



CLIENT NEWSLETTER

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4th Quarter - 2019

IMPORTANT INFORMATION!

We would also like to thank those of you who completed our annual Client Survey in August as we gained a lot of valuable information from the feedback received! Also, we have provided our Privacy Policy at the end of this newsletter.

As we enter the fourth quarter of 2019, it is important to begin looking at 2020. It appears that Social Security benefits will increase by approximately 1.6% in 2020, which is a full percentage point less than the 2.8% rise in 2019. The official number will be released on October 10th. More changes are coming and we have listed some of those below.

Annual Financial To-Do List

Things you can do for your future as the year unfolds

What financial, business, or life priorities do you need to address for the coming year? Now is a good time to think about the investing, saving, or budgeting methods you could employ toward specific objectives, from building your retirement fund to managing your taxes. There are plenty of choices out there and here are a few ideas to consider:

Can you contribute more to your retirement plans? In 2020, the contribution limit for a Roth or traditional individual retirement account (IRA) remains at \$6,000 (\$7,000 for those making “catch-up” contributions). Your modified adjusted gross income (MAGI) may affect how much you can put into a Roth IRA: singles and heads of household with MAGI above \$139,000 and joint filers with MAGI above \$206,000 cannot make 2020 Roth contributions.¹

Before making any changes, remember that withdrawals from traditional IRAs are taxed as ordinary income, and if taken before age 59½, may be subject to a 10% federal income tax penalty. To qualify for the tax-free and penalty-free withdrawal of earnings, Roth IRA distributions must meet a five-year holding requirement and occur after age 59½.

Make a charitable gift. You can claim the deduction for a charitable gift on your tax return, provided you itemize your deductions on Schedule A. The paper trail is important here because if you give cash, you need to maintain documentation. Even small contributions need to be demonstrated by a bank record, payroll deduction record, credit card statement, or written communication from the charity with the date and amount. Incidentally,

the Internal Revenue Service (IRS) does not equate a pledge with a donation. If you pledge \$2,000 to a charity this year, but only end up gifting \$500, you can only deduct \$500.¹

These are hypothetical examples and are not a replacement for actual advice. Make certain to consult your tax, legal, or accounting professional before modifying your strategy.

See if you can take a home office deduction for your small business. If you are a small-business owner, you may want to look into this further. You may be able to legitimately write off expenses linked to the portion of your home used to exclusively conduct your business. Using your home office as a business expense involves a complex set of tax rules and regulations. Before moving forward, consider working with a professional who is familiar with homebased businesses.³

Open an HSA. A Health Savings Account (HSA) works a little like your workplace retirement account. There are also some HSA rules and limitations to consider. You are limited to a \$3,550 contribution for 2020 (a \$50 increase from 2019), if you are single; \$7,100 (a \$100 increase from 2019), if you have a spouse or family. Those limits jump by a \$1,000 “catch-up” limit for each person in the household over age 55.⁴

If you spend your HSA funds for non-medical expenses before age 65, you may be required to pay ordinary income tax as well as a 20% penalty. After age 65, you may be required to pay ordinary income taxes on HSA funds used for nonmedical expenses. HSA contributions are exempt from federal income tax; however, they are not exempt from state taxes in certain states.

Review your withholding status. Should it be adjusted due to any of the following factors?

- * You tend to pay a great deal of income tax at tax time each year.
- * You tend to get a big federal tax refund each year.
- * You recently married or divorced.
- * A family member recently passed away.
- * You have a new job and you are earning much more than you previously did.
- * You started a business venture or became self-employed.

These are general guidelines and are not a replacement for real-life advice. Be certain to speak with a professional who understands your situation before making any changes.

Are you marrying in 2020? If so, you should review the beneficiaries of your retirement accounts and other assets. When considering your marriage, you may want to make changes to the relevant beneficiary forms. The same goes for your insurance coverage. If you will have a new last name in 2020, you will need a new Social Security card. Additionally, think about if your retirement and investment strategies need to be revised.

Are you coming home from active duty? If so, check the status of your credit and the state of any tax and legal proceedings that might have been preempted by your orders. Make sure any employee health insurance is still there and revoke any power of attorney you may have granted to another person that are no longer needed.

Consider the tax impact of any upcoming transactions. Are you planning to sell any real estate? Are you starting a business? Do you think you might exercise a stock option? Might any large commissions or bonuses come your way in 2020? Do you anticipate selling an investment that is held outside of a tax-deferred account?

If you are retired and older than 70½, remember your year-end RMD. Retirees over age 70½ must begin taking Required Minimum Distributions from traditional IRAs and 401(k), 403(b), and profit-sharing plans by December 31 of each year. The IRS penalty for failing to take an RMD can be as much as 50% of the RMD amount that is not withdrawn.⁵

Lastly, should you make 13 mortgage payments this year? If your house is worth less than what you owe, this probably does not make sense, and you could argue that those dollars might be better off invested or put in your emergency fund. Those factors aside, however, there may be some merit to making a January 2020 mortgage payment in December 2019. If you have a fixed-rate loan, a lump-sum payment can reduce the principal and the total interest paid on it by that much more.

If you're considering making 13 payments, consider working with a tax, legal, or accounting professional who is familiar with your situation.³

There are always a lot of strategies to think about and we always stress how important it is to plan. Be sure you are sitting down with us on a regular basis to discuss your entire financial situation. Each quarter we want to remind you to alert us to changes in your financial situation or investment objectives to ensure that we are aware of any situation that might require changes in the management of your accounts. Please remember to contact us to discuss how these changes impact your investment accounts!

Citations.

1 - thefinancebuff.com/401k-403b-ira-contribution-limits.html [7/16/19]

2 - irs.gov/newsroom/charitable-contributions [6/28/19]

3 - nerdwallet.com/blog/taxes/home-office-tax-deductions-small-business/ [1/22/19]

4 - cnbc.com/2019/06/03/these-are-the-new-hsa-limits-for-2020.html [6/4/19]

5 - forbes.com/sites/leonlabrecque/2019/04/09/bigger-iras-proposed-new-tax-law-may-let-you-build-a-bigger-ira-in-retirement/ [4/9/19]

We wanted to thank those of you who have participated in our Client Introduction program. As you know, marketing for new clients takes a great deal of money, time, and energy and we would much rather spend our resources improving your financial health. We, like most businesses are looking to grow; however, for the benefit of our existing clients we are only able to take on a limited number of new clients each year. Over the years, we have learned that encouraging you to introduce us to people you know works well for all of us...we help you, and you help us. If you aren't familiar with our friends helping friends program, please call our office or be sure to ask us at your next meeting. The few minutes it takes to learn about how it works will be well worth your time and energy!

Also, if you would like some of your friends, coworkers, relatives, business acquaintances, etc. to receive a FREE subscription to this newsletter, please call our office and we'll add them to the mailing list. We'll also send them a note with their first issue telling them that you had suggested they receive the newsletter, and to contact us if they would like to stop at any time. If you enjoy this newsletter, why not share it for FREE with people you know, with no hassle for you?

This information is solely advisory, and should not be substituted for legal, financial or tax advice. Any and all financial decisions and actions must be effected through the advice and counsel of a qualified attorney, financial advisor and/or CPA. We cannot be held responsible for actions you may take without proper financial, legal, or tax advice!

Sard Wealth Management Group, LLC
Privacy Policy

Your privacy is important to Sard Wealth Management Group, LLC. We understand that the information you provide to us is private. This policy outlines what information we collect, how we use it and how we protect it. We will affirm our Privacy Policy annually in writing with all current Clients.

We collect information about you to provide services and products to help you meet your financial goals and objectives and to allow us to provide high levels of customer service to you. We also gather information in order to help us fulfill our legal and regulatory requirements. Information collected may vary depending on the products and services requested and the scope of your relationship with us.

Information Collected about You: We collect nonpublic personal information about you through account and insurance applications, our financial planning questionnaire, and through our day-to-day meetings, interactions, and the services we provide. The following types of information are maintained:

- Personal Information: name, address, phone number, tax identification number, date of birth, employment, children, wedding anniversary, and hobbies/interests
- Financial Information: income, investment and bank accounts, insurance policies, investment experience, and net worth
- Health Information: personal and family medical history, diagnoses and prescriptions
- Service-oriented information: account balances, payment history, account numbers, and account activity

Disclosure of Personal Information: We train our staff to take caution in handling personal information and keeping it secure. It is our policy not to share any private information with any businesses for marketing purposes. We do not disclose any private information with any outside firm with the exception of those that require specific information in order for a specific account to be established or to execute a specific transaction. The following information is shared by us:

- Personal and financial information: shared with a brokerage firm or investment company to setup and manage investment accounts for you and with insurance companies to initiate an insurance policy on your behalf.
- Health-related information: shared with insurance companies to initiate life, health, disability, or long-term care insurance on your behalf
- All types of information: shared with your accountant or lawyer to allow us to collaborate for your benefit. We may be required by law or regulation to disclose information to third parties such as in response to a subpoena, to prevent fraud, to comply with rules and regulations to which we are subject, in response to inquiries from industry regulators, and in order to comply with our broker/dealer's policies with whom our associated persons may be registered.

From time to time, we may provide via mail, email, or in person, investment reports of all household accounts to members of the same household. Household accounts include those held by spouses (or domestic partners) of the same family, and minor children for which one parent is the custodian and/or owner of the child's account. We may answer general account questions relating to accounts of a member of the household for either spouse.

If you close your account or discontinue your relationship with us, we will continue to treat your information with the same attention to privacy as for active Clients. Former Clients may request a current copy of our privacy policy at any time by calling our office at (404) 843-4483.

If you do NOT wish to have household account reports shared or object to our disclosing your private information as outlined in this policy, please provide us with a written statement clarifying your wishes.