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WEALTH MANAGEMENT & FINANCIAL PLANNING

EYE ON MONEY

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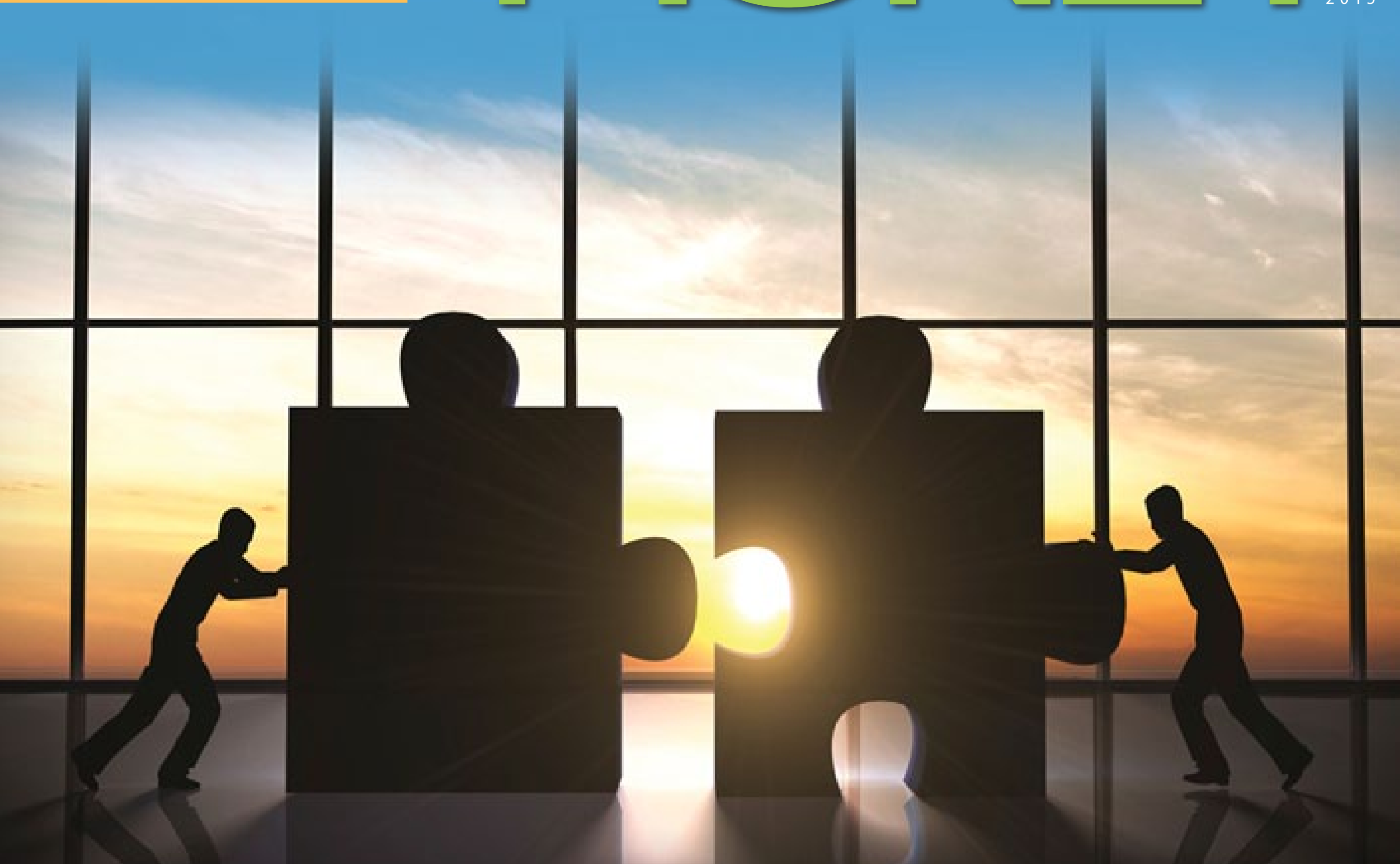

2015 YEAR-END TAX PLANNING

plus

GIVING THE GIFT OF EDUCATION WITH A 529 PLAN

HOW TO AVOID A WASH SALE

U.S. TREASURY SECURITIES

CHARITABLE DONATION TIPS

TAX

THREE WAYS TO AVOID A WASH SALE

If you sell a stock or other security at a loss and buy a substantially identical security within 30 days before or after the sale, you have what is known as a wash sale and cannot deduct the loss. Instead, the loss is generally added to the cost basis of the new shares, effectively deferring its recognition until the new shares are sold.

There may be times, though, when you want to deduct the loss on this year's tax return and reinvest in the same security. To avoid a wash sale and deduct the loss, you can:

1. **Wait at least 31 days after the sale to buy the same security.** If you do not want to be without the security for a month, however, you could…

2. **"Double up" on the security by purchasing new shares and then waiting at least 31 days before you sell the old shares.** If you do not want to double your exposure to that particular security, you might instead…

3. **Purchase a similar, but not identical, security.** For example, consider buying a stock in the same industry that may perform similarly to your original stock. You can switch back to the original stock after the 30-day wash sale period has passed. ■

Please consult your tax and investment advisors for advice.

inside

UP FRONT

FEATURES

FYI

529 COLLEGE SAVINGS PLANS: A GIFT THAT CAN LAST A LIFETIME

IF YOU WANT TO GIVE A YOUNG relative or friend a gift that will have a lasting impact on his or her life, consider opening and funding a 529 college savings plan. These state-sponsored savings plans are a great way to help a loved one save for college and can be opened by anyone, including the beneficiary's parents, grandparents, other relatives, and friends.

The main advantage of using a 529 plan is that the investment earnings are exempt from federal tax, and possibly state tax also, as long as the withdrawals are used to pay qualified education expenses, such as college tuition and fees.

Nearly every state in the country offers a 529 plan, and you can choose nearly any state's plan, regardless of where you live or where the child will attend college.

If someone else has already set up a 529 plan account for the child, you may be able to contribute to that account, but before you do, be sure to consider the potential advantages of opening your own 529 plan account for the child.

- As the account owner, you control how your contributions are invested and withdrawn.
- You can change the beneficiary to an eligible member of the child's family without tax consequences—a handy option if the child decides not to attend college.
- You can withdraw money from the account for your own purposes, as long as you pay income tax and a 10% tax penalty on the earnings portion.
- You may be eligible for special benefits, such as a state tax deduction for the money you contribute, if you choose your state's 529 plan.

529 plans also offer a unique gift tax advantage that allows you to combine five years' worth of annual gift tax exclusions and contribute up to $70,000 ($140,000 for married couples who file jointly) per beneficiary in a single year without incurring the federal gift tax or reducing the amount that can be excluded from federal estate taxes later on.[1] This special feature makes 529 plans a tax-efficient way for wealthy individuals to transfer wealth to younger generations.

529 plans generally have high contribution limits ($200,000 or more), but can typically be opened with a low initial contribution. The beneficiary on the account can generally be any age, from birth on up.

So if you are looking for a great gift for the holidays, a birthday, an elementary school graduation, or even a christening, consider contributing to a 529 college savings plan. Not only will your gift help a loved one pay for college and possibly avoid student loan debt, it may also offer you a few tax advantages.

Please talk to your financial advisor about 529 plans. Your advisor can help you determine if one is right for you, as well as help you choose a plan. ■

PLEASE NOTE:

For more complete information about a 529 college savings plan, including investment objectives, risks, fees, and expenses associated with it, please carefully read the issuer's official statement before investing. It can be obtained from your financial advisor. Some states offer state residents additional benefits, such as a state tax deduction for contributions to the plan, reduced or waived program fees, matching grants, and scholarships to state colleges. Any state-based benefit offered with respect to a particular 529 college savings plan should be one of many appropriately weighted factors to be considered in making an investment decision. You should consult with your financial, tax, or other advisor to learn more about how state-based benefits (including any limitations) would apply to your specific circumstances. You also may wish to contact your home state or any other 529 college savings plan to learn more about the features, benefits, and limitations of that state's 529 college savings plan.

1 You must outlive the five-year period, or a prorated portion of your contribution will be added back into your estate for estate tax purposes.


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What are the main types of U.S. Treasury securities?

The U.S. Treasury issues several types of securities, each backed by the full faith and credit of the U.S. government[1] and offering interest income that is exempt from state and local income taxes.

TREASURY BONDS With a longer term than most Treasury securities, Treasury bonds mature 30 years after they are issued. They pay a fixed rate of interest every six months until maturity, at which time the owner is paid the bond's face value.

TREASURY NOTES Treasury notes are issued in terms of 2, 3, 5, 7, and 10 years and pay a fixed rate of interest every six months until they mature. At maturity, the owner is paid the note's face value.

TREASURY BILLS (T-BILLS) Instead of paying interest throughout the bill's term, T-bills are sold at a discount from their face value and are redeemed for their full face value at maturity. The difference between a bill's purchase price and its face value is the interest. T-bills have the shortest term of any Treasury security and are generally issued with terms of 4, 13, 26, or 52 weeks.

TREASURY INFLATION-PROTECTED SECURITIES (TIPS) TIPS offer investors protection from inflation. Although they pay a fixed rate of interest, TIPS' principal is adjusted for inflation based on changes in the Consumer Price Index. As a result, TIPS' interest payments fluctuate; increasing when inflation occurs and decreasing when deflation occurs. TIPS are issued with terms of 5, 10, and 30 years and pay interest every six months. At maturity, owners will receive the inflation-adjusted principal or the original principal, whichever is higher.

FLOATING RATE NOTES (FRNs) Unlike other types of Treasury securities that pay a fixed rate of interest, an FRN's interest rate is reset weekly, based on the discount rate from the 13-week T-bill auction. Due to the interest rate changes, the amount of interest paid each quarter will fluctuate over an FRN's two-year term. The owner will receive the FRN's face value at maturity. ■

PLEASE NOTE: Bonds are subject to interest rate risk. When interest rates rise, bond prices usually fall. The effect is usually more pronounced for longer-term securities. Fixed-income securities also carry inflation risk and credit and default risks for both issuers and counterparties.

1 The government backing refers only to the timely payment of interest and principal. It does not eliminate market risk. If you sell a Treasury security before its maturity date, you may receive more or less than you paid for it.

Please consult your financial advisor for help in developing and implementing an investment plan.

Donate, But Do It Wisely

'Tis the season for charitable giving, but before you reach for your checkbook, make sure your donations will benefit the causes you wish to support. The Federal Trade Commission, the nation's consumer protection agency, offers these tips to help you make the most of your charitable giving.

Donate to recognized charities with a history. Charities that spring up overnight in connection with a recent natural disaster or news story may disappear just as quickly with your donation. Even if the charity is well-meaning, it may lack the infrastructure to provide much assistance.

Be wary of charities with names that are similar to the names of well-known organizations. Some phony charities use names that sound or look like those of respected, legitimate organizations to gain your trust.

Check out the charity before you donate. You can look it up on the websites listed to the right, but keep in mind that many small or local charities may not be included.

Don't give or send cash. For security and tax record purposes, contribute by check or credit card. Write the official name of the charity on your check. ■

SOURCE: U.S. Federal Trade Commission, www.ftc.gov.

CHARITY CHECK-UP

Before making a donation, it is a good idea to research the charity first.

Better Business Bureau (BBB) Wise Giving Alliance
www.give.org

- Offers free reports on about 1,300 nationally soliciting charities.
- Also provides free reports from approximately half of the Better Business Bureaus on about 10,000 regionally soliciting charities.

Charity Navigator
www.charitynavigator.org

- Offers free ratings of 8,000 of America's best-known charities.
- Also provides information on over 1.5 million nonprofits.
- Offers online tools to help donors make informed choices.

CharityWatch
www.charitywatch.org

- Assigns letter-grade ratings and provides other statistics on the financial performance of about 600 major American charities.
- A membership contribution of $50 is required for one year of online access to the charity evaluations.

GuideStar
www.guidestar.org

- This organization gathers and disseminates information about all IRS-registered nonprofit organizations.
- Access to the information, such as a charity's IRS filings, are provided for free on their website.
- GuideStar is not a charity evaluator or a watchdog; the information on their website is presented neutrally.

IRS
apps.irs.gov/app/eos/

- Offers a free online tool that donors can use to find out whether a particular organization is eligible to accept tax-deductible charitable contributions.

2015 Year-End Tax Planning

You may be able to reduce your 2015 taxes if you act soon. There may be actions, such as deferring income, accelerating deductions, and harvesting investment losses, that you can take before the end of the year to improve your tax situation. This article explores several strategies for minimizing federal taxes. As always, the strategies are general in nature and may not be appropriate for you. Please consult your tax and financial advisors before the end of the year for advice on your taxes and investments.

WHAT'S NEW OR NOTABLE FOR 2015

Steady as she goes. The major federal tax provisions for individuals remain largely unchanged for 2015. Although there have been routine inflation adjustments to items such as the tax brackets, the standard deduction, and the alternative minimum tax exemption amount, the tax rates on ordinary income and capital gains remain the same as in 2014.

The maximum tax rate is 39.6% for ordinary income and 20% for long-term capital gains from the sale of securities. The net investment income tax is still 3.8% and continues to affect taxpayers with investment income whose modified adjusted gross income is over $200,000 (unmarried) or $250,000 (married filing jointly).

The "extenders" have expired. The group of temporary tax breaks for individuals and businesses known as the "extenders" expired at the end of 2014, and although Congress is expected to once again extend the provisions later this year, it had not done so at the time this publication was written. Included in the group of "extenders" for individuals that are still up in the air for 2015 are:

- The deduction for teachers' classroom expenses.
- The deduction for qualified tuition and related expenses.
- The deduction for state and local general sales taxes in lieu of deducting state and local income taxes.
- The option for people over age 70½ to make tax-free distributions from their IRAs for charitable purposes.
- The enhanced deduction for contributions of capital gain real property for conservation purposes.
- The nonbusiness energy property credit for qualified energy improvements to your main home.

Higher penalty for not having health insurance. The penalty for not being covered by a health plan increased in 2015 and is scheduled to increase again in 2016. For taxpayers without coverage or a coverage exemption, the 2015 penalty is the higher of these two amounts:

- 2% of household income, but no more than the national average premium for a Bronze health plan.
- $325 per adult plus $162.50 per child under age 18, but no more than $975 total.

If you owe a penalty, it is due when you file your 2015 federal tax return.

IRA rollovers are now limited to one per year. Beginning in 2015, you may roll over only one IRA account per 12-month period. The new limitation applies only to IRA rollovers—those distributions from an IRA that you receive in your own name and deposit within 60 days in another IRA account or even the same account. It does not apply to trustee-to-trustee transfers between IRA accounts; you can make as many of those transfers in the span of a year as you want. The limitation also does not apply to conversions from a traditional IRA to a Roth IRA.

The contribution limits for some retirement plans increased in 2015. Thanks to cost-of-living adjustments, workers can generally contribute more to their 401(k), 403(b), or 457 retirement plan in 2015. The maximum contribution amount is now $18,000 (a $500 increase from 2014) for workers under age 50. The maximum catch-up contribution for workers age 50 or older is $6,000 (a $500 increase). If your goal is to contribute the maximum amount to your retirement plan each year, take steps before the end of the year to boost your 2015 contributions.

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Will you be subject to the AMT?

The alternative minimum tax (AMT) is an alternative method of calculating tax that eliminates or reduces some of the deductions and exclusions from income that are allowed when calculating tax the regular way.

Because tax planning involves deductions and income, it is important to know which way you will be taxed before beginning to plan. The strategies described in this article are generally appropriate when taxes are calculated the regular way and may not be appropriate when used with the AMT.

If you suspect that you may be subject to the AMT, please consult your tax advisor for strategies tailored for your specific situation.

Signs that you may be subject to the AMT include:

- Paying high state and local taxes
- Claiming a large number of personal exemptions
- Realizing a large amount of long-term capital gains
- Receiving tax-exempt interest from private activity bonds
- Exercising incentive stock options but not selling the stock in the same year
- Using a mortgage or home equity line of credit for purposes unrelated to your home

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IT'S ALL IN THE TIMING

Tax planning has a lot to do with timing. Whether you receive income or pay deductible expenses this year or in the future can have a significant impact on your taxes. The following tips and strategies may help you use timing to your tax advantage.

Shift income into the more advantageous year. If you expect to be in the same or a lower tax bracket next year, look for ways to shift some of your income and the taxes on it into 2016. Although certain types of income, such as your paycheck, may be impossible to shift into next year, you may be able to:

- Control when you bill clients if you are self-employed.
- Hold off withdrawing more than the required minimum from your retirement accounts until after December 31.

Of course, if you expect to be in a higher tax bracket next year, shifting income into this year is generally the way to go because it enables you to pay taxes on it at a lower rate.

Shift deductions into the more advantageous year. If you itemize deductions and expect to be in a different tax bracket next year, consider shifting some of your deductible expenses into the year that you will be in the higher tax bracket so that you get a greater reduction in taxes for your deduction.

For example, if you are currently in the 25% tax bracket and expect to be in the 28% tax bracket next year, a $10,000 deduction will generally reduce your taxes by $2,500 this year or by $2,800 next year. Deductible expenses that you may be able to shift include:

- Charitable contributions.
- Medical services and equipment.
- Mortgage interest and real estate taxes.

Bunch medical expenses to get over the 10% threshold. If you itemize deductions, you can take a deduction for certain unreimbursed medical and dental expenses that you pay that exceed 10% of your adjusted gross income (AGI). For example, if your AGI is $100,000 and you pay $17,000 in qualified medical expenses, you can generally deduct $7,000 (the amount in excess of 10% of your AGI).

If you are just under the 10% threshold this year, consider paying some 2016 medical and dental expenses this year so that you can deduct the amount that exceeds the threshold. Here are a few ideas of what you might do before the end of the year to get over the threshold:

- Refill your prescriptions.
- Schedule medical or dental appointments for December rather than January.
- Buy new eyeglasses, contact lenses, hearing aids, and dentures.

The AGI threshold for taxpayers age 65 or older, or who have a spouse in that age group, is 7.5%.

Contribute to your health savings account. If you are covered by a high-deductible health plan, using a health savings account to save for your future medical expenses can help you trim your taxes. Money that you contribute is tax-deductible, earnings accumulate tax-free, and withdrawals are tax-free if used to pay qualified medical expenses.

You have until April 18, 2016[1] to contribute and claim a deduction for 2015. The maximum contribution for 2015 is $3,350 for self-only coverage or $6,650 for family coverage. Individuals age 55 or older may contribute an additional $1,000. (You may not contribute after you enroll in Medicare.)

If you will be in a different tax bracket next year, shifting income and deductions into the more advantageous year may minimize your taxes over the two-year period.

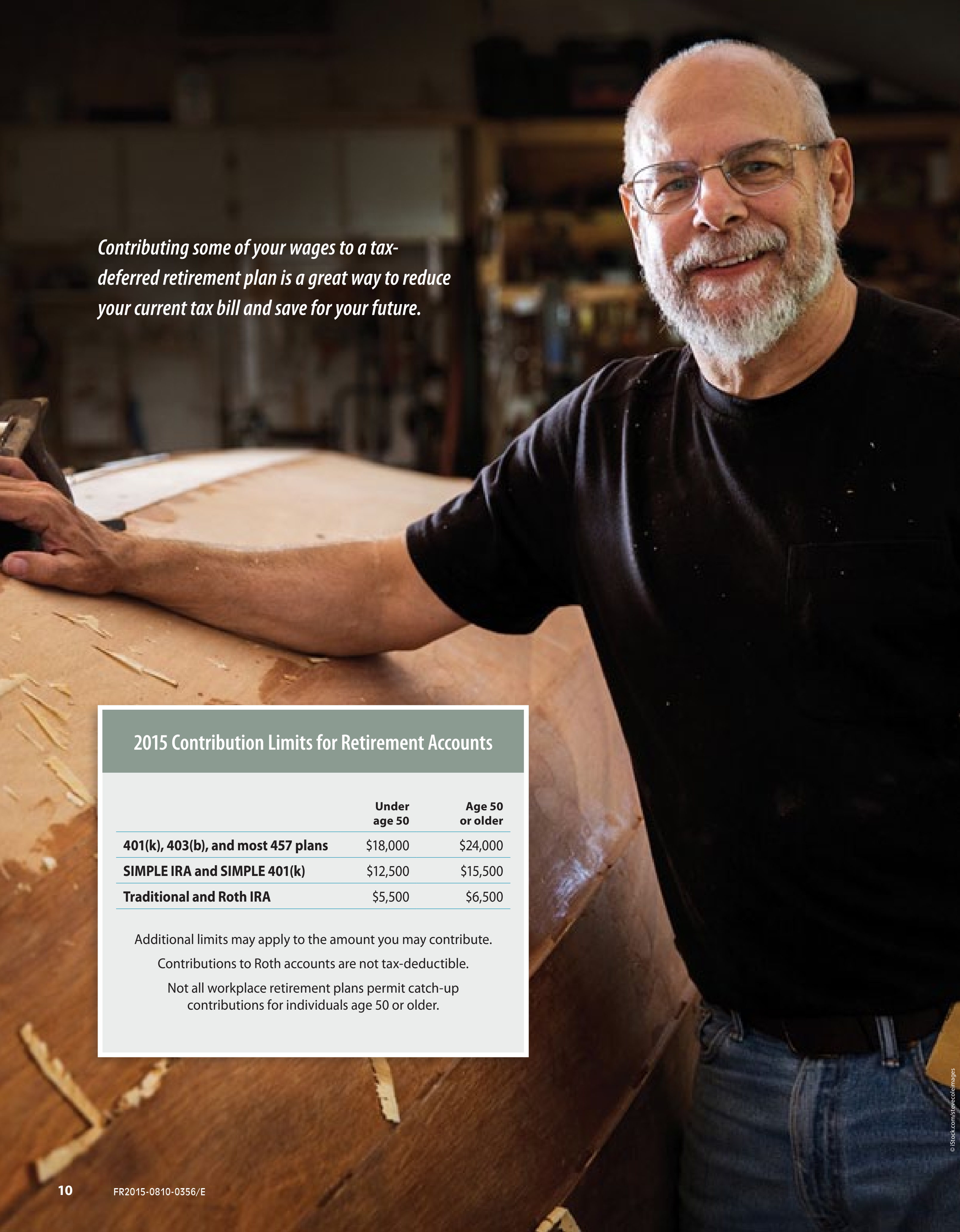
Tax on Ordinary Income

These tax rates apply to:

- Wages
- Self-employment income
- Taxable interest
- Short-term capital gains
- Ordinary dividends
- Taxable distributions from IRAs and retirement plans

2015 Federal Tax Rate	**Unmarried** Taxable Income*	**Married Filing Jointly or Surviving Spouse** Taxable Income*	**Married Filing Separately** Taxable Income*	**Head of Household** Taxable Income*
10%	Not over $9,225	Not over $18,450	Not over $9,225	Not over $13,150
15%	$9,226–$37,450	$18,451–$74,900	$9,226–$37,450	$13,151–$50,200
25%	$37,451–$90,750	$74,901–$151,200	$37,451–$75,600	$50,201–$129,600
28%	$90,751–$189,300	$151,201–$230,450	$75,601–$115,225	$129,601–$209,850
33%	$189,301–$411,500	$230,451–$411,500	$115,226–$205,750	$209,851–$411,500
35%	$411,501–$413,200	$411,501–$464,850	$205,751–$232,425	$411,501–$439,000
39.6%	Over $413,200	Over $464,850	Over $232,425	Over $439,000

* *Taxable income is your total income for the year, reduced by your deductions and exemptions.*



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Contributing some of your wages to a tax-deferred retirement plan is a great way to reduce your current tax bill and save for your future.

2015 Contribution Limits for Retirement Accounts

	Under age 50	Age 50 or older
401(k), 403(b), and most 457 plans	$18,000	$24,000
SIMPLE IRA and SIMPLE 401(k)	$12,500	$15,500
Traditional and Roth IRA	$5,500	$6,500

Additional limits may apply to the amount you may contribute.

Contributions to Roth accounts are not tax-deductible.

Not all workplace retirement plans permit catch-up contributions for individuals age 50 or older.

Defer tax by contributing to your retirement accounts. Contributing to a tax-deferred retirement plan at work, such as a 401(k) plan, is a great way to reduce your current taxes. The income you contribute is generally not subject to ordinary income tax before it enters the plan. Instead, taxation is postponed until you withdraw money from the plan, at which time your withdrawals will be taxed as ordinary income. (A tax penalty may apply to withdrawals before age 59½ unless you qualify for an exception.)

If you haven't contributed the maximum amount allowable to your workplace retirement plan for 2015, consider doing so before the end of the year.

You have until April 18, 2016[1] to contribute to a personal IRA for 2015 and perhaps snag a 2015 tax deduction for amounts you contribute to a traditional IRA. You can deduct amounts you contribute to a traditional IRA if you (and your spouse, if married) are not covered by a retirement plan at work. If you (or your spouse) are covered at work, your income must be below certain limits to deduct your IRA contributions.

Retirees: Decide when to take your first required retirement plan distribution. If you reach age 70½ in 2015, you generally have until April 1, 2016 to take your first required minimum distribution (RMD) from your workplace retirement plans and traditional IRAs. Keep in mind, though, that distributions for subsequent years must be taken by December 31. So if you do not take your initial distribution this year, you must take two distributions next year. Having two distributions included in your income for the same year may push you into a higher tax bracket, resulting in your distribution being taxed at a higher rate, and perhaps disqualifying you for certain tax credits and deductions with income limits.

If you turn age 70½ this year, be sure to consider whether you are better off taking your initial distribution before the end of 2015 rather than at the start of 2016.

Generate a last-minute deduction by making a charitable contribution. If you itemize deductions, money and other assets that you donate to qualified organizations, such as nonprofit colleges, hospitals, and charities, can generally be deducted on your tax return. To claim a deduction for 2015, your credit card must be charged or your check mailed by December 31.

If you expect to be in a higher tax bracket next year, you may want to hold off making a significant charitable contribution until next year when your deduction may be worth more to you.

Contribute to a donor-advised fund. If you want a charitable deduction this year, but haven't chosen your charities yet, consider contributing to a donor-advised fund by the end of the year. You can deduct the contribution to your fund on your 2015 tax return and then recommend grant recipients for your gift later on.

Clean out your closets and snag a tax deduction. Clothing and household goods that you donate to charity by the end of the year may add up to a tidy tax deduction for you if you itemize deductions. The items generally must be in good used condition and you will need to keep a written record of the items you donate and their value in order to deduct them.

Check your withholding amount to avoid a possible penalty. Ask your tax advisor to project your 2015 tax liability before the end of the year. If it looks like not enough tax has been withheld from your pay, you can avoid interest and a penalty on the underpayment by increasing the amount of tax withheld from your paycheck or bonus to make up the shortfall before the end of the year.

Will your itemized deductions be reduced?

The value of some itemized deductions may be limited if your adjusted gross income (AGI) exceeds:

- $258,250 if unmarried
- $309,900 if married filing jointly
- $154,950 if married filing separately
- $284,050 if head of household

The limit applies to deductions of:

- Charitable contributions
- Taxes you paid
- Interest you paid
- Job expenses and most miscellaneous deductions

The limit reduces the deductions by:

- 3% of the amount by which your AGI exceeds the threshold shown above for your tax filing status,
- But not by more than 80% of their overall value.
- Other limits may also apply to your deductions.

KEEP MORE OF YOUR INVESTMENT EARNINGS

As most investors know, it's not just what your investments earn that matters, but how much you get to keep after taxes. These strategies may help keep more of your earnings in your own pocket and less in Uncle Sam's.

The following strategies apply only to investments held in taxable accounts; they do not apply to investments in tax-favored retirement accounts.

Hold appreciated investments for more than one year to qualify for lower tax rates. If you sell mutual funds, stocks, or other securities at a profit within a year of purchasing them, your profit is considered a short-term capital gain and is taxed as ordinary income. Hold them for longer than one year, however, and the profit is considered a long-term capital gain and is taxed at capital gains tax rates, which are significantly lower than the tax rates on ordinary income.

By holding out for long-term capital gains, you may reduce the tax on your gains by as much as 20 percentage points. And if you are in the 10% or 15% income tax bracket and therefore eligible for the 0% tax rate on long-term capital gains, you may avoid tax altogether on your gains.

Give appreciated securities to family members who are eligible for lower tax rates. Depending on their tax brackets, they may be able to sell long-term appreciated securities without owing any tax on the gain or at a reduced tax cost in comparison to you.

Before you give appreciated securities to your young children (under age 19, or age 24 if full-time students), be sure to consider what is known as the kiddie tax. Any unearned income (including capital gains) that they receive in excess of $2,100 will be taxed at your tax rate. However, the unearned income may not be subject to the 3.8% net investment income tax if your child's modified adjusted gross income is under $200,000.

Hold dividend-paying stock long enough to qualify for lower tax rates. If you hold a stock or stock fund for more than 60 days during the 121-day period that begins 60 days before its ex-dividend date, the qualified dividends that you receive are generally taxed at the same relatively low tax rates—0%, 15%, or 20%—that apply to long-term capital gains. Sell the stock or stock fund any sooner, however, and the qualified dividends will be treated as ordinary income.

To qualify for lower rates on qualified dividends from certain preferred stocks, you must hold the stock more than 90 days during the 181-day period that begins 90 days before its ex-dividend date.

Offset gains with losses. Losses that you realize from the sale or trade of securities in a taxable account can be used to reduce your taxes. So before the end of 2015, consider whether you want to sell some securities that have lost value since you purchased them.

Capital losses are used first to reduce the amount of capital gains you will be taxed on. If your losses exceed your gains, up to $3,000 of the excess can be deducted from your ordinary income ($1,500 if you are married filing separately.). And if your losses are not fully used up, the excess can be carried forward into future years and used to reduce capital gains and ordinary income until they are used up.

Keep in mind that taxes are only one factor to consider when deciding whether or not to sell an investment.

Avoid wash sales. If you sell a security at a loss and buy a substantially identical security within 30 days before or after the sale, you have what is known as a wash sale and cannot deduct the loss on this year's tax return.

“Reset” basis by donating and repurchasing appreciated securities. If you are planning to make a charitable contribution, consider donating appreciated stocks and mutual funds. If you have owned them for longer than one year, you can generally deduct their full market value[2] and avoid paying tax on their capital gains. And if you’d like, you can immediately purchase the same securities at the current market price, effectively creating a step-up in basis.

For example, if you donate stock with a current market value of $10,000 that you purchased more than a year ago for $4,000, you can generally deduct $10,000 and avoid paying tax on the $6,000 capital gain. And if you then buy $10,000 of the same stock, your new shares will have a cost basis of $10,000 instead of $4,000. The higher basis will benefit you tax-wise when you sell the new shares because only the potential increase in price over $10,000 will be taxable.

Taxes and Your Investments

Capital Gains/Qualified Dividends Tax

2015 Federal Tax Rate	Applies to taxpayers in the ...
0%	10% or 15% ordinary income tax bracket
15%	25%, 28%, 33%, or 35% ordinary income tax bracket
20%	39.6% ordinary income tax bracket

These tax rates apply to long-term capital gains and qualified dividends that are realized in a taxable account (not a retirement account) and that meet certain holding period requirements.

3.8% Net Investment Income Tax

Tax Filing Status	MAGI Threshold
Unmarried	$200,000
Married filing jointly	$250,000
Married filing separately	$125,000
Head of household	$200,000

This 3.8% surtax affects taxpayers with net investment income and a modified adjusted gross income (MAGI) in excess of the thresholds shown above. The surtax applies to the lesser of your net investment income or the amount by which your MAGI exceeds the threshold for your filing status.

Net investment income includes interest, dividends, capital gains, rents, royalties, non-qualified annuity income, income from passive activities, and income from a business that trades financial instruments or commodities. It does not include IRA or retirement plan distributions.

If your estate will be subject to estate taxes, consider transferring some of your wealth to your heirs before the end of 2015 using the annual gift tax exclusion.

MINIMIZE TAXES ON YOUR ESTATE

Estate, Gift, and Generation-Skipping Tax

Federal Exclusions and Maximum Tax Rates	2015
Annual gift tax exclusion	$14,000
Lifetime exclusion	$5,430,000
Maximum tax rate	40%

Individuals can generally transfer up to $5.43 million to their beneficiaries during or after their lifetime without owing a cent in federal transfer taxes, thanks to the federal lifetime exclusion. Some states also tax wealth transfers, and their exclusions may be significantly lower than the federal exclusion. As a result, your estate may be subject to state death taxes even if it is not subject to federal estate taxes.

If your estate will be subject to estate taxes, take advantage of the $90,000 increase in the lifetime exclusion. Due to an inflation adjustment, the lifetime exclusion for federal gift, generation-skipping, and estate taxes increased to $5.43 million in 2015, up from $5.34 million in 2014.

So even if you fully used your lifetime exclusion in earlier years, you can now transfer an additional $90,000 to your beneficiaries without incurring federal transfer taxes.

One potential advantage of transferring wealth to your beneficiaries now is that your gift's future appreciation and earnings will occur outside of your estate and therefore will avoid estate taxes.

Make annual gifts. If you expect that your estate will be taxable, you may want to reduce its size by making gifts to your loved ones during your lifetime using the annual gift tax exclusion.

The annual gift tax exclusion allows you to give up to $14,000 each to as many people as you want in 2015 without your gifts being subject to the federal gift tax or reducing your lifetime exclusion.

Let's say, for example, that you have four children and six grandchildren. If you give each of them $14,000 this year, you can reduce the size of your estate by $140,000 without owing a cent in federal transfers taxes or using up any of your lifetime exclusion.

If you are married, you and your spouse can combine your exclusions and give each recipient up to $28,000.

Pay tuition and medical expenses directly to the institution. Paying tuition or unreimbursed medical expenses for a loved one is a great way to reduce your taxable estate. As long as the expenses are paid directly to the educational or medical institution, your gift will not be taxable nor will it reduce your lifetime exclusion.

Think twice before you gift appreciated assets during your lifetime. Waiting until after death to transfer ownership of certain appreciated assets to your heirs may save them a bundle in capital gains tax.

Here's the deal: Certain assets, such as homes and securities held in taxable accounts, step up in basis to the current market value on the date of the owner's death. By waiting until after death to transfer appreciated assets, your heirs will not have to pay capital gains tax on the increase in value that occurred during your lifetime.

To give you an example, let's say that Joe inherits stock that his parent purchased for $100,000 and that has a market value of $500,000 on the day of his parent's death. On that day, the stock's basis changes from $100,000 to $500,000. Although the $500,000 may be subject to estate taxes (depending on how much of the parent's lifetime exclusion is available to be used), Joe will not have to pay any capital gains tax on the $400,000 increase in value that occurred while his parent owned the stock. So if Joe sells the stock for $525,000, he is only responsible for the $25,000 capital gain.

On the other hand, if his parent gives Joe the stock during the parent's lifetime, its basis will remain $100,000 and Joe will be responsible for any gain above that amount. So if Joe sells the stock for $525,000, he is responsible for the capital gains tax on the $425,000 gain.

Please note that the "stepped-up basis at death" provision does not apply to all types of assets. IRAs and retirement accounts are among those assets that do not step up in basis.

Please consult your tax and estate planning advisors before giving a highly appreciated asset to the next generation during your lifetime. Your advisors can evaluate both the estate tax (if any) and capital gains tax implications of your gift and help you choose the most tax-efficient course. ■

You may be able to reduce your 2015 personal taxes if you act soon. Please consult your tax and financial advisors for year-end strategies tailored to your specific situation.

PLEASE NOTE:

1. Due to a state holiday, residents of Maine and Massachusetts have an extra day—until April 19, 2016—to file their 2015 federal tax return and to make a 2015 contribution to an IRA and health savings account (HSA).

2. The deduction for charitable contributions is subject to various limits which may prevent you from deducting the full value of your contributions.

A Parisian Christmas market entices passersby with handicrafts, tree ornaments, and sweet treats.

PARIS | For the Holidays

BY BRIAN JOHNSTON

DECEMBER, DARK AND GLOOMY across most of Europe, isn't exactly the time of year you'd think about holidaying. But think again and you might actually find winter a quite delightful time. Santas on street corners bring smiles to the faces of passersby, shops are decked out in seasonal finery, and decorative Christmas lights bring a sparkle to those long evenings. With appropriate clothing, anyone brave enough to endure the cold could well be in for a treat—and nowhere more so than Paris, where French style meets seasonal cheer, and even the suited stockbrokers of the city center come with tinsel attached.

This could also well be the season when Paris is at its most beautiful. Giant illuminated snowflakes scintillate overhead, Christmas trees outdo themselves with ornaments and lights, and hotel and shopfronts glow and sparkle. To see the best of the superb display of festive lights that brighten up the long winter evenings, head particularly to the famed Champs-Elysées and the elegant Avenue Montaigne, as well as the Place Vendôme and Rue Saint-Honoré. Around here you'll also find window-shopping to die for—Cartier, Bulgari, Boucheron, Van Cleef & Arpels—as well-dressed patrons head to the Opera. The sparkle in the windows is matched by a forest of Christmas trees that decorate the city from mid-November, the most impressive of which stands in front of the Hôtel de Ville. Competing with it all is the Eiffel Tower, usually spotlit and decorated to great effect.

There are plenty of celebrations at this time of year, from jazz and dance festivals to candlelit Christmas church services. Piano recitals and concerts at the medieval church of St Julien-le-Pauvre (on the Left Bank almost opposite Nôtre Dame) are excellent. At the other end of the scale, street performers aim to profit from the seasonal goodwill. Outside the Pompidou Center, organ grinders, fire-eaters, and mime artists entertain passersby.

Speaking of museums, the Pompidou Center and many others are just the place to retreat when the rain sets in. Although many museums have shortened hours over the winter, they don't have any of the lines and crowds of the summer months. You can see the Mona Lisa and other treasures of the Louvre without having to wade through tour groups and devotees waving copies of *The Da Vinci Code*. You can also admire the Hall of Mirrors in Versailles without seeing a thousand other people reflected in the gilt frames.

Food is, of course, high on the Parisian agenda over Christmas and New Year, and it's just the excuse to indulge in the seasonal treats and specialities. Early winter is the moment for game such as rabbit, pheasant, and deer, accompanied by wild mushrooms. In December, it's time for seafood (especially oysters, crayfish, and lobster), foie gras, and truffles. The candy stores and pastry shops also put on spectacular displays. Don't miss the candied fruit in Fauchon or the marzipan and chocolate truffles of Hediard, which both stand on the Place de la Madeleine. One of the most sumptuous Christmas pastries is a chocolate wreath studded with candied fruit. The best, according to Parisians, is from the Jadis & Gourmande shop on Avenue Franklin Roosevelt. Keep an eye out, too, for the "sabots" or shoes made of caramelized sugar and stuffed with sweets and treats. These reflect the fact that it's shoes, not stockings, that French children leave out for Santa Claus.

The delicatessens are fascinating enough, but a great deal of festive glow also comes from the winter windows of Paris' many famous department stores such as Galleries Lafayette and Le Printemps, which redefine the whole concept of window-shopping. Many of these windows have become attractions in themselves, complete with chugging toy trains, marching wooden soldiers, and animated soft toys and puppets among fairytale landscapes. For more adult enticements, you can find jewelry, as well as antiques, vintage clothes, and perfume in an arcade that just screams elegance at the Palais Royal. Another treasure trove is the Passage du Grand-Cerf, a 19th-century, glass-roofed shopping arcade. Its jewelry shops are hip and trendy; marvel at the playful pendants and drop earrings.

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Skaters enjoy the ice rink in front of the Hôtel de Ville, Paris's spectacular town hall, top. Shop windows glitter with holiday decorations, above left. Snow blankets the quay along the Bassin de la Villette, above right.

By now you'll understand why the French call window-shopping "leche vitrines" (window licking); you'll certainly be salivating, although if you ask for the prices you might end up with a very dry mouth. If that's the case, descend on the department stores and discount shops of the Rue de Rivoli and Rue Saint-Antoine. You could also wait until just after New Year when the winter sales kick in; even the ultra-chic boutiques offer discounts of up to fifty percent.

If you're tired of malls and want a more traditional shopping experience, look no further than the Christmas markets, which have changed little since medieval times. Handicrafts, traditional tree ornaments, and local specialities are all on offer, while musicians wander through the crowds, adding to the festive spirit. Fir branches decorated with colored balls and fairy lights enhance the atmosphere. Browse for books, amber jewelry, antiques, and plenty more. You can also admire the food stalls, which are loaded with cheeses, gingerbread, and plenty of other goodies. The smell of chestnuts roasting on an open fire hangs in the air. A paper bag of hot nuts is just the thing to warm your hands on.

Better than shopping, better than museums—perhaps the best moment in the whole Paris winter? Head to the Hôtel de Ville, Paris' spectacular town hall right on the banks of the Seine, whose turrets and statues and ornate façade are spot-lit to spectacular effect, and where Christmas trees shimmer with lights. A merry-go-round whirls, horses dancing and music playing. Rent a pair of skates for a modest sum and then head out onto the skating rink. The air is cold, the atmosphere warm, the lights dazzling, and all Paris lies around as you slide off across the ice: a wonderful winter moment. ■

What's On at the Art Museums

ATLANTA ▶ Habsburg Splendor: Masterpieces from Vienna's Imperial Collections
October 18, 2015–January 17, 2016

Masterpieces and rare objects from the collection of the Habsburg Dynasty, one of Europe's longest-reigning dynasties, are on display at the High Museum of Art through mid-January. The artworks and artifacts in this exhibition include arms and armor, sculpture, Greek and Roman antiquities, court costumes, carriages, decorative art objects, and paintings by such masters as Correggio, Giorgione, Rubens, Tintoretto, Titian, and Velázquez.

MINNEAPOLIS ▶ Gifts of Japanese and Korean Art from the Mary Griggs Burke Collection
September 26, 2015–May 8, 2016

NEW YORK CITY ▶ Celebrating the Arts Of Japan: The Mary Griggs Burke Collection
October 20, 2015–July 31, 2016

You can explore one of the finest private collections of Japanese art outside of Japan over the next few months at the Minneapolis Institute of Arts and the Metropolitan Museum of Art (New York). The collection was assembled over the course of five decades by Mary Griggs Burke (1916-2012), a Saint Paul native and New York resident, and later bequeathed to the two museums.

PHILADELPHIA ▶ Audubon to Warhol: The Art of American Still Life
October 27, 2015–January 10, 2016

From the tabletop compositions of Raphaelle Peale (1774-1825) to the floral abstractions of Arthur B. Carles (1882-1952), this exhibition at the Philadelphia Museum of Art features masterworks of American still life painting drawn from private and public collections across the country.

SEATTLE ▶ Intimate Impressionism from the National Gallery of Art
October 1, 2015–January 10, 2016

Seventy or so intimately scaled Impressionist and Post-Impressionist paintings from the National Gallery of Art in Washington, D.C. will be on display through mid-January at the Seattle Art Museum. The paintings include still lifes, portraits, and landscapes by such renowned artists as Claude Monet, Pierre-Auguste Renoir, Paul Cézanne, Edgar Degas, and Vincent van Gogh.

WASHINGTON, D.C. ▶ Celebrating Photography at the National Gallery of Art: Recent Gifts
November 1, 2015–March 27, 2016

Marking the culmination of a year-long celebration of photography at the National Gallery of Art, this exhibition presents recent gifts of photographs, ranging from some of the earliest photographs from the 1840s and 1850s to key works by 20th-century artists to contemporary pieces that explore how photography continues to shape our experience of the world. ■

QUIZ

ON THE BEACH

1. If you are watching cruise ships glide by as they approach Grand Cayman's port, you are on:

A. Grace Bay Beach
B. Seven Mile Beach

2. If you are scooping up shells on what may be North America's best shelling beach, you are on:

A. Sanibel Island
B. Coney Island

3. If a statue of Duke Kahanamoku overlooks your patch of sand, you are on a beach on:

A. Waikiki Bay
B. Narragansett Bay

4. If you are watching fireworks explode off the shore of Rio de Janeiro on New Year's Eve, you are on:

A. Bondi Beach
B. Copacabana Beach

5. If you are dodging wild ponies on the beach, you are at the:

A. Cape Cod National Seashore
B. Assateague Island National Seashore

6. If you are visiting Cape May for a weekend of sun and fun, you are on the:

A. Jersey Shore
B. Emerald Coast

7. If you are admiring the view of Jost Van Dyke from this Tortola beach, you are on:

A. Cane Garden Bay Beach
B. Trunk Bay Beach

8. If you are body surfing in the ocean near San Diego, you are on:

A. Rodeo Beach
B. Coronado Beach

9. If you are playing volleyball on the beach in Key West, you are on:

A. Smathers Beach
B. Daytona Beach

10. If you are watching the sunset over the Laguna Madre, you are on:

A. South Padre Island
B. Jekyll Island

ANSWERS: 1–B, 2–A, 3–A, 4–B, 5–B, 6–A, 7–A, 8–B, 9–A, 10–A

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WEALTH MANAGEMENT & FINANCIAL PLANNING

Barbara Shapiro, CFP, CDFA, CFS & Herb Shapiro

Founded in 1988 as an independent firm, HMS Financial Group is committed to ethical and personal financial planning and wealth management. Operating as an Office of Supervisory Jurisdiction (OSJ) for one of the largest, independent investment broker/dealers* in the United States, HMS does not have proprietary products, and has no vested interest other than the financial success of its clients.

Herb Shapiro, Vice-President and founder, brings more than 44 years of industry experience to the HMS team. He began his career in 1970, and worked for several firms until 1988, when he founded HMS Financial Group. His core values of providing personal service, maintaining market objectivity, and high standards of integrity and honesty with the clients he serves, are deeply imbued in the HMS philosophy.

Barbara Shapiro, President, is a Registered Investment Advisor with the Commonwealth of Massachusetts, is a Certified Financial Planner™ and one of the first Certified Divorce Financial Analysts in Massachusetts. She holds a Master of Science in Finance from Suffolk University and is a Graduate of the Securities Industry Association Institute at the Wharton School. Additionally, she holds a Master of Education in Counseling from Boston University and a Master of Education in Moderate Special Needs from Northeastern University.

Among her many recognitions, Barbara has served as a National Board Member of the Securities Industry Foundation for Economic Education, past member of the Boston Jewish Community Women's Fund, and the Treasurer of the Massachusetts Council of Economic Education. She is continually interviewed and quoted in all of the major financial publications.

She is an active lecturer to diverse groups and educational institutions, and has written and teaches a course on financial planning, investments, and long-term care insurance.

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