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IRA and Pension Limits 2018

IRA Contribution $5,500
Age 50 and over $6,500

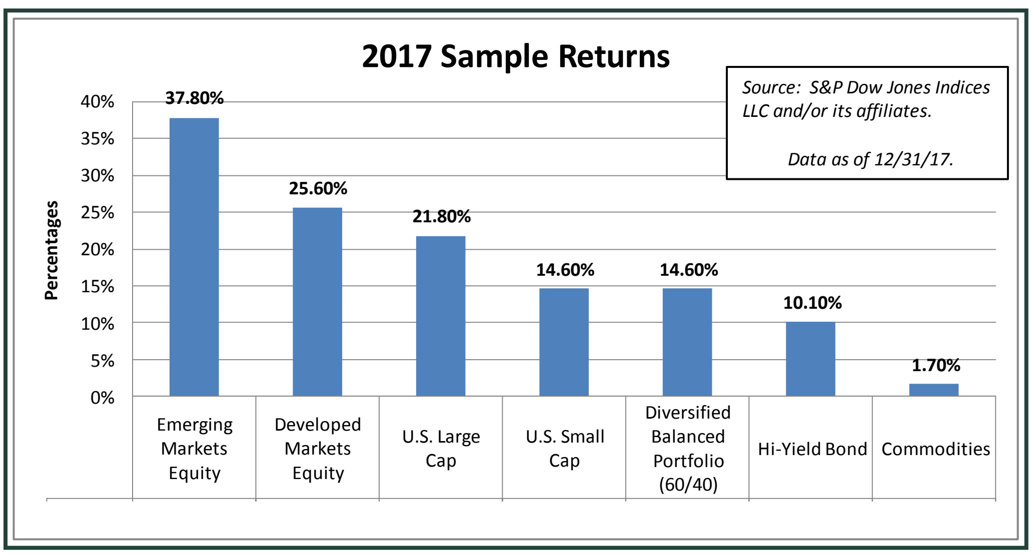
SIMPLE elective deferral
Under age 50 $12,500
Age 50 and over
$15,500

401K, 403B, 457
Elective Deferral
$18,500
Age 50 and over
$24,500

A Year in Review

It was to say the least, a transformational year. Not because of the political winds of change emanating from Washington since Donald J Trump was inaugurated President, but because the investors were rewarded with the returns associated with the benefit of accommodative Federal Reserve monetary policy, low unemployment and low interest rates that preceded 2017. Given that through all this, global economies also picked up steam, it was a year in which the asset classes from emerging market equities, all the way down to hi-yield bonds provided outstanding returns *(see box below):*

As we also received a gift of tax-reform at year-end *(see next article),* what's in store for 2018 is mostly comparable to last year, with the exception that if we finally get the 3% GDP (a likely outcome as an immediate effect of the reform), and unemployment remains in the sub 4% region, we will see several (and maybe as many as four) interest rate hikes from the Fed to help cool off the economy. While the sentiment is largely positive for the U.S., what could derail it is the uncertainty with the interpretation of the tax-reform (will there be repatriation of assets on the scale to make a difference and will we have a surge in capital expenditures), as well as political uncertainty emanating from the House and the Senate.



Looking forward, large cap U.S. companies will still be the place to favor long term monies, while additional focus will be required to include both emerging and developed market equities, which in spite of the recent returns still offer many opportunities as the price to earnings ratios are historically not overvalued. While this reads fairly optimistic, please note that what guides our principles is the objective to help you reach all your goals, not outlive your money and do so by maximizing returns and minimizing risk at all times. Wishing you a year full of expected outcomes!

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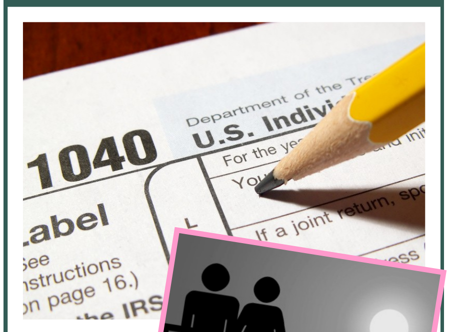
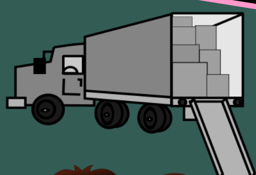
Things you need to know about the new tax law!





On Friday, December 22, President Trump signed into law Tax Cuts and Jobs Act of 2017. The final bill reflects a number of compromises and is slightly different from earlier House and Senate bills.

Here are the highlights:
1. The number of tax brackets remains at 7; the new rates will be: 10%, 12%, 24%, 32%, 35% and 37% for years 2018 to 2025. In 2026 the current-law rates return.

Bracket	**Single**	**Joint**	**Head of Household**
Beginning of 22%	$38,701	$77,401	$51,801
Beginning of 24%	$82,501	$165,001	$82,501
Beginning of 32%	$157,501	$315,001	$157,501

2. No change in taxes on capital gains and dividends

3. The standard deduction has increased.

$12,000 for single filer (up from $6,350 in 2017)
$24,000 for joint-filling married couples (up from $12,700 in 2017)
$18,000 for heads of household (up from $9,350 in 2017)

Personal and dependent exemption deductions, which would have been $4,150 in 2018 have been eliminated.

4. The new law limits your deduction for state and local income and property taxes to $10,000 ($5,000 if you use married filing separately). Foreign real property taxes can no longer be deducted. The deduction for mortgage interest has been limited and in only allowable on amounts up to $750,000 ($375,000 if you use married filing separately) in mortgage debt.

5. The new law preserves the itemized deduction for medical expenses and expands it to cover medical expenses of 7.5% of adjusted gross income for 2017 and 2018.

6. Starting 2018, you will not be able to reverse the conversion of a Traditional IRA into a Roth IRA.

7. The new law retains alternative minimum tax (AMT) with the exemption deductions increased ($70,300 for single filers and $109,400 for married couples filing jointly) and phased out at much higher income level.

8. Maximum child credit is increased to $2,000 per qualifying child and up to $1,400 can be refundable (meaning you can collect it even if you don't owe any federal income tax). In addition, a new $500 nonrefundable credit is allowed for qualified non-child dependents.

9. Deductions for moving expenses and most itemized expenses are eliminated.

10. Starting in 2019, alimony payments will not be deductible if required by a divorce agreement entered after 12/31/18.

11. Tax breaks for adoption expenses have been preserved.

12. Tax credit for qualified plug-in electric vehicles is preserved.

13. The unified federal gift and estate tax exemption will double - to about $11.2 million or $22.4 million for a married couple.

14. The corporate tax rate becomes 21% and corporate AMT has been eliminated.

15. Tax pass-through businesses may be eligible for a 20% deduction for the non-wage portion of pass-through income.

For information purposes and in no way intended to provide tax advice - please consult your tax attorney or CPA.

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