Tax-Smart Investing

As the end of the year approaches, many clients are focusing on tax-saving strategies that can prevent them from writing a check to Uncle Sam next Spring. Here are a few strategies that we use to try to increase after-tax returns and reduce the taxable income that appears on the tax returns of our clients.

Buy Investments in the Right Account Type

To the extent possible, we strive to structure our clients' investment portfolios in a tax-efficient manner around the types of accounts they own. This generally means buying investments that generate higher amounts of taxable income or with higher turnover (such as taxable bonds, real estate, commodities) in tax-sheltered accounts like IRA's. This will shield the income from being taxed. The investments that generate lower amounts of taxable income (such as lower yielding stocks) are then purchased in non-tax-sheltered accounts to complete the investor's target asset allocation.

Jason Gunkel,
CFP®, CFA, CAP®

This strategy has been much easier to implement over the last few years with the improvement of portfolio management technology. Our portfolio management system through TD Ameritrade allows us to implement and maintain a client's investment strategy across multiple accounts. It will even recommend the account type where a specific investment should be owned based on its tax efficiency.

Use Tax-Efficient Investments in Non-Tax-Sheltered Accounts

We can build upon the previous strategy by buying investments that are more tax-efficient in the non-tax-sheltered accounts. These investments would include municipal bonds that generate interest tax-free at the Federal level and in some cases at the state level too. It also includes buying tax-managed stock mutual funds whose managers try to minimize the taxable income generated by the fund. We also use exchange-traded funds that have the unique feature of not distributing any of their capital gains.

Technology has also helped us prepare for any year-end capital gains that are expected to be paid out by a mutual fund. There are systems available where we can input all of our clients' investment holdings and it will produce a report of the timing, amount, and nature of the capital gains that are to be distributed. This has almost eliminated any year-end surprises of large taxable gains that our clients receive.

Tax-Loss Harvesting

Nobody likes when the financial markets fall, but it can produce opportunities from a tax perspective. When investments fall in price and have unrealized capital losses, we can temporarily sell the investments to "harvest" the losses. We will purchase a similar replacement investment for 30 days before buying back the original investment to comply with IRS rules for harvesting losses.

These losses can then be used to offset any current or future capital gains realized on the sale of investments. If the capital losses exceed the capital gains in any given year, the losses can be used to offset up to $3,000 or ordinary income, with the additional losses carried forward to future tax years.

After the recent market drop in October and November, we seized the opportunity to harvest capital losses for our clients. Our portfolio management system enables us to screen for capital losses and implement a tax loss harvesting strategy across our clients' accounts without altering their investment strategy.

Social Security Benefits to Increase in 2019

Each year we announce the annual cost-of-living adjustment (COLA). Usually there is an increase in the Social Security and Supplemental Security Income (SSI) benefit amount people receive each month, starting the following January. By law, federal benefits increase when the cost of living rises, as measured by the Department of Labor's Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W).

The CPI-W rises when prices increase for the things the average consumer buys. This means that when prices for goods and services we purchase become more expensive, on average, the COLA increases monthly benefit levels and helps you keep up with the changing cost of living.

As a result, more than 67 million Americans will see a 2.8 percent increase in their Social Security and SSI benefits in 2019.

January 2019 marks other changes that will happen based on the increase in the national average wage index. For example, the maximum amount of earnings subject to Social Security payroll tax, as well as the retirement earnings test exempt amount, will change in 2019.

Want to know your new benefit amount as soon as possible? In December 2018, we will post Social Security COLA notices online for retirement, survivors, and disability beneficiaries who have a my Social Security account. You will be able to view and save these COLA notices securely via the Message Center inside my Social Security.

Be the first to know! Sign up for or log in to your personal my Social Security accounttoday and choose email or text under "Message Center Preferences" to receive courtesy notifications so you won't miss your electronic COLA notice!

This year, you will still receive your COLA notice by mail. In the future, you will be able to choose whether you receive your notice online instead of on paper. Online notices will not be available to representative payees, individuals with foreign mailing addresses, or those who pay higher Medicare premiums due to their income. We plan to expand the availability of COLA notices to additional online customers in the future.

SYVERSON STREGE & COMPANY
Fee-Only Financial Planning

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Investment Management
A Division of Syverson Strege & Company

Year End 2018

Client Portal

As a client of Syverson Strege & Co., you have access to the Client Portal. Our Client Portal shows you a comprehensive picture of your overall financial situation. In addition, you can use the Vault for safe storage of your important documents.

Learn how to connect your accounts and store documents securely by going to our website www.OnlyWorkForYou.com and clicking on the Client Portal button. For more information, please contact your Planner or Analyst at **515.225.6000**.

Merry Christmas & Happy New Year Office Hours

Please note that our office will be closed in observance of the Christmas Holiday on Monday and Tuesday, December 24th & 25th. We will be back in the office on Wednesday, December 26th.

We will also be closed on December 31th and January 1st for the New Year's Holiday. We will be back in the office on Wednesday, January 2nd.

Happy New Year!

Tim Schau, Joe Stevens, Dave Schwartz

Joppa Receives Giving Club Check

Tim Schau of Syverson Strege, and Joppa volunteer, presents a generous Giving Club check to Joe Stevens and Dave Schwartz from JOPPA, an organization helping the homeless rebuild their lives in Central Iowa!

The Giving Club - where people come together to share values, resources, and together make a greater difference!

SYVERSON STREGE GIVING CLUB

Have Questions or Concerns?

If you have questions regarding your current financial planning and investment services, or you are new and don't know where to begin with a financial plan, please call us at 515.226.6000 or email info@onlyworkforyou.com

And as always, we only work for you!

Parenting the Parent Series: Financing Long-Term Senior Care

Part Four of A Four-Part Series

By David Strege, CFP, CFA, CKA
Partner, Senior Financial Planner

Many senior citizens today, and in the near future, face an intersection of two lines; expanding life expectancy while depleting financial resources. While we covered some average costs of senior housing options in an earlier post, it pays to understand what many of us could face in the future. The Centers for Medicare and Medicaid Services estimates that two-thirds of the people over age 65 will require at least some type of long-term care and over 45 percent will need a period of time in a skilled nursing facility. In a worst-case scenario, where a senior must reside long-term in a nursing home, they can, according to a survey by Genworth Financial, be looking at a staggering charge of $80,000 to $90,000 per year. A Harvard study suggests as much as 72% of Americans would become impoverished after one year in a nursing home. In-home long-term care is an option for some situations, however this too comes at a significant expense.

While the need for long-term care is far from inevitable, a failure to prepare for this contingency can be a mistake. With these sobering numbers in mind we want to look at some options that may help reduce the costs for seniors and their care providers as they plan for the future.

An Ounce of Prevention

A well-managed portfolio, typically under the direction of a financial advisor or wealth management team, is the best way to assure the entry into the golden years is as well funded as possible. Beyond merely amassing a "war chest" against eventualities, such a portfolio can be converted to instruments that can provide a level of assurance throughout a lifetime. Even if you, or the parents you are now helping, are less than ideally prepared, a financial review might help to structure your investment portfolio to align to the need as you begin to face rising costs.

And, as noted in an earlier post, having the financial house in order, with all appropriate documents in place will simplify the challenge if the senior is not in a position to manage their care and its funding.

Insurance Options

Health Insurance, either private or employer sponsored typically does not cover long-term care expenses in or out of the home.

Long-term care insurance is a type of plan that can assist with the costs not covered by medical insurance. In general, long-term care insurance will assist in covering the cost of home care, assisted living, adult daycare, respite care, hospice care, nursing home and Alzheimer's care facilities. Some providers offer the insurance well into the senior years, although experts note that premiums will be much lower the earlier the policy is written in an individuals lifetime. Rising premiums and the exclusion of pre-existing conditions for some policies are areas to be researched.

Life Insurance conversion is another option available to some. Many policies allow a conversion of the cash value of the policy either through loan, surrender, accelerated death benefits, or conversion into a long-term care insurance plan or a hybridization of both life insurance and long-term care insurance.

Government Programs

Reverse Mortgages are a vehicle for a home owner to draw upon the equity of their home to defray long-term care costs, typically care delivered in the home or for one partner outside the home. While reverse mortgages may meet the needs of an elderly person, it is important to note that they are in fact a loan, which will require repayment either from the homeowner or their estate.

Medicare, Medicare Supplemental Insurance and Medicaid are the best known of government programs to help seniors with health care costs. Medicare covers a number of home-care services; however, some people are surprised to learn that Medicare actually pays very little if anything towards long-term care costs outside the home. This document can be helpful in understanding the Medicare coverage available. Medicaid is the program that provides a safety net to assure that older Americans receive long-term care if they require it, however Medicaid requires that most of the recipient's financial resources and assets have been depleted before it provides long-term assistance. Supplemental Security Income, and the Supplemental Nutrition Assistance

Program are also safety net programs designed for seniors who have exhausted their personal resources.

Veterans and their spouses may be entitled to several different benefits through the U.S. Department of Veterans Affairs that can assist with care related costs.

Guidance

Fortunately, it is not necessary to travel this path alone. Whether you are a senior, or are assisting a senior, there are guides. Most states have a Department on Aging and a State Health Insurance Information Program that can connect you with advisors that will answer your questions and help you navigate the labyrinth of programs available.

This article is the last in a four-part series on "Parenting the Parent." Please see our other articles on Parenting The Parent 101, Aging Parents and Money Management, and Senior Housing 101. Follow us on Facebook, Twitter or LinkedIn to receive notifications of future articles. As always, as your challenges relate to financial management, our team of Certified Financial Planners is happy to assist, Please contact us at 515.225.6000.

Avoiding Scams

Matt Roberts, MFM, CFP®

Tax season is almost here and with it comes higher potential for scams. Annually, millions of people lose money and their personal information to tax scams, identity theft, and imposter scams. According to a 2017 Federal Trade Commission (FTC) study, the median loss was $429.

3 Examples of Scams

Stolen Refund - Scammers who have stolen your personal information will file a fraudulent tax return on your behalf. The scammers will enter made up numbers into your tax return that will result in a significant refund. The refund will then be sent to a bank account which they control. You won't know there is an issue until you go to file your tax return.

Tip: Consider filing your tax return as early as possible to avoid having scammers file your tax return before you do. For additional information on how to protect yourself, read this article published on the IRS website.

Call Impersonation - The most common types of call impersonation scams are from thieves who pretend to be from a government entity, such as the IRS or Social Security Administration (SSA). Often, these criminals will say taxpayers owe money and demand payment right away. In a recent scam, people have received calls from SSA's national service number using a technique called "spoofing." The call displays SSA's national service number as the incoming number on the caller ID. People have reported that the scammers are threatening to cut off Social security benefits if they do not confirm their information.

Tip: Both the IRS and SSA will not call or email to verify information, so be very cautious about providing any personal information such as your SSN or bank account numbers over the phone. If you receive a suspicious call or email regarding Social Security, you can submit a report online at the following web address: https://oig.ssa.gov/report.
n addition, you can file a report for general fraud at: https://www.ftccomplaintassistant.gov.

Identity Theft - Identity theft occurs when someone steals your personal information and uses it to make purchases or borrow money. The most frequent type of identity theft occurs when someone obtains your credit card number. While many banks protect you from the financial loss that occurs when your credit card is stolen, your personal information may still be at risk.

Tip:As we learned from Jeff Lanza at our client event in September this year, there are three steps you should take to help prevent identity theft:

1. Check your credit report for free at the four credit reporting bureaus (Experian, Equifax, TransUnion, and Innovis). Your report can be obtained by going to www.annualcreditreport.com.
2. Freeze your credit report with each of the credit reporting bureaus. When your credit report is frozen, it can only be obtain by supplying a PIN.
3. Subscribe to an identity theft protect service such as ID Shield or LifeLock. These services help monitor your credit and personal information. In addition, the provide restoration assistance in the event your identity is stolen.

For additional information, please contact your Planner or Analyst at 515.225.6000.