.

One overarching rule is that you must begin taking "required minimum distributions" from retirement plans such as 401(k)s and traditional IRAs after age 70½. Because these distributions are generally taxed at ordinary income rates, you could be facing a higher tax bill at just the wrong time.

But there are ways to ease the pain. Consider these four strategies for reducing the tax bite in years when you have to take RMDs.

1. Harvest capital gains. When you sell securities and other capital assets, your profits are taxed under special rules for capital gains. The maximum tax rate on long-term gains (on sales of assets you've held longer than a year) is 15%, or 20% if you're in the top tax bracket for ordinary income.

That lower rate is a benefit in itself. But another aspect of the law could help even more. Capital gains—including short-term gains, which are taxed as ordinary income—are offset by capital losses, and if you've taken any losses earlier in the year, you might take profits now on short-term holdings, knowing they'll be absorbed by the losses. It's usually better to use losses to offset short-term rather than long-term gains because of the higher tax rate for short-term gains.



2. Harvest capital losses. With a capital loss, you can offset capital gains plus up to $3,000 of ordinary income. If that still doesn't use all of your losses, you can carry over the excess to the following year. Typically, investors look to harvest losses at year-end when they've already realized capital gains in prior months.

3. Smooth out income. Although you often can't control when taxable income comes in, you may be able to time some items to your tax benefit. When possible, consider taking just enough income—some of which may come from selling investments—to "fill up" income to the top of your current tax bracket, trying to stay below the thresholds of a higher bracket.

4. Rely on tax deferral. Tax-deferral strategies may help you to reduce your income, and your taxes, for a year or more. For example, if you sell real estate on the installment basis, only part of your gain will be realized in the year of the sale. Or you might simply wait until after the first of the year to sell securities at a gain. ●

Review Your Estate Plan

(Continued from page 1)

executors. Finally, your will may need to be updated to reflect changes in state or federal laws.

Revocable living trusts: Similar to a will, a revocable living trust provides for the distribution of assets transferred to the trust. Unlike a will, however, these assets don't have to pass through probate upon your death. This can save both time and money, and you might decide to use a living trust to supplement your will.

Because the trust is "revocable," you retain the right to change beneficiaries and reallocate assets designated for certain beneficiaries. The same sort of additions and subtractions used for a will might apply to the trust. In addition, depending on your situation, you could amend other terms, such as changing the guardian of minor children, a trustee, or successor trustees.

Durable power of attorney: A power of attorney is a legal document authorizing someone (the "attorney-in-fact") to act on your behalf in financial affairs. A "durable" power of attorney stays in force if you become incapacitated. This can be a vital component of your estate plan.

Are you planning to buy or sell assets or undergo life-threatening surgery? A durable power of attorney may be especially beneficial in these situations. Include this document in your estate plan if you haven't already done so.

Living will: Finally, a living will can provide guidance to your loved ones should they face difficult end-of-life scenarios. This can be combined with a health care power of attorney to ensure that your physicians and the hospital comply with your wishes.

Living wills are often associated with elderly people, but issues can arise at any stage of life. In your review of your estate plan, look again at this document to see whether it still accurately reflects how you feel. And if you don't have these documents yet, consider adding them to your plan.

Once you've completed the year-end review of your estate plan, circle back to your professional advisors for assistance in implementing any changes that are needed. When you're done, you can look forward to a happy New Year! ●

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