

Tax Minimizers of Oregon Inc.

333 SE 223rd #104
Gresham, OR 97030
503-665-1040

3835 NE Hancock #101
Portland, OR 97212
503-281-0919

250 NW 6th
Redmond, OR 97756
541-923-1040

OBTP #B15756

ClientAdvisor

Spring/Summer
2017

Dear Clients & Friends,

A major tax overhaul is being contemplated in Washington for the first time in thirty years. If it gets done, we may see tax code changes that impact our overall tax burden. But that outcome is far from certain.

What's certain is that while Washington debates you need to have your tax situation reviewed

to ensure you can be nimble, flexible and prepared for when change comes. Enclosed are some articles to get you thinking about planning. Reach out for a consultation if you'd like to learn more.

Thanks for your support.

Midyear Tax Moves For 2017

Now is a good time to assess your 2017 tax situation. Here are five tax fundamentals to consider now.

Deductions and Credits. Use last year's return to estimate your highest tax bracket and consider ways to reduce your tax liability through deductions and credits. For instance, you could make deductible donations to your favorite charity.

Investment Portfolio. Use losses from securities sales to offset capital gains plus up to \$3,000 of ordinary income. Planning your strategy early will prepare you for tax time.

Retirement Plans. Try to boost contributions to retirement plans. You may be able to supplement

your work retirement plan with contributions to a Traditional or Roth IRA.

Higher Education. If you have a child in college, you may be able to claim higher education credits, even if the child graduates this year. Also consider contributing to tax-advantaged college savings plans.

Estate Plan. Review your estate plan to ensure you're maximizing tax benefits. Currently, transfers between spouses are exempt from estate and gift tax, while other transfers are sheltered by a \$5.49 million exemption in 2017 (\$10.98 million for a couple). ■

Everyday Advice

"Living at risk is jumping off the cliff and building your wings on the way down."

– Ray Bradbury
Author

Inside this Issue:

Midyear Tax Moves for 2017.....	1
Marriage Tax Tips	2
Ten Commonly Overlooked Tax Breaks.....	2, 3
Working During Retirement? Read This	3
Household Budgeting Made Simple	4



Marriage Tax Tips

If you recently got married, plan to get married, or know someone taking the matrimonial plunge, here are some important tax steps every new bride and groom should take.

- **Notify Social Security.** Notify the Social Security Administration (SSA) of any name changes by filling out Form SS-5. The IRS matches names with the SSA and may reject your joint tax return if the names don't match what the SSA has on file.
- **Address change notification.** If either of you are moving, update your address with your employer as well as the Postal Service. This will ensure your W-2s are correctly stated and delivered to you at the end of the year. You will also need to update the IRS with your new address using Form 8822.
- **Review your benefits.** Getting married allows you to make midyear changes to employer benefit plans. Take the time to review health, dental, auto, and home insurance plans and

update your coverage. If both of you have employer health plans, you need to decide whether it makes sense to keep your plans or whether it's better for one to join the other's plan as a spouse.



- **Update your withholdings.** You will need to recalculate your payroll withholdings and file new W-4s reflecting your new status. If both of you work, your combined income could put you in a higher tax bracket. This can result in reduced or phased-out benefits.
- **Update legal documents.** Review your legal documents to make sure the names and addresses reflect your new marital status. This includes bank accounts, credit cards, property titles, insurance policies and living wills. Even more importantly, review and update beneficiaries on each of your retirement savings accounts and pensions.
- **Consider your residence.** If you are selling one or two residences, review how capital gains tax applies to your situation. This is especially important if one of you has been in your home for only a short time or if either home has appreciated in value. ■

Ten Commonly Overlooked Tax Breaks

Here are ten often-overlooked benefits you may be able to take advantage of this year.

- 1 Mortgage discount points.** When you buy a home you can generally deduct the cost of mortgage discount points to lower your interest rate. Many taxpayers forget that when they sell their home they can immediately deduct the remainder of the points not yet used as a deduction.
- 2 Job-hunting costs.** The expenses you accrue when



looking for a new job in your current field are generally tax deductible. That includes fees paid to recruiters or placement agencies, as well as the costs of printing materials, postage, preparing resumes, and travel expenses.

- 3 Student loan interest.** You can deduct up to \$2,500 a year in interest paid on student loans. This is true even if someone else helps you pay your loans. Parents who have cosigned and paid student loans often forget that they are also eligible for the deduction.
- 4 Alimony legal fees.** While most people who pay alimony know it is tax-deductible, few people know you can also deduct money you spend on your alimony agreement, such as attorney fees.

Working During Retirement? Read This...

Two-thirds of the Baby Boomer generation are now working or plan to work beyond age 65, according to a recent Transamerica Institute study. Some report they need to work because their savings declined during the financial crisis, while others say they choose to work because of the greater sense of purpose and engagement that working provides.

If you plan to work into your golden years, here are some tips to make sure you get the greatest benefit from your efforts.

○ Consider delaying Social Security.

You can start receiving Social Security retirement benefits as early as age 62, but if you continue to work it may make sense to delay until as late as age 70. That's because your Social Security benefit may be reduced or be subject to income tax due to your work income. In addition, your Social Security monthly benefit increases when you delay starting the retirement benefit. These increases in monthly benefits stop when you reach age 70.

○ Don't get bracket-bumped.

You may have multiple income

streams during retirement that can bump you into a higher tax bracket and make other income taxable if you're not careful. For instance, Social Security benefits are only tax-free if you have less than a certain amount of adjusted gross income (\$25,000 for individuals and \$32,000 for married filing jointly in 2017), otherwise as much as 85 percent of your benefits are taxable.

○ Be smart about health care.

When you reach age 65, you'll have the option of making Medicare your primary health insurance. If you continue to work, you may be able to stay on your employer's health care plan, switch to Medicare, or adopt a two-plan hybrid option that includes Medicare and a supplemental employer care plan. Look over each option closely. You may find that you're giving up important coverage if you switch to Medicare prematurely.

○ **Consider your expenses.** If you're reducing your working hours or taking a part-time job, you also have to consider the cost of your extra income stream. Calculate

how much it costs to commute and park every day, as well as the expense of meals, clothing, dry cleaning and any other expenses.

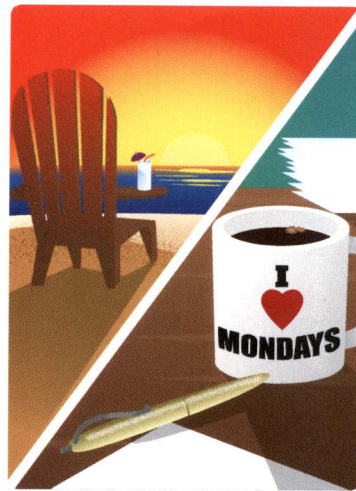
○ Time to downsize or relocate?

Where and how you live can be an important factor determining the kind of work you can do while you're retired. Downsizing to

a smaller residence or moving to a new locale may be a good strategy to pursue a new kind of work and a different lifestyle.

○ Focus on your deeper purpose.

Use your retirement as an opportunity to find work you enjoy and that adds value to your life. Choose a job that expresses your talents and interests, and that provides a place where your experiences are valued by others. ■



5 Casualty and theft losses.

If you were a victim of a theft or catastrophe, such as a fire or earthquake, you may be able to deduct the loss as an itemized deduction on your tax return. The timing of taking the loss and the amount of the qualified loss can get complicated, so be sure to ask for help if you think it applies to your situation.

6 Occupational education.

If you can show you need to take courses to maintain or update your skills in your current occupation, you can often deduct those costs.

7 Professional subscriptions.

Expenses for trade magazines, professional journals, or digital subscriptions relevant to your profession can be deducted as an itemized deduction.

8 Advisor fees.

Fees for investment management or financial advice on income-producing investments may be deductible from itemized returns. This includes your tax preparation fee.

9 Small business tax breaks.

There are a number of special business incentives built into the tax code. This includes special

depreciation rules and the now permanent research credit. A deduction even exists for domestic production of qualified products.

10 State sales tax alternative.

You can choose to deduct state and local sales taxes rather than state income taxes on your federal tax return as an itemized deduction. This is especially useful for residents of states that don't have state income taxes.

As with any part of the tax code, certain qualifications must be met and limits apply. Contact our office if you'd like to learn more about useful deductions and credits. ■

ClientAdvisor

Practical Tax & Financial Advice

Household Budgeting Made Simple

A household budget should be the backbone of your personal finance strategy. The basics are the same whether you use software or a pen and paper. Here's how:

Organize your data. Gather all your bank, credit card and income statements for the last several months to a year. Calculate how much income versus spending you have for each of these months.

Sort your expenditures. Break down your expenses for each month into categories, such as mortgage or rent, utilities, groceries, vehicle, insurance, household goods, restaurants and entertainment. As you go through the categories, you will be able to distinguish those that are set costs, such as mortgage, insurance and utility payments. You'll also see those that are flexible, such as restaurants and entertainment.

Set financial priorities. Now that you have clear categories for how you've spent your money, write down a list of your financial priorities. These could be things like building a savings account for emergency expenses, growing your

retirement savings, paying down debt, or saving for your children's education. If you're not spending enough on your priorities, resolve to shift more of your spending from the flexible categories.

Create your cushion. In addition to building up an emergency fund to cover three to six months of expenses, consider creating a month-to-month cushion. After you've set your budget, set aside a small percentage of your monthly income. This cushion is there to give you leeway if you make mistakes and go over budget during the month. Think of it as your margin of error.

If you get to the end of the month without going over budget, give yourself a small reward or at least a pat on the back. Rewarding yourself will help reinforce positive financial habits in the months to come. ■

