

Newsletter



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November 2018

This month

November 11: Veterans Day

November 22: Thanksgiving

Reminder: Conduct year-end tax and financial planning

It's November and the holiday season is upon us. With the end of the year less than two months away, now is the time to run down your annual year-end checklist. Before you dig in to some turkey and stuffing, check out the 5 Annual Tax Essentials article for some year-end tips you can use every year. Also included in this issue is a warning to retirees regarding their federal tax withholdings and some turkey trivia you can use to impress your friends.



5 Annual Tax Essentials

The more things change the more they stay the same. This is especially true when it comes to reviewing your tax situation. Mark your calendar to review these essential items each year to ensure you are not missing something that could cause tax trouble when you file your tax return:

1. Required minimum distributions

If you are 70½ or older, you may need to take required minimum distributions (RMDs) from your retirement accounts. RMDs need to be completed by Dec. 31 every year after you turn the required age. Don't forget to make all RMDs because the fines are extremely hefty if you don't – 50 percent of the amount you should have withdrawn.

2. Your IRS PIN

If you are a victim of IRS identity theft you will be mailed a one-time use personal identification number (PIN) as added security. You can expect to receive your PIN in the mail sometime in December. Save the PIN as it is required to file your Form 1040. If you would like to sign up for the PIN program, you can do so on the [IRS website](http://www.irs.gov). Note that once you are enrolled in the program, there is no opt out. A PIN will be required for all future filings with the IRS.

3. Retirement Contributions

You may wish to make some last-minute contributions to qualified retirement accounts like an IRA. This can be \$5,500 for traditional or Roth IRAs plus an additional \$1,000 if you are 50 or older. Contributions to traditional IRAs need to happen by April 15, 2019 to be deducted on your 2018 tax return.

4. Harvest Gains and Losses

Profits and losses on investments have their own tax rates from 0 percent to as high as 37 percent. Knowing this, make plans to conduct an annual tax review of investment moves you wish to make. This includes:

- Understanding investments held longer than one year have lower tax rates as long-term capital gains.
- Trying to net ordinary income tax investment sales with long-term investment losses.
- Making full use of the annual \$3,000 loss limit on investment sales

Timing matters with investment sales and income taxes, so having a year-end strategy can help lower your tax bill.

5. Last-Minute Tax Moves

While your last-minute tax move opportunities may be limited, here are a few ideas worth considering:

- Make donations to your favorite charities to maximize your itemized deductions.
- Consider contributions of up to \$100,000 from retirement accounts to qualified charities if you are older than 70½.
- Make tax efficient withdrawals from retirement accounts if you are over 59½.
- Delay receipt of income or accelerate expenses if you are a small business.
- Take advantage of the annual \$15,000 gift-giving limit.

Understanding your current situation and having a plan will make for a smooth tax filing process and maximize your tax savings.



Retirees Should Check Withholdings...or Else...

According to a recent announcement by the IRS, retirees might not be withholding enough for taxes this year. This is due to vast tax changes in 2018, making old withholding levels obsolete. The IRS is urging retirees to check their withholdings now and make adjustments if needed to avoid penalties.

Could it be you?

How do you know if you are withholding enough? While the IRS offers a new withholding calculator online, it's designed for employees who are paid wages – not a great option for retirees. The only good way to avoid a tax surprise is to conduct a projection based on your specific situation. You will need to consider taxes already paid, taxes yet to be paid, and estimate total income and deductions to come up with an accurate projection.

Steps to take

If the results of the projection show that you are lagging behind, you still have a bit of time to adjust withholdings or make estimated tax payments. Here are some ways to do this:

- **Adjust pension withholding.** In order to change your pension withholdings, you need to fill out [Form W-4P](#) and give it to your pension plan provider.
- **Adjust IRA distribution withholding.** To change IRA withholdings, typically you can go online or call the account provider to update the withholding amount or percentage.
- **Adjust Social Security voluntary withholding.** To adjust the voluntary withholding on your Social Security payments, you need to fill out [Form W-4V](#) and return it to your local Social Security office by mail or in person.
- **Make an estimated payment to the IRS.** If withholdings won't be enough or you are worried about timing, you can make a payment to the IRS directly. [Form 1040-ES](#) has a voucher that can be sent with the payment and needs to be postmarked by Jan. 15, 2019 to be applied to your 2018 taxes.

Remember, penalties can be added to your taxes if you don't pay enough during the year, so it's important to review your withholdings as soon as possible to avoid a surprise when you file your taxes. Sound complicated? It can be. Please call if you want help evaluating your situation.



Turkey Trivia

With Thanksgiving right around the corner, here is a quiz to test your turkey knowledge and provide some facts you can use to stump your friends and family:

- **Where do wild turkeys sleep?**
 - a. In trees
 - b. On the ground in brush or tall grass
 - c. In burrows
 - d. On large rocks
- a. In trees. Turkeys spend their nights sleeping in trees mostly for protection from predators. The only exception is when female hens risk danger to stay with their eggs on the ground during the roughly 28 day incubation period.

- **How far away can a turkey see movement?**
 - a. 20 feet
 - b. 50 feet
 - c. 50 yards
 - d. 100 yards
 - d. 100 yards. Turkeys have excellent vision — maybe three or four times better than humans. Because their eyes are on the sides of their head, they have periscope vision and can see 360 degrees with the simple twist of their neck.
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- **Which U.S. president was the first to offer an official pardon to a Thanksgiving turkey?**
 - a. Abraham Lincoln
 - b. Harry Truman
 - c. John F. Kennedy
 - d. George H.W. Bush
 - d. George H.W. Bush. While there were informal pardons and stories about turkeys spared by U.S. Presidents dating back to Abraham Lincoln, the White House records show the first official pardon was granted by George H.W. Bush in 1989.
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- **What is the specific name for a baby turkey?**
 - a. Chick
 - b. Poult
 - c. Peep
 - d. Cygnet
 - b. Poult. Once a poult frees itself from the egg, it can start following its mother hen away from the nest within 12-24 hours.
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- **Approximately how many turkeys are consumed each year at Thanksgiving?**
 - a. 19 million
 - b. 33 million
 - c. 46 million
 - d. 62 million
 - c. 46 million. According to the National Turkey Federation, Thanksgiving turkeys account for 18 percent of all turkeys raised on American farms this year.

Now you are in the know about some of the unique habits of our popular holiday centerpiece. Enjoy your Thanksgiving!

As always, should you have any questions or concerns regarding your situation please feel free to call.

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