



Wealth Management

KANE COMPANY

A FEE-ONLY REGISTERED INVESTMENT ADVISOR

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Fall 2015

15 Of The Best Year-End Tax Moves Left In 2015

As the end of this year approaches, you still have time to cut your tax bill, especially when it comes to your investments and retirement plans. Here are 15 top tax-saving ideas to consider in 2015:

1. Harvest capital losses. This tried-and-true tax strategy for investors still makes sense. By realizing capital losses from securities sales, you can offset highly taxed short-term capital gains, plus up to \$3,000 of ordinary income. Any excess loss is carried over.

2. Reap capital gains. Conversely, if you sell securities qualifying for long-term capital gain treatment, the maximum tax rate is only 15% or 20% if you're in the top ordinary income tax bracket. Compare this to ordinary income rates reaching up to 39.6%.

3. Maximize 0% capital gains. Even better than the usual 15% or 20% maximum tax rate, you can benefit from a 0% rate on long-term capital gains up to the top of the 15% tax bracket. For a year in which your income temporarily dips—because of a business loss, for example—this can turn into a bonanza.

4. Minimize the surtax on net investment income. This 3.8% surtax applies to whichever is lower: your net investment income (NII); or the amount of your modified adjusted gross income (MAGI) that exceeds \$200,000 for single filers and \$250,000 for joint filers. There's still time to take steps to reduce your NII and MAGI for this purpose.



5. Avoid wash sale rule. Under the wash sale rule, you can't deduct a loss from the sale of securities if you acquire substantially identical securities within 30 days of the sale. But the rule easily can be avoided by waiting at least 31 days to acquire similar securities.

6. Sell real estate in installments. Generally, you can defer tax on the sale of real estate if you receive payments over two years or longer. In addition to

deferring tax, you can reduce the effective tax rate by staying below the thresholds for capital gains and the 3.8% surtax.

7. Convert to a Roth IRA. If you have funds in a traditional IRA, you

might transfer those funds to a Roth, though you will be taxed on the conversion. Future Roth distributions generally are tax-free. Instead of converting all at one time, you can stagger taxable conversions over several years to reduce the tax bite.

8. Bulk up your 401(k). If you increase deferrals to a 401(k) plan, you can reduce the amount of your employment income that's subject to tax. And take advantage of the generous \$18,000 deferral limit in 2015 (\$24,000 if you're 50 or older). Not only do you avoid tax on the contributions, these amounts compound tax-deferred until you withdraw them during retirement.

9. Don't forget to take required withdrawals from your retirement

SEC Alert On Identity Theft

Cybersecurity awareness is key to preventing breaches of personal information and quickly regaining control of accounts in the event of a fraudulent attempt. We are sharing an important alert that discusses best practices for monitoring personal information and reporting potential identity theft issues. Here are some key things you can do every day to protect your data:

1. Closely monitor personal accounts and credit reports, and consider closing compromised accounts.
2. Frequently review online records, credit profiles, and account statements to be better aware of any potential identity theft problems. Change your online account passwords regularly, and activate two-step verification, if available.
3. In the event of any suspicious activity, notify financial institutions and credit agencies immediately. You can place a fraud alert on your credit file at all three credit bureaus by contacting just one of them.
4. Understand the steps to take in the event that personal information is compromised. The full SEC Alert on Identity Theft details important steps to take immediately following identity theft or a data breach. Please contact us for a copy.

**It's that time of year where we should think about preparing an estimate of your current year tax liability and see if we can reduce that liability. Contact us for more information on our tax planning service!*

Steven L. Kane, CPA/PFS, CFP®

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How A Financial Advisor Can Help

What are your hopes and dreams for the future? They probably begin with being able to provide for yourself and your family. But you also might aspire to a bigger home, an exotic vacation or another luxury, savings for your children's education, and a nest egg for retirement.

While you may be able to achieve all of those things, you can't just snap your fingers and make them happen. You'll need hard work and financial discipline, and you'll need to make a long-term commitment to work toward your goals. Enlisting the services of a financial advisor could help guide you along the way.

Of course, you still would be the one calling the shots, but an advisor can provide valuable assistance in many respects. An advisor can help you:

- Assess your current financial status, including your income, investments, assets, liabilities, insurance coverage, tax situation, and estate plan;
- Set goals that are both ambitious and reasonable;

- Account for changes in your personal circumstances (births, deaths, marriage, or divorce);
- Address weaknesses in your current investment and retirement planning;
- Develop a comprehensive plan to suit your current needs and future desires.

third party such as a professional financial advisor may add a valuable new perspective to your own outlook. You might benefit from having someone review key decisions about your financial future.

Even if you don't feel you need the help of a financial planner now, something could happen to trigger a call for help. For instance, maybe you've inherited a large sum of money or property and you're not sure how to handle it. Perhaps you, or your spouse, have been laid off from a job and suddenly money is tight and you're forced to make financial trade-offs. Or you may require assistance on other financial fronts ranging from elder-care planning to paying higher-than-expected college costs for your kids or



Couldn't you do all of this on your own? If you're sufficiently savvy about financial matters you could, but few people have the time, expertise, and inclination to do all that's required. And even if you're determined to tackle your financial objectives by yourself, you could need a push to get you started. What's more, an objective

resolving a shortfall in your retirement savings.

If you do decide to use a professional financial advisor, you'll still need to find one who is experienced and has experience helping clients in your situation. We would be glad to show you the high level of services that we provide. ●

Wash Sale Rule Isn't For Gains

If you're an experienced investor, you probably know about the "wash sale" rule for security sales. It means you can't deduct a capital loss from the sale of securities for federal income tax purposes if you buy new shares of "substantially identical" securities within 30 days.

But you may not realize that there's no corresponding rule for capital gains. In other words, you can reap all of the usual tax benefits when you harvest a capital gain at the end of the year, even in a declining market.

Consider today's tax landscape. As the year winds down, you may want to sell stocks in order to harvest capital

losses that can offset capital gains you've realized during the year. If your losses exceed your gains, you can use the excess amount to offset up to \$3,000 of ordinary income and then carry over any remainder to next year. This can be an especially attractive opportunity if you can reduce the amount of your short-term capital gains that otherwise would be taxed at ordinary income rates reaching up to 39.6%.

If, after the recent market downturn, some of your holdings are worth less than you paid for them, you can take a loss to offset capital gains. But you may not want to offset long-

term gains on stocks you've held for more than a year. The maximum tax rate on long-term gains is normally 15% or 20% for those in the top ordinary income tax bracket. A 0% rate applies to long-term gains for investors in the two lowest tax brackets.

And the wash sale rule may hinder you if you believe a particular stock or mutual fund is poised to rebound. You'll normally have to wait at least 31 days after a sale before you buy back the same securities. One way around the rule is to "double up," buying the same securities right away and waiting at least 31 days to sell your original shares.

Make Sure To Comply With All The RMD Rules

If you are retired and in your 70s or older, you're generally required to withdraw money from your employer-sponsored retirement plans and traditional IRAs every year whether you want to or not. Under IRS rules for "required minimum distributions" (RMDs), you must take a withdrawal each and every year for the rest of your life the year after you turn 70½. And the tax penalty for missing an RMD or taking out too little can be onerous.

Benefits of Contributing to Tax-Advantaged Plans

Having to take RMDs does little to undercut the advantages of putting money into 401(k)s and IRAs. With a 401(k) or other workplace plan, your contributions up to a generous annual limit are normally free from current taxes. For instance with a 401(k) plan, you can defer up to \$18,000 of salary to your account in 2015, or \$24,000 if you're age 50 or older, and your employer also may match part or all of your contribution. Then you get to choose from a variety of investment options, and investment earnings inside the account are exempt from current taxes.

The benefits for IRAs are similar. Your annual contributions are subject to specified limits. For the 2015 tax year, the limit is your earned income or \$5,500 (or \$6,500 if you're age 50 or older),

whichever is less. Depending on your situation, your contributions may be fully or partially tax-deductible, especially in the early stages of your career. And here, too, you can choose from a variety of investment options, and earnings inside your account are tax-free.

Tax Treatment of Distributions

However, it's time to pay the piper when you take money out of these retirement plans. Generally, money representing tax-deductible contributions and earnings will be taxed at ordinary income rates of up to 39.6%.

Under the RMD rules, you must begin annual withdrawals by April 1 of the year after the year in which you turn age 70½, followed by RMDs in every subsequent tax year. The amount of the RMDs is based on your account balances at the end of the prior year and life expectancy tables provided by the IRS.

Although the RMD rules apply to everyone, you can postpone distributions from a company plan if you're still working full time and you don't own 5% or more of the company. That exception doesn't apply to RMDs from IRAs.

How to Figure the RMD

Generally, you can look up your age in the IRS table to determine how much of your account you must withdraw each

year as an RMD. But there's an exception: If your spouse is your sole beneficiary and is at least 10 years younger than you are, you can use a joint life expectancy table to calculate the RMD. That option normally will produce a smaller required distribution than the one required under the table for individuals and may be especially beneficial to account holders who are in a second or third marriage.

Once you're required to begin RMDs, you can't miss a year. For instance, if you turn 70½ this year, you have until April 1 of next year to take your first RMD—but then you must take a second RMD by December 31 of that year.

If you have multiple accounts, the IRS provides more flexibility for IRAs than it does for employer plans. When you calculate the RMD for IRAs, you can take out the total amount from a single IRA or any combination of IRAs that you prefer, as long as the distributions add up to the required total. But if you have more than one workplace plan, you generally can't arrange your RMDs in this manner. Instead, you must take an RMD from each plan, based on the life expectancy table and the account balance.

Although these rules are complicated, you need to understand what's required of you, because the penalty for failing to take an RMD is severe—50% of the amount you should have taken. For example, suppose you're required to take a \$10,000 RMD this year and you withdraw only \$3,000. You'll owe a penalty of \$3,500 (50% of \$7,000 difference), on top of the regular income tax you have to pay.

But RMD rules don't apply to Roth IRAs during your lifetime. You can leave a Roth intact for as long as you like. However, when you die, your beneficiaries who receive Roth assets then have to comply with the RMD rules.

These rules can be tricky and you don't want to stumble into a huge tax liability. We can provide guidance with respect to your particular situation. ●



But there's no such restraint if you're harvesting capital gains rather than losses. You could cash in a long-term gain and buy back the same stock or mutual fund immediately with no tax worries.

For example, suppose you bought a stock three years ago for \$10,000. The value increased to \$15,000, but now has dropped back to \$12,000. However, you're bullish on the stock's future prospects.

Assuming that it otherwise makes sense, you can sell the stock and pocket a \$2,000 long-term gain. If you're in

the 35% tax bracket or lower, the most you have to pay in capital gains tax is \$300 (15% of \$2,000). Then you can buy it again and hold the stock until

you sell it later at either a gain or a loss. The wash sale rule never comes into play.

Of course, there are other factors to consider in your investment

decisions, including a stock's fundamentals. The best approach is to consult your financial advisors concerning all of the tax and investment ramifications of your decisions. ●



Market Data Bank: 3rd Quarter 2015 ^ψ



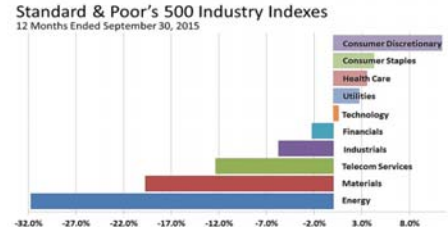
BULL MARKET CORRECTION

The stock market suffered its first correction in more than six years 3Q2015. While economic fundamentals driving stock prices remained positive, the market was long overdue for a correction. At its low point in mid-September, stocks had dropped 13.4%.



A GREAT FIVE YEARS

In the five years that ended September 30, 2015, the S&P 500 total return was 87% with reinvestment of dividends included. Note that periodic setbacks, like the wrenching correction of late August and early September, are just blips over the long term.



CONSUMER SECTORS LEAD

Among the S&P 500's 10 sectors for the 12 months ending with 3Q2015, investors gravitated toward companies whose earnings come from American consumers. These companies are less exposed to the economic weakness now widely expected in Asia.



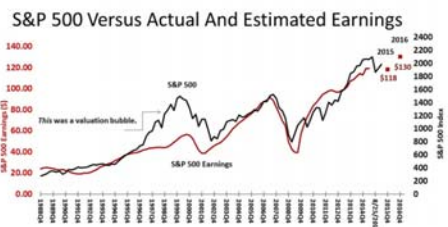
AN AMERICAN STORY

The U.S. economy snapped back from the global financial crisis with more strength than other regions of the world, which drove the outperformance of America's blue-chip companies. It's a testament to the independence of the U.S. economy and helps bolster the case for American exceptionalism.



ABOUT U.S. OUTPERFORMANCE

Outperformance of U.S. stocks seemed frustrating to diversified investors, who own stocks in a broad range of asset classes. But don't lament not owning more U.S. stocks. Being diversified means never performing as well as the best asset class, or as poorly as the worst. It aims for moderation and not extremes.



S&P 500 INDEX VS. EARNINGS*

Red squares show expected earnings on the S&P 500 index based on a October 5 forecast by Wall Street analysts for earnings of \$118 per share in 2015 and \$130 in 2016. The trajectory of earnings growth is poised to propel stocks higher, unless a crisis or really bad unexpected news sets world progress back.

Past performance of investments is not a very reliable indicator of future performance. ± Indices and ETFs representing asset classes are unmanaged and not recommendations for any specific investment. Foreign investing involves currency and political risk and foreign-country instability. Bonds offer a fixed rate of return while stocks fluctuate. ¥ Estimated bottom-up S&P 500 earnings per share as of October 5, 2015 was \$118.06 for 2014 and \$133.74 for 2016. Sources: Yardeni Research, Inc. and Thomson Reuters I/B/E/S survey of consensus estimates. Standard and Poor's for index price data through October 5, 2015; and actual earnings data through March 30, 2015.

Year-End Tax Moves Left In '15

(Continued from page 1)

plans. If you are over age 70½, you generally have to take required minimum distributions (RMDs) from qualified retirement plans and traditional IRAs each year. The penalty for failing to do so is equal to 50% of the required amount, so don't miss the December 31 deadline.

10. Donate stock to charity. When you donate appreciated property such as stock to a charity, you generally can deduct the fair market value of the property if you've held it more than a year. Thus, the appreciation in value of the stock remains untaxed forever.

11. Watch out for the alternative minimum tax. The AMT often snares high-income investors. Educate yourself

about all the adjustments and tax preference items that affect AMT liability. By postponing some preferences to 2016, you might be able to reduce or avoid the AMT.

12. Bunch medical expenses. Generally, you can deduct medical expenses only to the extent that they exceed 10% of your adjusted gross income (AGI) in 2015 (7.5% of AGI if age 65 or older). If you group elective expenses this year you might clear the threshold.

13. Shift income within your family. If you transfer taxable investments to a lower-taxed family member, such as a young child, the family may save tax overall. However, under the kiddie tax, if a child receives

investment income of more than \$2,100 in 2015 it generally will be taxed at the parents' top tax rate.

14. Rent out a vacation home.

Normally, you can write off all of the rental expenses of a vacation home, plus depreciation. However, if your use of a vacation home exceeds the greater of 14 days, or 10% of the days the home is rented out, deductions are limited to the amount of rental income. Stay below this threshold.

15. Give year-end gifts. Last, but not least, you can give each family member up to \$14,000 in 2015 without paying gift tax. This annual gift tax exclusion reduces the size of your taxable estate. ●

