



Raymond James

Frank Mauro, CFP®
Keith Dubauskas, MBA, CMT
3399 PGA Blvd
Suite 200
Palm Beach Gardens, FL 33410
561-630-7370
888-792-0041
One+OneWealthManagement@raymondjames.com

December 2019

Ten Year-End Tax Tips for 2019

Financial Advice for Recent College Graduates

What health services aren't covered by Medicare?

How can I teach my high school student the importance of financial literacy?



Our Quarterly Musings

Three Regrets of Retirees



A recent survey found that more than half of retirees have retirement planning regrets. Unfortunately, many of these retirees had to cut back on their lifestyles to compensate for financial shortfalls.¹

Considering their most common regrets may help you avoid making the same mistakes.

Not saving enough

More than one-third of retirees wish they had saved more.² How much is enough? The amount you need depends on your other sources of income and your anticipated retirement lifestyle.

It might be helpful to consider the 4% rule, a traditional guideline for the percentage of savings that you may be able to withdraw each year without depleting your nest egg over a 30-year retirement. For example, \$100,000 in savings would provide only \$4,000 in annual income. If you will need \$20,000 from your savings each year, you should have \$500,000 socked away by the time you retire. Withdrawing \$40,000 annually might require \$1 million in savings.

The longer you have before retirement, the more time you have to take advantage of long-term savings and compounding of potential returns.

If you have a workplace plan, you might start by saving enough to receive any employer match and then increase your savings percentage by 1% each year until you reach 15% or more. You may need to target a higher percentage if you get a late start. Even if retirement is coming soon, you might be surprised by how much you can save if you focus on that goal.

Relying too much on Social Security

Social Security was never meant to meet all your retirement income needs. The average 2019 monthly benefit of \$1,461 for a retired worker and \$2,448 for a couple would hardly provide a comfortable retirement. The 2019 maximum worker benefit of \$2,861 at full retirement age would be better, but that would require maximum taxable Social Security earnings for at least 35 years. If you postpone claiming Social Security after reaching full retirement age, your benefit increases by 8% annually. For example, if you were born in 1960 or later, your full retirement age will be 67 under current law, so working until age 70 would increase your benefit by 24%.³

According to the most recent trustees report, Social Security may be able to pay out only 77% of scheduled retirement benefits beginning in 2034, unless Congress takes action to strengthen the program.⁴ Considering the importance of Social Security, it seems unlikely that benefits will be reduced to that level, but this is another reason not to count too much on Social Security benefits for retirement income.

Not paying off debts

Carrying heavy debt can be a strain at any stage of life, but it can be especially difficult for retirees living on a fixed income. Paying off your home before you retire not only reduces your monthly expenses but also provides equity that could be tapped if necessary for future needs. Before paying off your mortgage, however, it might be wise to pay off credit cards and other high-interest loans.

The road to retirement can be challenging, but avoiding the mistakes made by those who have traveled before you may help you reach your destination with fewer regrets.

¹⁻² National Association of Plan Advisors, December 8, 2018

³⁻⁴ Social Security Administration, 2019



Timing of itemized deductions and the increased standard deduction

Recent tax law changes substantially increased the standard deduction amounts and made significant changes to itemized deductions. It may now be especially useful to bunch itemized deductions in certain years; for example, when they would exceed the standard deduction.

IRA and retirement plan contributions

For 2019, you can contribute up to \$19,000 to a 401(k) plan (\$25,000 if you're age 50 or older) and up to \$6,000 to traditional and Roth IRAs combined (\$7,000 if you're age 50 or older). The window to make 2019 contributions to an employer plan generally closes at the end of the year, while you typically have until the due date of your federal income tax return (not including extensions) to make 2019 IRA contributions.

Ten Year-End Tax Tips for 2019

Here are 10 things to consider as you weigh potential tax moves between now and the end of the year.

1. Set aside time to plan

Effective planning requires that you have a good understanding of your current tax situation, as well as a reasonable estimate of how your circumstances might change next year. There's a real opportunity for tax savings if you'll be paying taxes at a lower rate in one year than in the other. However, the window for most tax-saving moves closes on December 31, so don't procrastinate.

2. Defer income to next year

Consider opportunities to defer income to 2020, particularly if you think you may be in a lower tax bracket then. For example, you may be able to defer a year-end bonus or delay the collection of business debts, rents, and payments for services. Doing so may enable you to postpone payment of tax on the income until next year.

3. Accelerate deductions

You might also look for opportunities to accelerate deductions into the current tax year. If you itemize deductions, making payments for deductible expenses such as medical expenses, qualifying interest, and state taxes before the end of the year (instead of paying them in early 2020) could make a difference on your 2019 return.

4. Factor in the AMT

If you're subject to the alternative minimum tax (AMT), traditional year-end maneuvers such as deferring income and accelerating deductions can have a negative effect. Essentially a separate federal income tax system with its own rates and rules, the AMT effectively disallows a number of itemized deductions. For example, if you're subject to the AMT in 2019, prepaying 2020 state and local taxes probably won't help your 2019 tax situation, but could hurt your 2020 bottom line. Taking the time to determine whether you may be subject to the AMT before you make any year-end moves could help you avoid a costly mistake.

5. Bump up withholding to cover a tax shortfall

If it looks as though you're going to owe federal income tax for the year, especially if you think you may be subject to an estimated tax penalty, consider asking your employer (on Form W-4) to increase your withholding for the remainder of the year to cover the shortfall. The biggest advantage in doing so is that withholding is

considered as having been paid evenly throughout the year instead of when the dollars are actually taken from your paycheck. This strategy can also be used to make up for low or missing quarterly estimated tax payments. With all the recent tax changes, it may be especially important to review your withholding in 2019.

6. Maximize retirement savings

Deductible contributions to a traditional IRA and pre-tax contributions to an employer-sponsored retirement plan such as a 401(k) can reduce your 2019 taxable income. If you haven't already contributed up to the maximum amount allowed, consider doing so by year-end.

7. Take any required distributions

Once you reach age 70½, you generally must start taking required minimum distributions (RMDs) from traditional IRAs and employer-sponsored retirement plans (an exception may apply if you're still working for the employer sponsoring the plan). Take any distributions by the date required — the end of the year for most individuals. The penalty for failing to do so is substantial: 50% of any amount that you failed to distribute as required.

8. Weigh year-end investment moves

You shouldn't let tax considerations drive your investment decisions. However, it's worth considering the tax implications of any year-end investment moves that you make. For example, if you have realized net capital gains from selling securities at a profit, you might avoid being taxed on some or all of those gains by selling losing positions. Any losses over and above the amount of your gains can be used to offset up to \$3,000 of ordinary income (\$1,500 if your filing status is married filing separately) or carried forward to reduce your taxes in future years.

9. Beware the net investment income tax

Don't forget to account for the 3.8% net investment income tax. This additional tax may apply to some or all of your net investment income if your modified adjusted gross income (AGI) exceeds \$200,000 (\$250,000 if married filing jointly, \$125,000 if married filing separately, \$200,000 if head of household).

10. Get help if you need it

There's a lot to think about when it comes to tax planning. That's why it often makes sense to talk to a tax professional who is able to evaluate your situation and help you determine if any year-end moves make sense for you.



Financial Advice for Recent College Graduates

You've put in the hard work as a college student and finally received your diploma. Now you're ready to head out on your own. And though you may not have given much thought to your financial future when you were in college, you have new financial challenges and goals to consider. Fortunately, there are some simple steps you can take to start on the right track with your personal finances.

Set financial goals

Setting goals is an important part of life, especially when it comes to your finances. And though your financial goals will likely change over time, you can always make adjustments in the future. Start out by asking yourself some basic questions about your financial goals, such as whether they are short term (e.g., saving money to buy a car or rent an apartment) or long term (e.g., paying off student loans or buying your own home). Next, ask yourself how important it is to accomplish each goal and determine how much you would need to save for each goal.

Understand the importance of having a budget

A budget is an important part of managing your finances. Knowing exactly how you are spending your money each month can set you on a path to pursue your financial goals. Start by listing your current monthly income. Next, add up all of your expenses. It may help to divide expenses into two categories: fixed (e.g., housing, food, transportation, student loan payments) and discretionary (e.g., entertainment, vacations). Ideally, you should be spending less than you earn. If not, you need to review your expenses and look for ways to cut down on your spending.

Remember that the most important part of budgeting is sticking to it, so you should monitor your budget regularly and make changes as needed. To help stay on track, try to make budgeting a part of your daily routine and be sure to give yourself an occasional reward (e.g., dinner at a restaurant instead of cooking at home).

Establish an emergency fund

An emergency fund is money set aside to protect yourself in the event of an unexpected financial crisis, such as a job loss or medical bills. Typically, you will want to have at least three to six months' worth of living expenses in your cash reserve. Of course, the amount you should save depends on your individual circumstances (e.g., job stability, health status).

A good way to establish an emergency fund is to earmark a portion of your paycheck each pay period to help achieve your goal.

Manage your debt situation properly

Whether it's debt from student loans or credit cards, you'll want to avoid the pitfalls that sometimes accompany borrowing. To manage your debt situation properly, keep track of your loan balances and interest rates and develop a plan to manage your payments and avoid late fees. If you need help paying off your student loans, consider the following tips:

- Find out if your employer offers some type of student debt assistance
- Contact your lender about your repayment options
- Consider whether loan consolidation or refinancing is available

Maintain good credit

Having good credit will impact so many different aspects of your financial situation, from obtaining a loan to gaining employment. You can establish and maintain a good credit history by avoiding late payments on existing loans and paying down any debt you may have. In addition, you should monitor your credit report on a regular basis for possible errors or signs of fraud/identity theft.

Determine your insurance needs

Insurance might not be the first thing that comes to mind when you think about your finances. However, having the right amount of insurance is an important part of any financial strategy. Your specific insurance needs will depend on your circumstances. For example, if you rent an apartment, you'll need renters insurance to protect yourself against loss or damage to your personal property. If you own a car, you should have appropriate coverage for that as well. You may also want to evaluate your need for other types of insurance, such as disability and life.

As for health insurance, you have a couple of options. You can usually stay on your parents' insurance until you turn 26. In addition, you may have access to health insurance through your employer or a government-sponsored health plan, or you can purchase your own plan through the federal or state-based Health Insurance Marketplace. For more information, visit [healthcare.gov](https://www.healthcare.gov).

Raymond James

Frank Mauro, CFP®
Keith Dubauskas, MBA, CMT
3399 PGA Blvd
Suite 200
Palm Beach Gardens, FL 33410
561-630-7370
888-792-0041
One+OneWealthManagement@raymondjames.com

Raymond James & Associates, Inc.,
member New York Stock
Exchange/SIPC

This information, developed by an independent third party, has been obtained from sources considered to be reliable, but Raymond James does not guarantee that the foregoing material is accurate or complete. This information is not a complete summary or statement of all available data necessary for making an investment decision and does not constitute a recommendation. The information contained in this report does not purport to be a complete description of the securities, markets, or developments referred to in this material. This information is not intended as a solicitation or an offer to buy or sell any security referred to herein. Investments mentioned may not be suitable for all investors. The material is general in nature. Past performance may not be indicative of future results. Raymond James does not provide advice on tax, legal or mortgage issues. These matters should be discussed with the appropriate professional.



What health services aren't covered by Medicare?

Original Medicare — Part A hospital insurance and Part B medical insurance — offers broad coverage, but many services are not covered.

Some may be fully or partially covered by a Part C Medicare Advantage Plan, which replaces Original Medicare, or a Medigap policy, which supplements Original Medicare. Both are offered by Medicare-approved private insurers. (You cannot have both a Medicare Advantage Plan and a Medigap policy.)

Whether you are looking forward to Medicare in the future or are already enrolled, you should consider these potential expenses.

Deductibles, copays, and coinsurance.

Costs for covered services can add up, and — unlike most private insurance — there is no annual out-of-pocket maximum. Medicare Advantage and Medigap plans may pay all or a percentage of these costs and may include an out-of-pocket maximum.

Prescription drugs. For coverage, you need to enroll in a Part D prescription drug plan or a Medicare Advantage plan that includes drug coverage.

Dental and vision care. Original Medicare does not cover routine dental or vision care. Some Medicare Advantage and Medigap plans may offer coverage for either or both of these needs. You might also consider private dental and/or vision insurance.

Hearing care and hearing aids. Some Medicare Advantage plans may cover hearing aids and exams.

Medical care outside the United States.

Original Medicare does not offer coverage outside the United States. Some Medicare Advantage and Medigap plans offer coverage for emergency care abroad. You can also purchase a private travel insurance policy.

Long-term care. Medicare does not cover "custodial care" in a nursing home or home health care. You may be able to purchase long-term care (LTC) insurance from private insurers.

A complete statement of coverage, including exclusions, exceptions, and limitations, is found only in the LTC insurance policy. It should be noted that LTC insurance carriers have the discretion to raise their rates and remove their products from the marketplace.



How can I teach my high school student the importance of financial literacy?

Even though your child is just in high school, he or she may still have to deal with certain financial challenges. Whether

this involves saving for an important purchase like a car or learning how to use a credit card responsibly, it's important for your high schooler to have a basic understanding of financial literacy concepts in order to manage his or her finances more effectively.

While financial literacy offerings in schools have increased in popularity, a recent study reported that only 17 states require high school students to take a personal finance course before they graduate.¹ Here are some ways you can teach high school students the importance of financial literacy.

Advocate saving. Encourage your children to set aside a portion of any money they receive from an allowance, gift, or job. Be sure to talk about goals that require a financial commitment, such as a car, college, and travel. As an added incentive, consider matching the funds they save for a worthy purpose.

Show them the numbers. Use an online calculator to demonstrate the concept of long-term investing and the power of compound interest. Your children may be surprised to see how fast invested funds can accumulate, especially when you match or contribute an additional amount each month.

Let them practice. Let older teens become responsible for paying certain expenses (e.g., clothing and entertainment). The possibility of running out of their own money might make them think more carefully about their spending habits and choices. It may also encourage them to budget their money more effectively.

Cover the basics. By the time your children graduate from high school, they should at least understand the basic concepts of financial literacy. This includes saving, investing, using credit responsibly, debt management, and protection planning with insurance.

¹ Survey of the States, Council for Economic Education, 2018