STEWARDSHIP ADVISORS, LLC

Walking with you on your journey

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A Simple Way to Save More in Taxes

by Thomas Talbott, CFP®

On December 22, 2017, President Trump signed into law The Tax Cuts and Jobs Act, which was the most sweeping rewrite of the tax code in more than 30 years. While the provisions of this tax reform bill went into effect on January 1st of this year, most of the provisions affecting individuals are temporary, and are slated to sunset in 2025 if not re-ratified. But until then, with proper planning one can save even more in taxes than might first meet the eye.

There are new rules that you need to know about Personal Exemptions and Standard Deductions.

In 2017, taxpayers could deduct $4,050 per exemption (the taxpayer, their spouse and their dependents). The new rule states that Personal Exemptions are currently suspended while the Standard Deduction has effectively doubled to $12,000 for individuals and $24,000 for married couples filing jointly – add an additional $1,300 if you are blind, disabled or age 65 or older, or $1,600 if you're an unmarried taxpayer.

Additionally, the tax deductibility of the state and local taxes (SALT) is capped at $10,000. So if your house is paid off, you have no mortgage interest, and you max out your SALT deduction with your income and property taxes, your charitable giving receipts will need to exceed $14,000, or $16,600 if you're a married couple over 65 filing a joint tax return, for you to itemize. You will need to inspect Schedule A of your 2017 tax return and apply the new rules to see if you'll be itemizing your deductions this year or taking the standard deduction.

"I understand all that, and we'll be taking the standard deduction this year, but where's this tax saving you hinted at?"

Consider prefunding your 2019 charitable contributions this year. Before the end of the year, donate the amount you annually gift to your favorite charities letting them know it's your contribution for next year. If you don't want to give it to the charities directly, use a Donor Advised Fund (DAF) to secure the charitable donation this year and have the dollars distributed next year. This strategy potentially allows you to itemize your deductions this year and take the standard deduction next year. It can be repeated every other year to maximize your tax savings.

Want to save even more taxes? Use appreciated assets you've held for more than one year to gift to the charities or the DAF. You can forego the need to pay capital gains taxes and still get a charitable receipt for the fair-market-value of the asset.

If this sounds intriguing, please talk to your advisor to see if this is a viable strategy for you. If you don't have an advisor, or one that discusses things like this with you, call our office and we'll analyze your situation and see if this is right for you.

Clients are asking...

by W. Lee Shertzer, CFP ®

Why do I need a contingent beneficiary?

"Recently, as part of "Walking with You on Your Journey," we have begun a review of the beneficiaries on your accounts. We are doing this as a way of making sure your assets are distributed to whom you wish and in the most tax efficient manner.

Most people, if they are married, name each other as primary beneficiary. Or a single person might name a friend or relative as a primary beneficiary. However, what if these people are no longer living at the owner's death? This is when a contingent beneficiary becomes important. This person, multiple people or charity could be listed as next in line to receive the assets if the primary beneficiary is not living.

If no contingent beneficiary is named, and the primary beneficiary is no longer living, then the assets will be distributed according to the Last Will and Testament of the account owner. This might not be a problem unless it is an IRA.

Continued...

Meet Michelle

As a client of Stewardship Advisors, LLC, there is a very good chance you have seen, or at least talked to, Michelle Zink. She has been part of the team since November 2015 when she joined the company as a Client Service Coordinator.

Michelle's pride and joy are her children, Alexis and Brenten. While Brenten is finishing high school, Alexis is pursuing her Master's Degree in Clinical Psychology at Millersville University. She graduated from West Chester University in the Spring.

In her free time, Michelle and her other half, Lyle, enjoy trying local restaurants, supporting the local sports teams and spending time with friends. She has even been known to play a mean game of music trivia!

When she needs a break, Michelle and her family enjoy traveling to New Smyrna Beach, Florida. Now and then she and Lyle take some international trips to Cancun, Mexico and Germany.

Alexis at West Chester Graduation

Golfing for Good

Recently, John Simkins and Lee Shertzer had the privilge of participating in Black Rock Retreat's annual benefit golf outing. The event was held September 24th at Tanglewood Golf Course in Quarryville, PA.

John and Lee enjoyed a day of golf and fellowship with Black Rock staff and other area businesspersons. Nearly 150 golfers came out for the day's activities.

Stewardship Advisors, LLC helped sponsor the event which supports the ministries of Black Rock Retreat. The Retreat offers a variety of year-round programs for children, women, men and couples. They also have week-long summer camps for children and teens.

John and his team

Lee and his team

An IRA is a special type of asset that represents earnings that have never been taxed. If these assets do not have a living beneficiary at the owner's death, then the assets will be distributed in a lump sum through the Last Will and Testament. When beneficiaries receive IRA money in one lump sum it is taxed on top of their regular income. This can lead to very high tax bills.

On the other hand, if a named beneficiary receives the money directly from the IRA, then they have the option to take the taxable distribution a little bit every year and therefore remain in a lower tax bracket by spreading the distributions out over time.

Let us say someone has $100,000 in an IRA. By naming a beneficiary directly, the beneficiary would have the option to receive a taxable amount slowly over their lifetime and most likely stay in a lower tax bracket. Alternatively, if they received the IRA money through the Last Will and Testament, and were in a 22% tax bracket, it would most likely move them into a 32% tax bracket. A 10% increase in tax!

As our clients' advisors, it is always our goal to help them now to be the best steward of their blessings for the future."

Have questions?

Feel free to contact our office to schedule an appointment.

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