DICKMEYER BOYCE
FINANCIAL MANAGEMENT, INC.

December 9, 2016

Year End Reminders and Tax Planning Strategies

Indiana College Choice 529 Plan

- **Contributions:** Indiana residents who make a contribution to the Indiana College plan by year end will receive a 20% credit on their Indiana state tax return on the first $5,000 of contributions. A credit is a dollar for dollar of tax. As an example a $5,000 contribution would entitle you to a $1,000 credit ($5,000 x .20) on your Indiana State Tax return. Any Indiana resident can make a contribution on behalf of an eligible beneficiary (child, grandchild, nephew, niece, etc.) in order to obtain the credit. **Contributions must be received at College Choice by December 31st.** Please make checks payable to College Choice 529 Direct Savings Plan. The mailing address is:

  College Choice 529 Direct Savings Plan
  P.O Box 55767
  Boston, MA 02205

Accounts can be opened online at www.collegechoicedirect.com. If you have any questions or need additional assistance, please contact us.

- **Distributions:** A 529 account can be used only to pay for expenses that are related to college or other post-secondary training institutions. Tuition and fees are considered required expenses and are allowed, but when it comes to room and board, the costs can't exceed the greater of the following two amounts:
  - The allowance for room and board included in the school's cost of attendance for federal financial aid calculations.
  - The actual amount charged if the student is living in housing operated by the educational institution.

It's important that withdrawals you take from your 529 college savings account match the payment of qualifying expenses in the same tax year. **Therefore if you have not reimbursed yourself for payments you made on behalf of your child they should be removed from the 529 plan by December 31, 2016.**

- **Investments:** Year end is a good time to review the allocation (how much is in stocks and bonds) of your student's investments. Most accounts are set up on an age based investment plan which means the closer the child is to college the more conservative the allocation becomes (i.e. more bonds). Age based models may deserve a closer look since having more bonds in your portfolio may actually involve some additional risk given the potential for higher interest rates and the effect they have on bonds. If you'd like us to take a closer look at your child's account, please let us know.

IRA and 401(k) Contributions:

The deadline for IRA contributions is April 15, 2017. The 2016 Contribution limit is $5,500. If you are age 50 by year end you may contribute an additional $1,000 for a total of $6,500.

Also consider increasing your **401(k) contribution** so that you are putting in the maximum amount of money allowed ($18,000 for 2016, $24,000 if you are age 50 or over). If you can't afford that much**, try to contribute at least the amount that is matched by the employer.**

Required Minimum Distributions (RMDs):

As a client of Dickmeyer Boyce we have already calculated and verified that you have withdrawn any required distributions. However if you possess any outside accounts please ensure that you have completely withdrawn any required distributions from your IRAs and retirement plans if you are over 70 ½. Failure to withdraw the required amount could result in a 50% tax penalty. If we can be of assistance in calculating the amount please let us know. Please note: making a gift to charity using your RMD can reduce your taxable income and overall tax liability. The gift must come from a required minimum distribution.

Tax Reduction Strategies:

- The potential for lower tax rates through tax reform in 2017 suggests you might consider accelerating charitable gifts in 2016 where the gifts will have more value due to higher current tax rates. Individuals in the top (2) highest tax bracket (39.6% and 35%) should consider accelerating charitable gifts.

- For contributions to charity consider gifting shares of highly appreciated stock in non retirement accounts to a charitable organization. This avoids having to pay capital gains taxes on the sale of your appreciated assets.

- Flexible Spending Accounts (FSAs - health care cafeteria plans). Money set aside for health care expenses should be used prior to year end or you risk losing the funds in the account. While some plans provide for a grace period, not all do.

- Health Savings Accounts (HSAs): Contribute to your H.S.A. Contributions serve to reduce adjusted gross income and grow tax deferred. Individuals may contribute up to $3,350 while families can contribute $6,750 in 2016. If you are 55 you may contribute an additional $1,000. The contribution deadline for 2016 is the tax filing deadline April 15, 2017.

- Estimated State Tax Payments: Although the deadline under state law is generally not until January 15th, of 2017, a payment of 4th quarter state and local tax estimates before year end 2016 is deductible for 2016 for federal tax purposes.

- For Business Owners year end purchases of qualifying section 179 property entitle the taxpayer to a full deduction up to the $500,000 cap with no proration based on when the asset went into service.

The strategies discussed above are designed to be informative. Each client's situation is unique. If we can address any questions relative to these topics please do not hesitate to contact us.

Finally, as we head into the holiday season we'd like to express how grateful we are to have you as clients how thankful we are for your continued trust and confidence. We look forward to serving you again in 2017.

Sincerely,

Ian Boyce, CFP®	Dave Dickmeyer, M.B.A.
Certified Financial Planner™	Wealth Advisor
Principal Owner	Principal Owner