



Nicholson Financial Services, Inc.

David S. Nicholson
Financial Advisor
89 Access Road
Ste. C
Norwood, MA 02062
781-255-1101
866-668-1101
david@nicholsonfs.com
www.nicholsonfs.com

2017 ended up being a strong year for the stock markets. More important, the reasons behind that strong growth remain intact. In fact, my opinion is the recent corporate tax cuts are not fully priced in yet. They should provide for a significant earnings boost over the next few years. Even though the US markets enjoyed a great year, non-US stocks fared even better. For the first time in 9 years, non-US stocks outperformed US equities. In my 23 year career, I have never seen such a trend last that long. As we look forward, I think this could be the beginning of a new trend. Even if the US markets do well, it is possible that non-US stocks do better. That reinforces the reasons why investors should consider being diversified! Generally speaking, for those who have been diversified, 2017 was a year where it really paid off. My opinion is: that will not change in 2018.

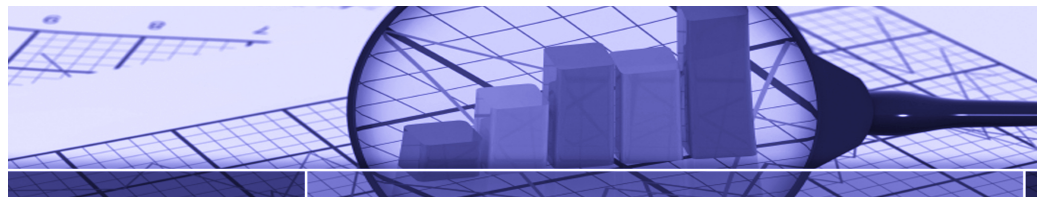
Year End 2017

Examining the Taxpaying Population: Where Do You Fit In?

Key Retirement and Tax Numbers for 2018

What can I learn from looking back on my financial situation in 2017?

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



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Did You Know...?

Due Date Approaches for 2017 Federal Income Tax Returns



Tax filing season is here again. If you haven't done so already, you'll want to start pulling things together — that includes getting your hands on a copy of your 2016 tax return and gathering W-2s, 1099s, and

deduction records. You'll need these records whether you're preparing your own return or paying someone else to prepare your tax return for you.

Don't procrastinate

The filing deadline for most individuals is Tuesday, April 17, 2018. That's because April 15 falls on a Sunday, and Emancipation Day, a legal holiday in Washington, D.C., is celebrated on Monday, April 16. Unlike in some years, there's no extra time for residents of Massachusetts or Maine to file because Patriots' Day (a holiday in those two states) falls on April 16 — the same day that Emancipation Day is being celebrated.

Filing for an extension

If you don't think you're going to be able to file your federal income tax return by the due date, you can file for and obtain an extension using IRS Form 4868, Application for Automatic Extension of Time to File U.S. Individual Income Tax Return. Filing this extension gives you an additional six months (to October 15, 2018) to file your federal income tax return. You can also file for an extension electronically — instructions on how to do so can be found in the Form 4868 instructions.

Filing for an automatic extension does not provide any additional time to pay your tax. When you file for an extension, you have to estimate the amount of tax you will owe and pay this amount by the April filing due date. If you don't pay the amount you've estimated, you may owe interest and penalties. In fact, if the

IRS believes that your estimate was not reasonable, it may void your extension.

Note: Special rules apply if you're living outside the country or serving in the military and on duty outside the United States. In these circumstances you are generally allowed an automatic two-month extension (to June 15, 2018) without filing Form 4868, though interest will be owed on any taxes due that are paid after April 17. If you served in a combat zone or qualified hazardous duty area, you may be eligible for a longer extension of time to file.

What if you owe?

One of the biggest mistakes you can make is not filing your return because you owe money. If your return shows a balance due, file and pay the amount due in full by the due date if possible. If there's no way that you can pay what you owe, file the return and pay as much as you can afford. You'll owe interest and possibly penalties on the unpaid tax, but you'll limit the penalties assessed by filing your return on time, and you may be able to work with the IRS to pay the remaining balance (options can include paying the unpaid balance in installments).

Expecting a refund?

The IRS is stepping up efforts to combat identity theft and tax refund fraud. New, more aggressive filters that are intended to curtail fraudulent refunds may inadvertently delay some legitimate refund requests. In fact, since last year's tax filing season, the IRS has been required to hold refunds on all tax returns claiming the earned income tax credit or the refundable portion of the child tax credit until at least February 15.¹

Most filers, though, can expect a refund check to be issued within 21 days of the IRS receiving a return.

¹ IRS.gov (IR-2017-181, IRS Encourages Taxpayers to Check Their Withholding; Checking Now Helps Avoid Surprises at Tax Time, October 30, 2017)



Sources for data: IRS Statistics of Income Bulletins, Spring 2017 and Summer 2017, Washington, D.C., irs.gov/statistics

What is adjusted gross income (AGI)?

Adjusted gross income, or AGI, is basically total income less adjustments for certain items, such as deductible contributions made to an IRA, alimony paid, and qualified student loan interest paid.

Examining the Taxpaying Population: Where Do You Fit In?

Every quarter, the Statistics of Income Division of the Internal Revenue Service (IRS) publishes financial statistics obtained from tax and information returns that have been filed with the federal government. Recently published reports reflect data gleaned from 2014 individual federal income tax returns. These reports offer a snapshot of how the U.S. population breaks down as taxpayers.

The big picture

For tax year 2014, U.S. taxpayers filed roughly 139.6 million individual income tax returns.¹ Total adjusted gross income reported on these tax returns was \$9.71 trillion, resulting in a total income tax of \$1.37 trillion. That works out to an overall average tax rate of 14.16% for all returns filed — the highest total average rate in the 10-year period represented by the statistical report.

If your 2014 AGI was \$38,173 or more, you were in the top 50% of all federal income tax filers based on AGI. This group accounted for 88.7% of all AGI reported and paid 97.3% of total federal income tax for the year.

A look at the top

How much AGI did it take to make the top 10% of all individual filers? Probably not as much as you might think. If your AGI was \$133,445 or greater, you would have been one of the almost 14 million filers making up the top 10%. This group reported about \$4.58 trillion in AGI (more than 47% of all AGI reported) and accounted for about 70.9% of total individual income tax for the year.

To make the top 5%, you would have needed \$188,996 or more in AGI. You would have been among approximately 7 million filers who reported almost \$3.5 trillion in total AGI and accounted for about 60% of total income taxes paid.

It's also worth noting that the top 3% of all 2014 individual income tax returns based on AGI accounted for 52.9% of total income tax paid for the year.

The very, very top

For the 2014 tax year, 1.4 million returns had an AGI of \$465,626 or more. These taxpayers make up the top 1% of filers, reporting almost \$2 trillion in total AGI and responsible for just under a 40% share of the total tax haul.

The 1,396 income tax returns that showed \$56,981,718 or more in AGI make up the top 0.001% (that's the top one-thousandth of 1%) of 2014 filers. These filers together reported over \$207 billion in AGI and paid over 3.6% of taxes.

Not all high-income returns showed tax

Of the 6.2 million income tax returns filed for 2014 with an AGI of \$200,000 or more, 10,905 showed no U.S. income tax liability (the number drops to 3,927 if you eliminate returns filed by individuals who were responsible for income taxes to foreign governments and had no U.S. income tax because of a credit for such taxes paid).

Why did these high-income returns show no U.S. tax liability? The IRS report noted that these returns show no tax for a variety of reasons, including tax credits and deductions, most notably miscellaneous deductions and deductions for charitable contributions, medical and dental expenses, and investment interest expenses. A significant secondary factor was the deduction for taxes paid.

Average tax rates

Dividing total tax paid by total AGI yields the following average federal income tax rates for the 2014 tax year:

Top Filers (by Percentile)	AGI Threshold	Average Tax Rate
0.001%	\$56,981,718	24.01%
0.01%	\$11,407,987	25.92%
0.1%	\$2,136,762	27.67%
1%	\$465,626	27.16%
5%	\$188,996	23.61%
10%	\$133,445	21.25%
20%	\$90,606	18.64%
30%	\$66,868	17.19%
40%	\$50,083	16.24%
50%	\$38,173	15.52%

¹ Excludes returns filed by dependents; based on final estimates for tax year 2014 reported in Spring 2017 Statistics of Income Bulletin

Key Retirement and Tax Numbers for 2018



**The Tax Cuts and Jobs Act made significant changes to the estate and gift tax, the personal exemption, the standard deduction, and the alternative minimum tax, which are included here.*

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 \$11,200,000, up from \$5,490,000 in 2017.

Personal exemption

There is no personal exemption amount for 2018; it was \$4,050 in 2017. For 2018, there is no phaseout of personal exemptions or overall limit on itemized deductions once AGI exceeds certain thresholds.

Note: For 2017, personal exemptions were phased out and itemized deductions were limited once AGI exceeded \$261,500 (single), \$287,650 (HOH), \$313,800 (MFJ), or \$156,900 (MFS).

Standard deduction

	2017	2018
Single	\$6,350	\$12,000
HOH	\$9,350	\$18,000
MFJ	\$12,700	\$24,000
MFS	\$6,350	\$12,000

Note: The additional standard deduction amount for the blind or aged (age 65 or older) in 2018 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	\$70,300
MFJ	\$84,500	\$109,400
MFS	\$42,250	\$54,700
Exemption phaseout threshold		
Single/HOH	\$120,700	\$500,000
MFJ	\$160,900	\$1,000,000
MFS	\$80,450	\$500,000
26% rate on AMTI* up to this amount, 28% rate on AMTI above this amount		
MFS	\$93,900	\$95,750
All others	\$187,800	\$191,500
*Alternative minimum taxable income		

Nicholson Financial Services, Inc.

David S. Nicholson
Financial Advisor
89 Access Road
Ste. C
Norwood, MA 02062
781-255-1101
866-668-1101
david@nicholsonfs.com
www.nicholsonfs.com

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What can I learn from looking back on my financial situation in 2017?

If your financial plan for 2017 didn't work out the way you wanted it to, don't beat yourself up. Instead, ask

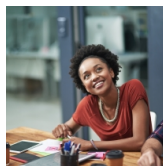
yourself the following questions to determine what you can learn from reflecting on your financial situation in the last year.

Did you meet your financial goals and expectations for 2017? Perhaps you started the year with some financial goals in mind. You wanted to establish a budget that you could stick to, or maybe you hoped to build up your emergency savings fund throughout the year. If you fell short of accomplishing these or other goals, think about the reasons why. Were your goals specific? Did you develop a realistic timeframe for when they would be achieved? If not, learn to set attainable and measurable goals for your finances in the new year.

How did your investments perform? A year-end review of your overall portfolio can help you determine whether your asset allocation is balanced and in line with your time horizon and goals. If one type of investment performed well during the year, it could represent a greater percentage of your portfolio

than you initially wanted. As a result, you might consider selling some of it and using that money to buy other types of investments to rebalance your portfolio. Keep in mind that selling investments could result in a tax liability. And remember, asset allocation does not guarantee a profit or protect against loss; it is a method to help manage investment risk. All investing involves risk, including the possible loss of principal, and there is no guarantee that any investment strategy will be successful.

Are your retirement savings on track? Did you contribute the amount you wanted in 2017? Or did unexpected financial emergencies force you to borrow or withdraw money from your retirement savings? In that case, you can help your savings recover by contributing the most you can to your employer-sponsored retirement plan and taking advantage of employer matching (if it's available to you). Contributing to a 401(k) or 403(b) plan can help you save more consistently because your contributions are automatically deducted from your salary, helping you avoid the temptation to skip a month now and then.



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.