Today’s Jeopardy question:

These three investor groups answered “yes” to what question about financial advisors?

- 85% of pre-retirees
- 82% of recent retirees
- 68% of those retired more than 10 year

They expect advisors to help them plan for taxes in retirement!

Source: Harris Poll for Nationwide, 2018

But two in five respondents said they’d leave their advisor for one who helps with tax planning!

Source: Harris Poll for Nationwide, 2018

Profitable Client Tax Planning: 4 Keys to Advisors Succeeding

Debra Taylor,
CPA/PFS, JD, CDFA

Jeffrey Levine,
CPA/PFS, CFP®, CWS®, MSA

Sean Bailey,
Editor in Chief, Horsesmouth

Problem

Retirees are overpaying taxes in retirement, they're not getting good guidance from accountants, and they're willing to leave their advisors for one who offers proactive tax planning.

Unpacking the Problem: What the Public Thinks

Pre-retirees/retirees don't understand taxes in retirement

- 60% of pre-retirees
- 70% of recent retirees
- 75% of those retired more than 10 years

Source: Harris Poll for Nationwide, 2018

Pre-retirees want knowledge about taxes in retirement

- 82% of pre-retirees said they want to learn more about taxes
- 51% of pre-retirees don't understand how tax brackets work

Source: Harris Poll for Nationwide, 2018

The Advisor Tax Planning Contradiction

Do you review prospects' tax returns during your discovery meeting?

- Yes: 77%
- No: 23%

Source: Horsesmouth survey, 2018

Do you routinely review your clients' tax returns each year?

- Yes: 30%
- No: 70%

Source: Horsesmouth survey, 2018

Do you think helping clients reduce their tax liability through tax planning is part of your role as financial advisor?

- Yes: 91%
- No: 9%

Source: Horsesmouth survey, 2018

Recap:
The Advisor Tax Planning Contradiction

- 77%: Yes, I want to see your tax return during discovery (advisor focused)
- 30%: Yes, I review your tax returns each year (client focused)
- 91%: Yes, I think helping clients plan their taxes is part of my advisory role

So what's the contradiction?

- 91% saying "Yes, helping clients is part of my job"
- 30% saying "I review my clients' tax returns each year"

Contradiction: What about the 61%? Can you really be helping clients optimize their taxes if you're not looking at their returns?

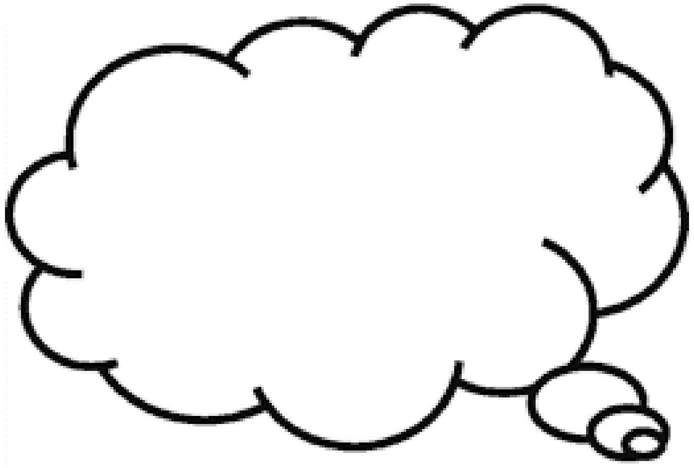
Retirees are losing money

"In a detailed example using the 2013 federal tax brackets, we demonstrate that the most **tax-efficient withdrawal strategy can add more than six years compared with a tax-inefficient strategy**."

Source: "Tax-Efficient Withdrawal Strategies." Cook, Meyer and Reichenstein. CFA Institute Publication, 2015

Four Keys to Successful Tax Planning

Key #1: You, the financial advisor, NEED to spearhead proactive tax planning with your clients, because the initiative won’t come from their CPAs and accountants.



"Why should this be me? Isn't this the job of the tax accountant?"

5 Reasons Tax Preparers Often Aren't Up to the Job

Reason #1

The risk of mistakes has increased with new rules and tax code complexity

- 26,300 pages in 1984
- 74,608 pages in 2015

Reason #2
They lack detailed understanding of current law

- Overly reliant on software
- Missing relevant data not supplied by clients
- Incorrect basis information
- Missed deductions
- Incorrect filing status
- Ultra-conservative reading of the law
- Disinterest in tax planning – don’t know how to do it

Reason #3

Their conventional tax prep model is not geared to tax planning

- High volume
- Low contact
- Reactive
- No client education

Reason #4

Accountants typically are focused on the past year

- Their job is retroactive filing
- They want to save on taxes today, don’t think about tomorrow or 10 years from now
- They need to be pushed and prodded to analyze retirement investments and potential tax liabilities

Reason #5

There is widespread client confusion

- Clients are unfamiliar with the concept of “tax planning’
- Assume their accountant or preparer has them covered
- But tax preparation is not tax planning

Why do people overpay taxes?

Alliance of Comprehensive Planners:

"We believe overpaying income tax results from a short-sighted view of tax as a once-a-year preparation task, rather than of tax planning as pervasive feature of clients' financial lives."

What Horsesmouth advisors say: Malpractice

“In my opinion, it is almost malpractice to give financial advice without addressing the tax implications thereof.”

-HM survey respondent

What Horsesmouth advisors say: No tax advice

- “My BD strictly enforces the ‘no tax advice’ rule.”

Key #2: You and your clients need to understand how to avoid the hidden tax/penalty bombs waiting for them in retirement.

Big IRAs present key tax challenges

- IRAs get too big and cause large Required Minimum Distributions, which have a domino effect on tax brackets and other income-related fees
- Roth conversions

IRA RMDs can trigger taxes on your Social Security

- Higher income (such as distributions from retirement accounts) can cause some of your Social Security benefits to be taxed
- Social Security Tax Torpedo

Retirement income can force you into higher Medicare premiums

- Higher income (such as distributions from retirement accounts) can cause you to pay hundreds more a month in Medicare premiums
- IRMAA problem

What Horsesmouth advisors say: Collaborate with CPAs

- “I think collaborating with clients and their tax advisor is part of my role as their financial advisor to make sure strategies are aligned for the best of the client.”

Key #3: You must understand the client strategies for tapping assets during four phases of their retirement life in order to keep their tax rates low.

Proactive tax planning covers four phases

- Pre-retirement years
- Early years of retirement (go-go years)
- Middle years of retirement (slow-go years)
- Later years of retirement (no-go years)

What Horsesmouth advisors say: Already do tax planning

- “I don’t try to replace the client’s CPA but I do proactively gather tax information so that my recommendations are tax-wise, and I also look for certain high-level tax savings/planning opportunities.”
- “We help clients with tax planning in areas such as Roth conversion opportunities, tax bracket management surrounding withdrawal and conversion strategies, gifting and tax-loss selling.”

Key #4: Guiding clients on tax planning fosters loyalty and referrals.

Tax planning is not a once-a-year event

- Tax planning is an ongoing process
- It deepens your relationship with clients
- As clients' lives change over retirement, so do their tax liabilities

Tax planning is an entrée into the deepest client issues

- You’ll have to ask questions about their personal lives
- You’ll be intimately involved with their decisions surrounding children, education, estate planning, divorce, retirement, and more
- This works to deepen the relationship

Tax planning is rewarding for clients and advisors

- When you keep clients from overpaying thousands in income taxes, they will be forever loyal to you
- You are the hero
- An ongoing focus on tax planning enhances the benefits of investment advice, insurance, cash flow, estate planning, and retirement planning

Recall our problem:

Retirees are overpaying taxes in retirement, they’re not getting good guidance from accountants, and they’re willing to leave their advisors for one who offers proactive tax planning.

Solution

Boost your value proposition in 2019 by making proactive tax planning a specific service offering of your practice.

What you’ll need to add proactive tax planning to your service offerings:

- Knowledge
- Education for clients
- Tools to work with clients
- New ways to get paid?

Introducing for 2019: Savvy Tax Planning

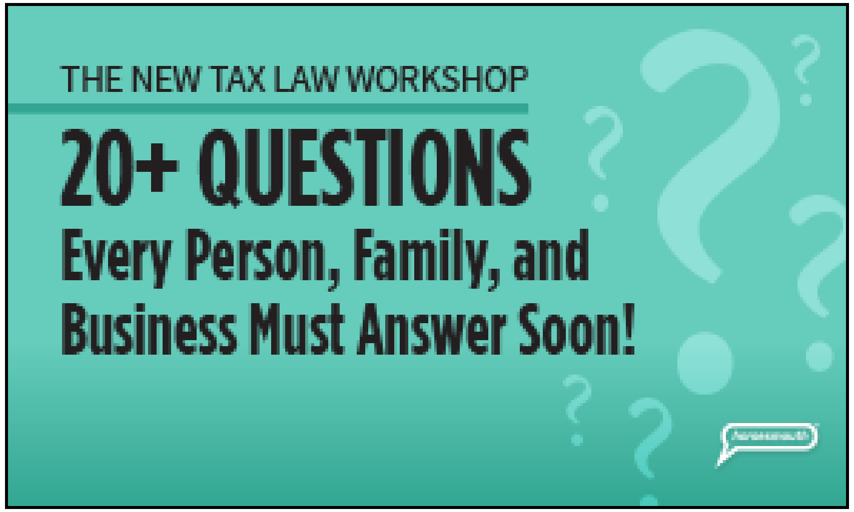
Subject Matter Experts

Debra Taylor,
CPA/PFS, JD, CDFA

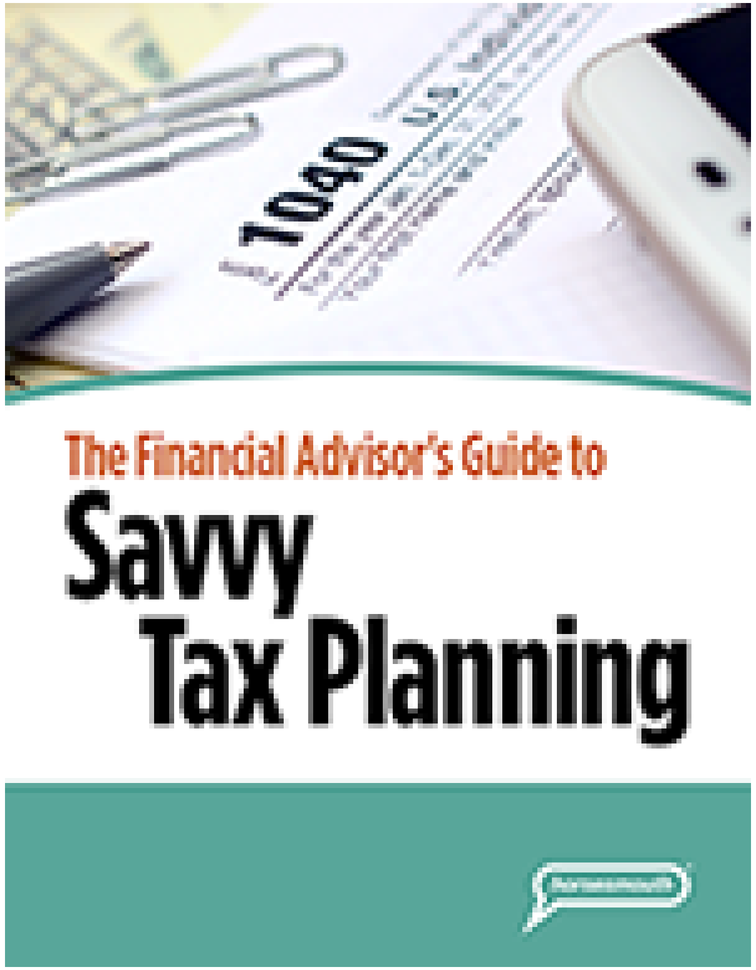
Jeffrey Levine,
CPA/PFS, CFP®, CWS®, MSA

Two Client Presentations

- 75+ PowerPoint Slides
- 25+ pages of notes
- FINRA reviewed and pending

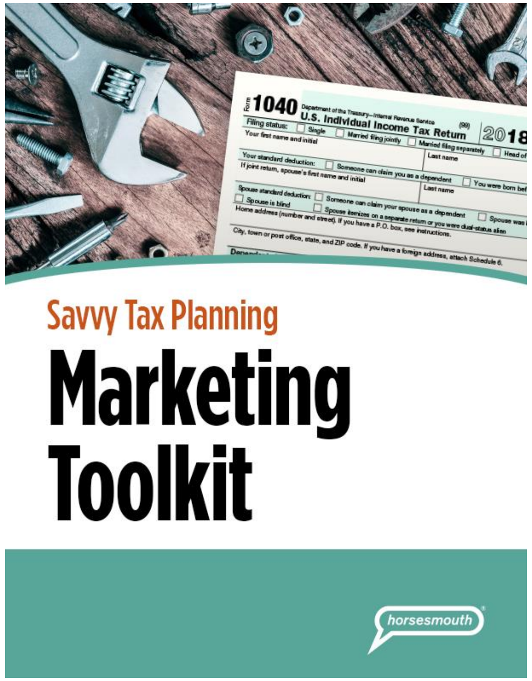


Two Advisor Guides: Learn the Issues



Marketing Toolkits

- All the materials you need to organize the marketing and delivery of your Savvy Tax Planning presentations
- Customizable postcard and flier
- Timelines, checklist, templates, FINRA letters, etc.

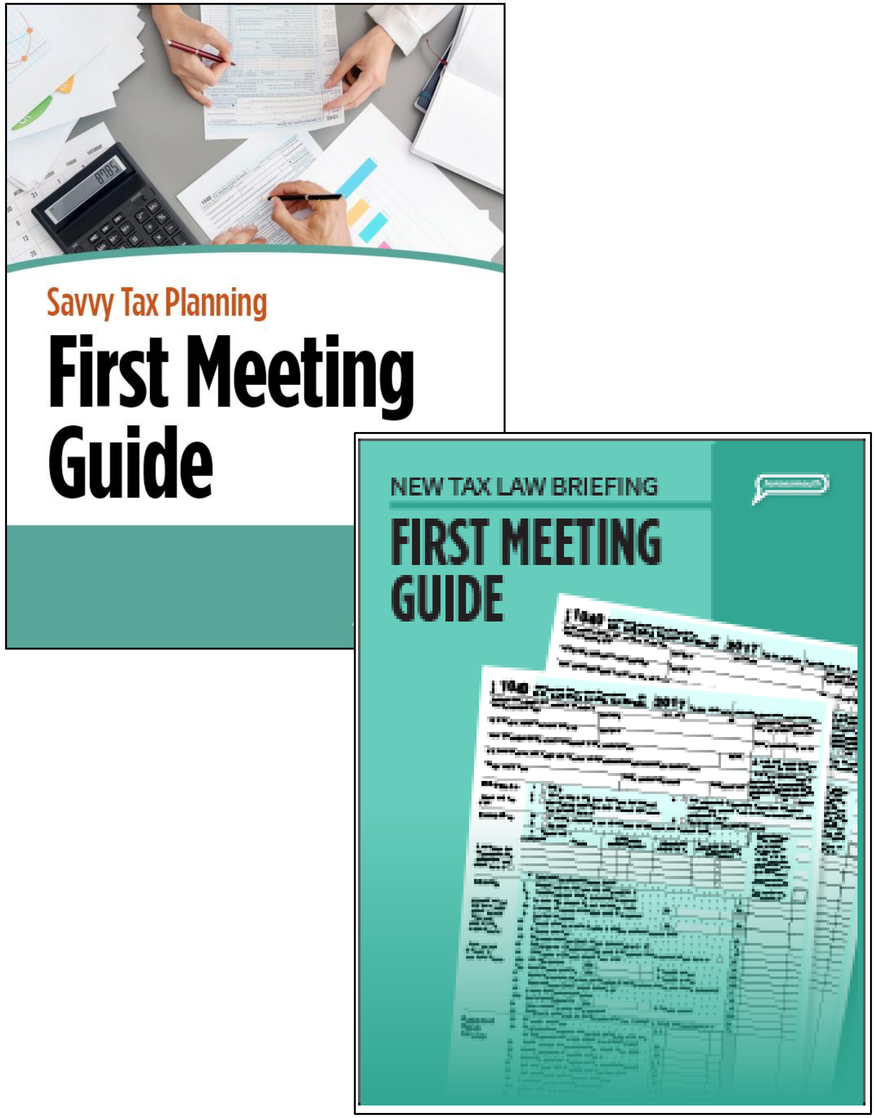


First Meeting Guides

Downloadable guides with resources to choose from when you meet with clients and prospects.

Includes PDFs of:

- Retirement Tax Strategy Action Plan Checklist
- New Tax Law Checklist Action Plan



Expert Resources: Newsletter and Podcast

Keep up to date on key issues: the latest tax planning news, strategies, program updates and answers to difficult questions.

- **Monthly newsletter** delivered to your email inbox
- **Monthly podcast** with program leaders Jeffrey Levine and Debra Taylor


Savvy Tax Planning
In this issue

Client Handouts (retirement):
The Boomers Guide to Tax Planning

50 copies of this 3-panel, 6-sided, 8.5" x 11" laminated reference to distribute to clients and prospects. It explains key concepts necessary to understanding the importance of having a “Retirement Tax Strategy.”

Client Handouts: Key Tax Changes (PDF)

- Branded with photo and logo
- FINRA reviewed

Key Tax Changes

From the Tax Cuts and Jobs Act*

Teresa Sampleton, CFP
Advisor
Sampleton Wealth Management
21 West 38th Street, 14th floor
14th floor
New York, NY 10018
(123) 456-7890
tsampleton@sampleton.com
www.sampleton.com

SAMPLETON
Wealth Management Group

TOPIC	NEW LAW	OLD LAW	COMMENTS
Tax deductions you counted on in the past may have been eliminated or changed			
Income tax brackets	7 brackets: 10–37%	7 brackets: 10–39.6%	Changes to paycheck withholding may need to be made
Standard deduction	$12,000 (single) / $24,000 (married filing jointly)	$6,350 (single) / $12,700 (married filing jointly)	Personal exemption is eliminated
Alternative Minimum Tax	$70,300 (single) / $109,400 (married filing jointly)	$54,300 (single) / $84,500 (married filing jointly)	Since most households will take the standard deduction, they will be less likely to pay the AMT
Medical expenses	Can deduct expenses that exceed 7.5% of AGI in 2018	Could deduct expenses that exceeded 10% of AGI	In 2019 the floor increases back to 10% of AGI
Miscellaneous itemized deductions	Eliminated	Could deduct moving expenses, investment fees, tax prep fees, casualty loss, etc.	Deductions were only permitted if they were at least 2% of AGI
Inflation measurement	Cost of living calculated by the Chained Consumer Price Index	Cost of living calculated by the Consumer Price Index	Chained CPI rises more slowly, meaning credits and deductions will be less valuable over time
Charitable giving	Cash contributions can be deducted up to 60% of AGI	Could only be deducted up to 50% of AGI	Charitable contributions are expected to decrease as a result of fewer people itemizing deductions
Where you live makes a big difference in how you are affected by the new rules on deducting state and local taxes (SALT)			
SALT deduction	Deduction is limited to $10,000 for all state, local, property, and sales taxes. No inflation adjustment.	Unlimited ability to deduct SALT	High-tax states will feel the pinch. Some state governments are pursuing alternatives.
Mortgage interest	Can deduct interest on mortgage debt up to $750,000; home equity loan interest is not deductible unless used in connection with home acquisition or improvement	Could deduct interest on mortgage debt up to $1 million; could deduct the interest on up to $100,000 of home equity loans	Increased homeownership costs need to be considered when buying a home

TOPIC	NEW LAW	OLD LAW	COMMENTS
Family-related tax rule changes regarding children, education, high-earning couples, divorce, retirement, and estate planning may need your attention			
Child tax credit	Receive a credit of $2,000 per child, $1,400 is refundable; phases out at $200,000 (single) / $400,000 (married filing jointly)	Received a credit of $1,000, only partially refundable; phased out at $75,000 (single) / $110,000 (married filing jointly)	This applies to children 17 or younger at the end of the year, $500 credit for other dependents
Kiddie tax	Earnings on a child's investment income over $2,100 will be taxed at the same rates as trusts and estates	Earnings on a child's investment income over $2,100 was taxed at the parents' rate	The tax applies to investment income of children under age 19, or 24 if full-time students
529 plans	Can distribute $10,000 per year for private K-12 education	Distributions only allowed for post-secondary education	You can also roll over a 529 plan to a 529 ABLE account
Alimony	Alimony is no longer deductible for the payer nor is it considered income for the payee	Alimony was tax deductible for the payer and taxed as income for the payee	This applies to agreements executed after 2018
Roth IRAs	Not allowed to recharacterize a Roth IRA conversion	Could reverse a Roth conversion by tax due date	Will need to plan conversions more carefully
Retirement plans	Participants in a 401(k) or 403(b) plan have until the tax due date to repay or roll over a plan loan upon leaving the firm	Participants in a 401(k) or 403(b) plan had 60 days to repay or roll over a plan loan upon leaving the firm	If the loan is not rolled over or repaid it can go into default, triggering penalties and taxes
Estate tax exemptions	Top rate of 40% on estates over $11.2M for individuals and $22.4M for married couples (with portability)	Top rate of 40% on estates over $5.6M for individuals and $11.2M for married couples (with portability)	Only 8 in 1,000 estates are expected to owe federal estate taxes in 2018
Businesses face new opportunities regarding how they pay taxes and what deductions and depreciation they can claim			
Corporate tax rate	Top rate of 21%	Top rate of 39%	Corporate AMT is eliminated
Pass-through income	Small business owners receive a 20% deduction for pass-through business income	Small business owners paid income taxes based on the rate for individuals, up to 39.6%	The deduction phases out at $157,500 (single) / $315,000 (married filing jointly)
Expensing business assets	Can expense $1 million on business assets	Could only expense $500,000 of business assets	Changes to bonus depreciation and section 179 also give businesses more options for expensing property and equipment

Advisory Services offered through Sampleton Wealth Management LLC, a Registered Investment Advisor.

12 Tax Planning Article Reprints (Finra-reviewed)

Brand these article reprints with your contact information, photo and logo to create a client touch that's both instructive and memorable. Post to your website, email newsletter, and social media. Or get them printed and mail them in a drip marketing campaign!

Key Thoughts on the Tax Cuts and Jobs Act

Teresa A. Sampleton, CLU, ChFC, CFP®
Vice President
Sampleton Wealth Management
123 Main Street
New York, NY 10001

888-336-6884

www.sampletonwealth.com

SAMPLETON
Wealth Management Group

–Debra Taylor, CPA/PFS, Esq.

The Tax Cuts and Jobs Act has made major changes to the tax code. It's important that you understand these changes to best plan your tax strategy going forward.

The Tax Cuts and Jobs Act has brought the biggest tax overhaul in 30 years and has left many with questions. It's important that you understand how the elimination of deductions, compression of tax rates, and brand-new benefits for certain taxpayers will affect your tax strategy. According to the Tax Policy Center, four out of every five taxpayers can expect a reduction, but for many lower income taxpayers, that tax cut will be so little it may hardly even be noticed. And if you live in a high-tax state or you rely heavily on deductions, you are likely to see a tax increase.

Every taxpayer will need to assess their individual situation. Here are some initial thoughts and areas to be discussing with your financial advisor. Of course, any advice below is subject to your specific tax situation, with consideration to your state of residence and AMT, among other things.

Missing SALT

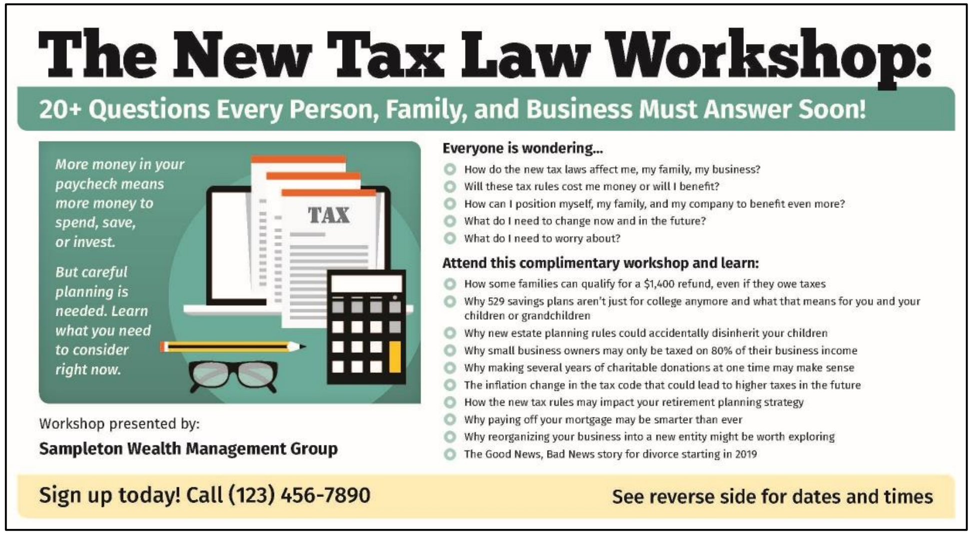
The SALT deduction previously allowed taxpayers to deduct state and local taxes to avoid being taxed on the same income twice. Reduction of the SALT deductions will be most acutely felt in the six states that account for half of the value of these deductions: California, Illinois, Maryland, Massachusetts, New Jersey, and New York, according to the Tax Foundation. If you live in one of these states, you should talk to your financial advisor about your overall financial plan, as the elimination could affect cash flow and the value of your home.

Previously, a typical couple with two homes in one of these high tax states was able to lower their ultimate tax burden by 25%. Now, their tax burden has actually increased, and these folks may want to consider tax-friendly states such as Texas, Arizona, or Florida.

If you are committed to living in a high-tax state and are unable to move or declare residency anywhere else, there are a few tax smart moves that could help your situation.

Consider bunching deductions— take the standard deduction one year and itemize the next. By employing this tried-and-true strategy, you may be able to take the most advantage of some of those lost itemized deductions. For instance, you may claim the standard deduction in one year, and then prepay your real estate taxes and mortgage payment and fund your charitable contributions the next year, which will enable you to take the full advantage of your deductions.

Customizable Postcards and Flyers


The New Tax Law Workshop:

20+ Questions Every Person, Family, and Business Must Answer Soon!

More money in your paycheck means more money to spend, save, or invest.

But careful planning is needed. Learn what you need to consider right now.

Workshop presented by:

Sampleton Wealth Management Group

Everyone is wondering...

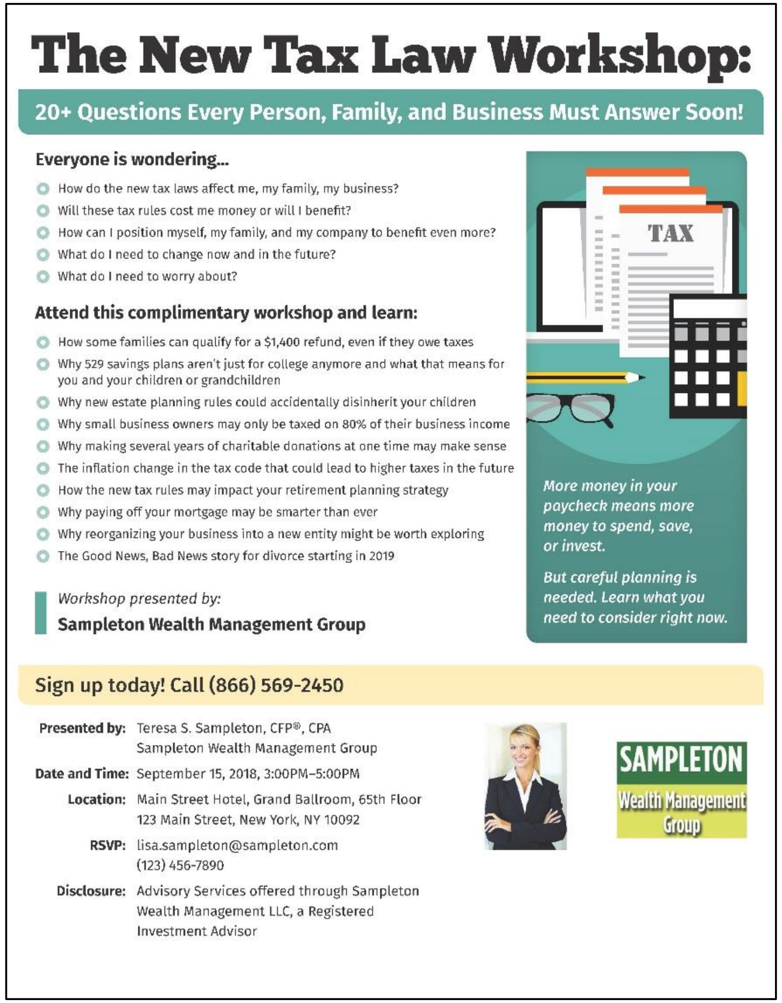
- How do the new tax laws affect me, my family, my business?
- Will these tax rules cost me money or will I benefit?
- How can I position myself, my family, and my company to benefit even more?
- What do I need to change now and in the future?
- What do I need to worry about?

Attend this complimentary workshop and learn:

- How some families can qualify for a $1,400 refund, even if they owe taxes
- Why 529 savings plans aren't just for college anymore and what that means for you and your children or grandchildren
- Why new estate planning rules could accidentally disinherit your children
- Why small business owners may only be taxed on 80% of their business income
- Why making several years of charitable donations at one time may make sense
- The inflation change in the tax code that could lead to higher taxes in the future
- How the new tax rules may impact your retirement planning strategy
- Why paying off your mortgage may be smarter than ever
- Why reorganizing your business into a new entity might be worth exploring
- The Good News, Bad News story for divorce starting in 2019

Sign up today! Call (123) 456-7890

See reverse side for dates and times


The New Tax Law Workshop:

20+ Questions Every Person, Family, and Business Must Answer Soon!

Everyone is wondering...

- How do the new tax laws affect me, my family, my business?
- Will these tax rules cost me money or will I benefit?
- How can I position myself, my family, and my company to benefit even more?
- What do I need to change now and in the future?
- What do I need to worry about?

Attend this complimentary workshop and learn:

- How some families can qualify for a $1,400 refund, even if they owe taxes
- Why 529 savings plans aren't just for college anymore and what that means for you and your children or grandchildren
- Why new estate planning rules could accidentally disinherit your children
- Why small business owners may only be taxed on 80% of their business income
- Why making several years of charitable donations at one time may make sense
- The inflation change in the tax code that could lead to higher taxes in the future
- How the new tax rules may impact your retirement planning strategy
- Why paying off your mortgage may be smarter than ever
- Why reorganizing your business into a new entity might be worth exploring
- The Good News, Bad News story for divorce starting in 2019

Workshop presented by:

Sampleton Wealth Management Group

More money in your paycheck means more money to spend, save, or invest.

But careful planning is needed. Learn what you need to consider right now.

Sign up today! Call (866) 569-2450

Presented by: Teresa S. Sampleton, CFP®, CPA
Sampleton Wealth Management Group

Date and Time: September 15, 2018, 3:00PM–5:00PM

Location: Main Street Hotel, Grand Ballroom, 65th Floor
123 Main Street, New York, NY 10092

RSVP: lisa.sampleton@sampleton.com
(123) 456-7890

Disclosure: Advisory Services offered through Sampleton Wealth Management LLC, a Registered Investment Advisor

SAMPLETON Wealth Management Group

Action Plan Checklists

Tax Cuts and Jobs Act: Action Plan Checklist

Name: ____________________________ Date: ____________________

Question	Answer	Action	Check when done
1. What is your annual income?		Ascertain tax bracket	
2. How quickly do you expect to move into the next bracket?		Discuss your ability to receive deductions and credits over time	
3. How many deductions are you likely eligible for?		Decide whether you should take the standard deduction	
4. Will your eligibility change in the near future?		Discuss "bunching" of deductions and how this could be achieved	
5. What medical expenses can you predict in the near future?		Can major expenses be incurred before December 31, 2018?	
6. What is your property tax?		Determine if the property tax deduction limit affects you	
7. What is your mortgage?		Decide if paying off your mortgage is a smart plan	
8. Do you have a home equity loan?		Decide if paying off your home equity loan is a smart plan	
9. Are you considering a home purchase?		Consider that your mortgage deduction will be limited	
10. Do you own a second home?		Discuss whether you use that home and if it is worth the increased property taxes	
11. What are your state taxes like?		1)Evaluate relocation or downsizing possibilities 2)Revise your financial plan to adjust for a change in cash flow	
12. What is your approach to charitable giving?		1)Decide if you want to increase your giving in light of increased deductibility 2)Consider various forms of contributions: donor-advised funds, donating securities, QCDs	

SPECIAL, LIMITED ONE-TIME OFFER

Become a pre-launch member of
Savvy Tax Planning
by December 31st for $497 and save $300!

Normal, 2019 rate: $797

www.Horsesmouth.com/STP

Pre-Launch Special—Save!

Retirement Tax Planning Available in Q1, 2019

New Tax Law Briefing Available Now!

DEADLINE:
December 31st
SAVE $300
On Savvy Tax Planning Membership

Savvy Tax Planning Risk-Free Guarantee

If, after 12 months, you're not finding that your clients and prospects are extremely grateful to have a competent, confident, and knowledgeable advisor guide them through the ins and outs of retirement tax planning, we'll completely refund 100% of your purchase price – guaranteed, no questions asked.

QUESTIONS?

What advisors think about tax planning: 6 types of comments

1. Cite the “tax advice” prohibition
2. Already do tax planning
3. Collaborate with CPAs
4. Prepare returns for clients
5. Want to start adding the service
6. Other

Cite the “tax advice” prohibition

- “My BD strictly enforces the ‘no tax advice’ rule.”

Already do tax planning

- "I don't try to replace the client's CPA but I do proactively gather tax information so that my recommendations are tax-wise, and I also look for certain high-level tax savings/planning opportunities."
- "In my opinion, it is almost malpractice to give financial advice without addressing the tax implications thereof."
- "We help clients with tax planning in areas such as Roth conversion opportunities, tax bracket management surrounding withdrawal and conversion strategies, gifting and tax-loss selling."

Collaborate with CPAs

- “Providing tax strategies through investments is part of what we do, but my firm specifically states we cannot even remotely hold ourselves out as accountants and that we need to refer them to an accountant if we think they can benefit from it. However, we do help with tax-loss harvesting and minimizing taxes by offsetting gains.”
- “I think collaborating with clients and their tax advisor is part of my role as their financial advisor to make sure strategies are aligned for the best of the client.”

Prepare returns for clients

- “I am a CPA and therefore in the tax preparation business.”
- “We have a tax team and complete 650 returns per year.”

Want to start adding the service

- “Would love to see a training specifically earmarked for tax reviews/strategies/planning for financial advisors.”
- “I would love to do a better job with helping with tax planning. Having said that, we are always saddled with, ‘We are not tax advisors.’”

Other

- “Being proactive about tax reduction adds to my value as an advisor.”
- “Clients come in for bigger picture planning that goes above and beyond tax planning – they don’t let the tail wag the dog.”
- “Isn’t that the function of their tax preparer?”
- “Taxes tell a story that sometimes the client won’t.”

7 Reasons Why You Should Be a Tax-Focused Advisor

1. Other professionals aren't helping your clients.

2. You have the holistic view.

3. Tax-planning is ongoing.

4. Tax-planning is personal.

5. Your clients lose money when they have no tax plan.

6. Taxes are intertwined with all other aspects of financial planning.

7. It fosters loyalty among clients.

Client presentation: How Tax Planning Changes Through Four Stages of Retirement

Problem: In retirement, your tax rate may vary widely over the years based on the timing and order in which you use different sources of money to pay for your expenses. People often pay more in taxes than necessary because they don't't' understand the challenges of retirement tax planning.

Key #1: You have to know what your “after-tax” retirement savings picture looks like BEFORE retiring

Key #2: Social Security and Medicare have their own "tax traps" and you need to plan for them, too

Key #3: The timing of when you tap various savings throughout four different phases of your retirement life impacts your tax rate and must be managed

Key #4: You must have a “Retirement Tax Strategy” that manages your assets for an “optimal draw down” so you pay as few taxes as necessary