DICKMEYER BOYCE
FINANCIAL MANAGEMENT, INC.

November 3, 2017

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 and note the account number in the memo section of the check. The mailing address is:

  College Choice 529 Direct Savings Plan
  P.O Box 219418
  Kansas City MO 64121

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, 2017.**

- **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 and cash). 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, 2018. The 2017 Contribution limit is $5,500 and will remain the same for 2018. 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 If you can't afford that much**, try to contribute at least the amount that is matched by the employer.** Below are the contribution limits for 2017 and 2018:

	2017	**2018**
401(k)	$ 18,000	$ 18,500
Catch Up (Age 50+)	$ 6,000	$ 6,000

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 by 12/31/18. 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:

- 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.

- Health Savings Accounts (HSAs): Contributions to your H.S.A. serve to reduce adjusted gross income and grows tax deferred. Withdrawals are then tax-free if used to pay unreimbursed medical expenses. The contribution deadline for 2017 is the tax filing deadline **April 15, 2018**. Below are the contribution limits for 2017 and 2018:

	2017	2018
Single	$ 3,400	$ 3,450
Family	$ 6,750	$ 6,900
Catch Up (Age 55+)	$ 1,000	$ 1,000

* Please note that if your employer puts money into an H.S.A. on your behalf, it counts toward your contribution limit.

- Estimated State Tax Payments: Although the deadline under state law is generally not until January 15th, of 2018, a payment of 4th quarter state and local tax estimates before year end 2017 is deductible for 2017 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 2018.

Sincerely,

Ian D. Boyce   Dave Dickmeyer   Sara Stanski

Ian Boyce, CFP®
Certified Financial Planner™
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