Tax & Business Alert

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DO YOU HAVE YOUR OWN WEALTH MANAGEMENT PLAN?

Fingerprints: There are no two alike. So it should be with your wealth management plan. Taking a boilerplate approach could prevent you from achieving your specific goals. Here are some key points to consider when devising a plan that's all your own.

MANY VARIABLES

For your plan to be as unique as you, it should reflect variables such as:

- Age,
- Health status,
- Risk tolerance, and
- How you plan to use your assets now and going forward.

Risk tolerance is a particularly important point. Some people are naturally more willing to risk a loss for the opportunity of a larger gain. Others are uncomfortable with any possibility of loss even though this certainty may mean a lower potential return.

But risk tolerance also may be affected by age. If you're retired or close to retirement, for example, a more conservative approach to investing, saving and spending is likely appropriate. By contrast, if you're several decades away from retirement, you'll more likely benefit from taking at least a few carefully considered chances to build wealth and keep ahead of inflation.

WITHDRAWAL STRATEGY

Another important component of a personal wealth management plan is your withdrawal strategy. For example, if you're close to retirement, you need to withdraw from your accounts carefully to avoid having insufficient funds during retirement. Withdraw too little, however, and you could miss opportunities to enjoy life. (You also could face severe tax penalties if you don't take required minimum distributions.)

Like your wealth management plan, your withdrawal strategy will be highly personal. The amount of income you'll need in retirement will depend on your priorities. If you're planning to travel extensively, your needs will be very different from what they'll be if your primary goal is to stay close to home to spend more time with your family.

DON'T FORGET ABOUT ESTATE PLANNING

If your net worth is large enough that estate taxes are a concern, making annual gifts can be a surprisingly powerful way to reduce your taxable estate. In fact, making annual gifts can help you accomplish two important goals: removing assets from your estate and passing along assets to loved ones. Current federal law allows annual tax-free gifts of $15,000 per recipient per year ($30,000 for married couples).

Just make sure your gifting strategy is well integrated into your overall estate plan. Such a plan might also involve trusts and other mechanisms for distributing your wealth.

If you own assets in a variety of tax-free (such as a Roth IRA), tax-deferred (such as a 401(k) plan or traditional IRA) and taxable savings vehicles, there can be some significant tax implications to how you withdraw your assets. Conventional wisdom says that taxable assets should be withdrawn first, leaving your tax-advantaged holdings more time to grow. This approach may work in some situations, but it's not necessarily the correct approach for everyone. (And minimum annual distributions are required from certain tax-advantaged accounts, generally after age 70½.)

NECESSARY HELP

Your wealth management plan should be carefully designed and maintained to suit the many distinctive elements of your life. But that doesn't mean you must go about it alone. Please contact our firm for help not only creating a plan, but also checking in on it regularly to see whether any adjustments are necessary. ■

CHOOSING BETWEEN A CALENDAR TAX YEAR AND A FISCAL TAX YEAR

Many business owners use a calendar year as their company's tax year. It's intuitive and aligns with most owners' personal returns, making it about as simple as anything involving taxes can be. But for some businesses, choosing a fiscal tax year can make more sense.

WHAT'S A FISCAL TAX YEAR?

A fiscal tax year consists of 12 consecutive months that don't begin on January 1 or end on December 31 — for example, July 1 through June 30. The year doesn't necessarily need to end on the last day of a month. It might end on the same day each year, such as the last Friday in March. (This is known as a 52- or 53-week year.)

Flow-through entities (partnerships, S corporations and, typically, limited liability companies) using a fiscal tax year must file their returns by the 15th day of the third month following the close of their fiscal year. So, if their fiscal year ends on March 31, they need to file their returns by June 15. (Fiscal-year C corporations generally must file their returns by the 15th day of the fourth month following the fiscal year close.)

WHEN DOES IT MAKE SENSE?

A key factor to consider is that, if you adopt a fiscal tax year, you must use the same period in maintaining your books and reporting income and expenses. For many seasonal businesses, a fiscal year can present a more accurate picture of the company's performance.

For example, a snowplowing business might make the bulk of its revenue between November and March. Splitting the revenue between December and January to adhere to a calendar year end would make obtaining a solid picture of performance over a single season difficult.

In addition, if many businesses within your industry use a fiscal year end and you want to compare your

performance to that of your peers, you'll probably achieve a more accurate comparison if you're using the same fiscal year.

Before deciding to change your fiscal year, be aware that the IRS requires businesses that don't keep books and have no annual accounting period, as well as most sole proprietorships, to use a calendar year.

DOES IT MATTER?

If your company decides to change its tax year, you'll need to obtain permission from the IRS. The change also will likely create a one-time "short tax year" — a tax year that's less than 12 months. In this case, your income tax typically will be based on annualized income and expenses. But you might be able to use a relief procedure under Section 443(b)(2) of the Internal Revenue Code to reduce your tax bill.

Although choosing a tax year may seem like a minor administrative matter, it can have an impact on how and when a company pays taxes. We can help you determine whether a calendar or fiscal year makes more sense for your business. ■

GET AN EARLY TAX "REFUND" BY ADJUSTING YOUR WITHHOLDING

Each year, millions of taxpayers claim an income tax refund. To be sure, receiving a payment from the IRS for a few thousand dollars can be a pleasant influx of cash. But it means you were essentially giving the government an interest-free loan for close to a year, which isn't the best use of your money.

Fortunately, there's a way to begin collecting your 2018 refund now: You can review the amounts you're having withheld and/or what estimated tax payments you're making, and adjust them to keep more money in your pocket during the year.

CHOOSING TO ADJUST

It's particularly important to check your withholding and/or estimated tax payments if:

- You received an especially large 2017 refund,
- You've gotten married or divorced or added a dependent,
- You've bought a home,
- You've started or lost a job, or
- Your investment income has changed significantly.

Even if you haven't encountered any major life changes during the past year, changes in the tax law may affect withholding levels, making it worthwhile to double-check your withholding or estimated tax payments.

MAKING A CHANGE

You can modify your withholding at any time during the year, or even more than once within a year. To do so, you simply submit a new Form W-4 to your employer. Changes typically will go into effect several weeks after the new Form W-4 is submitted.

For estimated tax payments, you can make adjustments each time quarterly payments are due.

While reducing withholdings or estimated tax payments will, indeed, put more money in your pocket now, you also need to be careful that you don't reduce them too much. If you don't pay enough tax throughout the year on a timely basis, you could end up owing interest and penalties when you file your return, even if you pay your outstanding tax liability by the April 2019 deadline.

GETTING HELP

One timely reason to consider adjusting your withholding is the passage of the Tax Cuts and Jobs Act late last year. In fact, the IRS had to revise its withholding tables to account for the increase to the standard deduction, suspension of personal exemptions, and changes in tax rates and brackets. If you'd like help determining what your withholding or estimated tax payments should be for the rest of the year, please contact us. ■

FOREIGN ACCOUNTS CALL FOR SPECIFIC REPORTING REQUIREMENTS

In an increasingly globalized society, many people choose to open offshore accounts to deposit a portion of their wealth. When doing so, it's important to follow the IRS's strict foreign accounts reporting requirements. In a nutshell, if you have a financial interest in or signature authority over any foreign accounts, including bank accounts, brokerage accounts, mutual funds or trusts, you must disclose those accounts to the IRS and you may have additional reporting requirements.

To do so, your tax preparer will check the box on line 7a of Schedule B ("Interest and Ordinary Dividends") of Form 1040 — regardless of the account value. If the total value of your foreign financial assets exceeds $50,000 ($100,000 for joint filers) at the end of the tax year or exceeds $75,000 ($150,000 for joint filers) at any time during the tax year, you must provide account details on Form 8938 ("Statement of Specified Foreign Financial Assets") and attach it to your tax return.

Finally, if the aggregate value of your foreign accounts is $10,000 or more during the calendar year, file FinCEN (Financial Crimes Enforcement Network) Form 114 — "Report of Foreign Bank and Financial Accounts (FBAR)." The current deadline for filing the form electronically with FinCEN is April 15, 2018, with an automatic extension to October 15.

Failure to disclose an offshore account could result in substantial IRS penalties, including collecting three to six years' worth of back taxes, interest, a 20% to 40% accuracy-related penalty and, in some cases, a 75% fraud penalty. For further information, contact us ■

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