



ZUEHLKE  
KARCZ

FINANCIAL GROUP

# MONEY MATTERS

Securities offered through Raymond James Financial Services, Inc. Member FINRA/SIPC.  
Investment Advisory Services offered through Raymond James Financial Services Advisors, Inc.  
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4TH QUARTER 2018

## Required Minimum Distribution

### What are Required Minimum Distributions (RMDs)?



Required Minimum Distributions (RMDs) are withdrawals that the federal government requires an IRA participant to take annually from one's

Traditional IRAs after he/she reaches age 70½. A participant can always withdraw more than the required minimum from the IRA in any year if they wish, but if they withdraw less than required, a penalty tax will apply to the remaining required amount not withdrawn.

### When Must RMDs be Taken?

The first distribution taken from a participant's Traditional IRA each year is applied automatically to the RMD amount required for that year beginning with the year in which the participant reaches age 70½ and each year thereafter. However, a participant has some flexibility in terms of when they actually have to take this first-year distribution. The participant can take it during the year they reach age 70½, or can delay it until April 1 of the following year. Since the first distribution generally must be taken by no later than April 1 following the year a participant reaches age 70½.

### How are RMDs Calculated?

RMDs are calculated by dividing the Traditional IRA account balance of the prior year by the applicable life expectancy multiple.

### How Can RMDs be Taken?

RMDs can be taken once annually or in a series of installments (monthly, quarterly, etc.). The key is that the total distributions taken for the year equal at least the minimum required amount. If a participant has more than one Traditional or other non-Roth IRA, they must calculate the RMD amount for each IRA account separately. However, the participant can total these RMD amounts and take the total from any one or more of the IRAs.

### What If a Participant Takes Distribution Amounts in Excess of the RMD?

If in any year, a participant takes more than the RMD for that year, the participant will not receive credit for the additional amount when determining the RMD for future years. The participant cannot treat the excess (the amount that is more than the RMD) as part of an RMD for any later year.

### What if a Participant Fails to Take RMDs as Required?

If a participant fails to take an amount at least equal to their RMD amount for any year, they will be subject to a federal penalty tax. The penalty tax is a 50 percent tax on the amount of the RMD that was not satisfied for the taxable year.

### How does a participant begin or modify the process of initiating an RMD?

Distributions do not happen automatically, you need to contact one of us at ZK Financial to help assist with any of your RMD questions or concerns.

At this time of year, you may be thinking about how to reduce your income taxes. Depending on your tax bracket and whether or not you itemize, you may be able to lower your tax bill – possibly significantly by making a charitable contribution. There are several alternatives that may significantly lighten your income tax burden while supporting a favorite charity.

1. Consider a gift to a public charity
2. Give a gift of cash
3. Give a gift of securities
4. Consider a charitable gift annuity

Income Tax



## Giftng With Benefits After Age 70½

### Understanding how to benefit from this tax-saving tool.

Are you age 70 1/2 or higher and subject to required minimum distributions (RMDs) from your IRA? Do you have charitable intentions for the required distribution? Consider the use of a Qualified Charitable Distribution (QCD).

Although Qualified Charitable Distribution has been around for nearly a decade, it was not made permanent until 2015 when Congress passed the Protecting Americans from Tax Hikes (PATH) Act. This means an IRA owner subject to RMD can donate up to \$100,000 directly from an IRA to a charity without getting taxed

on the distribution.

Donating IRA funds directly to qualified charities allows the IRA holder or beneficiary to avoid taking possession of the funds and the tax bill that comes with it. Another benefit of the RMD payment applied to the QCD is that the amount is excluded from tax formulas that could impact potential Medicare Part B premium increases.

#### HOW IT WORKS

The QCD must be paid directly to the charity which must be a qualified 501(c)(3) institution eligible to receive tax-deductible contributions, like many public charities. A QCD cannot be made to a private foundation, donor-advised fund or supporting organization (as described in IRC 509(a)(3)), nor to a charitable gift annuity or a charitable remainder trust (CRT).

A qualified charitable distribution doesn't offer a split-interest opportunity, such as with charitable remainder trusts where donors receive part deduction and part income from the asset. In that regard, the QCD distribution must have been eligible for a full deduction, not partial. This rule assures that the IRA owner doesn't get a kick-back or other "quid pro quo" benefit for the donation – preventing any "split-interest charitable trust," such as a CRT, from being an eligible QCD beneficiary.

#### IMPORTANT FACTORS

- A QCD is available to an inherited IRA owner if the owner is at least age 70½.
- With QCDs, the variety of eligible charitable entities is limited to primarily public charities.
- A QCD can be used to meet your required minimum distribution.
- Your \$100,000 contribution limit can include amounts in excess of the RMD payment, however the total annual amount cannot exceed \$100,000 per person.
- While a QCD can be done from a Roth IRA, this generally isn't advisable given that most distributions at age 70½ or older will not be taxed anyway.
- If an RMD payment has already been made for the year, it's considered an irrevocable taxable distribution that can't be reclassified or reapplied as a QCD.
- A QCD is not available to active SEP or SIMPLE IRAs – accounts still receiving ongoing employer contributions.
- The QCD avoids the pro-rata rule. With a QCD, your taxable distributions are distributed first. Normally, if you have made after-tax contributions to one or more IRAs, the pro-rata rule applies (meaning part of the distribution is taxable and part non-taxable).

The charitable entity, as the recipient of the QCD, must receive the donation by Dec. 31. in order to ensure credit to the proper year. Contact our branch if you are interested in finding out more information by mid-November.

## 10 Happiest Places to Retire

1. Burlington, Vermont
2. Charleston, South Carolina
3. Provo, Utah
4. Kennewick, Washington
5. Cape Coral, Florida
6. Durham, North Carolina
7. Carlsbad, California
8. Portland, Maine
9. Ann Arbor, Michigan
10. Lynchburg, Virginia



Digital health company Sharecare, working with Gallup, has conducted more than 2.6 million surveys nationwide since 2008 to gauge Americans' perceptions of their lives and their daily experiences." The Well-Being Index is based specifically on residents' feelings about five elements of well-being: purpose, social, financial, community, and physical.

## Did you know all our services?

We like to remind our clients we are here to provide you with an array of financial and investment planning services essential to your success which do include:

- ◆ Annuities
  - Variable, Immediate and Fixed
- ◆ Asset Allocation
- ◆ College Planning
  - 529 College Savings Plans
  - Education Savings Accounts
- ◆ Exchange Traded Funds and Notes
- ◆ Financial, Wealth and Estate Planning
- ◆ Fixed Income Investments
  - Certificates of Deposit
  - Collateralized Mortgage Obligations (CMOs)
  - Corporate Bonds
  - Government and Agency Securities
  - Municipal Bonds
- ◆ IRAs
  - Traditional and Roth
- ◆ Managed Money
- ◆ Money Market Funds
- ◆ Mutual Funds
- ◆ Options
- ◆ Preferred Stocks
- ◆ Retirement Planning
- ◆ Retirement Plans
  - 401(k) Plans
  - 403(b) Plans
  - Profit Sharing Plans
  - Money Purchase Plans
  - SEP IRAs
  - SIMPLE IRAs
- ◆ Unit Investment Trusts
- ◆ Public Finance<sup>1</sup>
- ◆ Research<sup>2</sup>
- ◆ Syndicate Offerings<sup>2</sup>
- ◆ Insurance<sup>3</sup>
  - Business Owner needs
  - Disability Insurance
  - Life Insurance (Individual and Business Policies)
  - Long-Term Care Insurance
- ◆ Cash Management<sup>4</sup>
  - Check Writing
  - Visa® Platinum Debit Card
  - Bill Payment Services
  - Investor Access (online account access)
- ◆ Equity Line of Credit<sup>5</sup>

<sup>1</sup> Services offered by Raymond James Public Finance Investment Strategies Group

<sup>2</sup> Services offered by Raymond James Equity Capital Markets

<sup>3</sup> Services offered by Raymond James Insurance Group

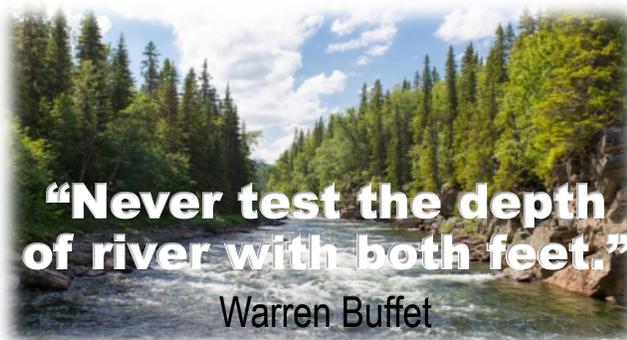
<sup>4</sup> Services offered by Raymond James Trust Department

<sup>5</sup> Services offered by RJ Bank

## Advisor Access Online Update

Investor Access will receive several enhancements this fall designed to improve ease of use, allow easier access to key information, and provide a more modern, streamlined client experience. Additionally, to better reflect our focus on client service, Investor Access will be renamed to Client Access. The other changes include:

- Overall look and feel update, including more prominent summary balances, more legible fonts throughout, and responsive design so clients can easily view the full site on mobile devices such as phones and tablets.
- Value Over Time and Asset Growth charts will be added to the Summary page, with a link to a new "Analysis" tab offering more detailed views.
- Portfolio page enhancements including:
  - ⇒ Account selector list located in a dropdown menu at the top of the page
  - ⇒ Unrealized gains and losses will be viewable on the Current Value tab
  - ⇒ A new sort feature allowing clients to view holdings by type or by account.
  - ⇒ Balances and other summary level information available above the holdings detail
  - ⇒ Ability to click an expand/collapse arrow to the left of the holding name to view more detailed information, including tax lots, dividend payments, market information, and recent news articles and/or Raymond James research (when applicable).
- Updated market information screen for more convenient at-a-glance information with simpler access.



**“Never test the depth  
of river with both feet.”**

Warren Buffet

## Planning To-Do's

In the blink of an eye 2019 will have arrived, so set defined financial goals for the coming year. Use this time to work with your advisor, tapping into tax-deferred growth opportunities, tax advantaged investments and charitable-giving opportunities.

- ◇ **Confirm cost of living:** Next year's Social Security adjustment is typically announced in October.
- ◇ **Adjust your coverage:** Prepare your documents for Medicare open enrollment, if eligible.
- ◇ **Plan accordingly:** Ask your advisor to coordinate with your tax advisor and attorney to address year-end financial and tax planning.
- ◇ **Consider retirement:** New retirement plan contribution limits come from the IRS. Adjust your contributions appropriately.
- ◇ **Perform a portfolio review:** If you're invested in mutual funds, don't forget about important capital gains distributions dates that typically fall in mid-December. Consider balancing where appropriate.
- ◇ **Heed donation deadlines:** Remember deadlines for year-end gift and charitable contributions. Be sure to allow enough time to complete donations, keeping tax limitations in mind.
- ◇ **Prepare to tax-loss harvest:** Review and implement year-end tax planning decisions for the upcoming tax season, then rebalance for tax efficiency.
- ◇ **Consider your consultants:** You're likely to pick up investment tips around the holiday party punch-bowl. No matter the source, take the cautious path: Consult your advisor before acting.
- ◇ **Finesse 2019 financial goals:** Reassess retirement savings and work with your advisor to make adjustments, if needed.



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ZK Financial is on Facebook and LinkedIn. We will be using these social media channels to post informational articles and to keep you up to date on the industry and events happening at our office.



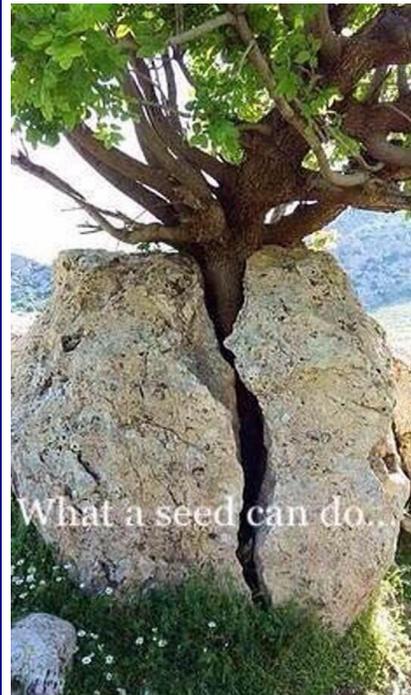
ZK Financial Group—Raymond James  
Financial Services



Richard Zuehlke



Heather Karcz



### Upcoming Holiday Schedule

In recognition of the upcoming holidays, our office is closed:

- Thurs., Nov. 22
- Fri., Nov. 23
- Mon., Dec. 24
- Tues., Dec. 25
- Tues., Jan. 1