TFC FINANCIAL
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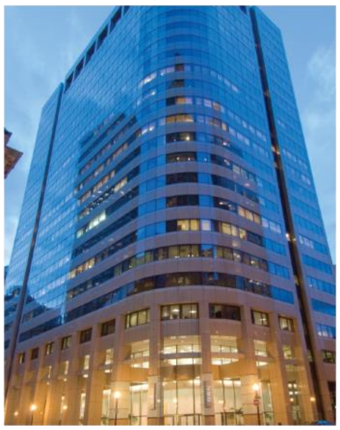
FINANCIAL PLANNING UPDATE
NOVEMBER 22, 2016

OUR VIEW



Income Tax Planning for 2016 . . . and Beyond

As we began to consider tax planning strategies for 2016, there were few intriguing changes from prior years, until the election on November 8th. As a result, we would like to provide a brief overview of potential tax changes that we may expect from the incoming Trump administration, along with an update on the current tax changes since the 2015 filing season to assist in year-end planning.

Potential Tax Changes under a Trump Administration

Given the recent election results with a Trump Administration coming in and Republican control in the House and Senate, the prospects for tax reform as early as 2017 have improved, although approval of comprehensive tax reform will still be no easy task.

President-elect Trump and the House Republicans have each proposed plans to consolidate the current tax brackets to three (from seven) and reduce the top marginal bracket to 33% (from 39.6%). The changes are illustrated in the graphic below from the November 10, 2016 *Wall Street Journal*:

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Trump's Tax Rates

The president-elect's tax proposal has a top rate of 33% and three brackets.

Taxable income: Single filers	Taxable income: Married filing jointly	Current law: Marginal rate
$0 – 9,275	$0 – 18,550	10%
$9,276 – 37,650	$18,551 – 75,300	15
$37,651 – 91,150	$75,301 – 151,900	25
$91,151 – 190,150	$151,901 – 231,450	28
$190,151 – 413,350	$231,451 – 413,350	33
$413,351 – 415,050	$413,351 – 466,950	35
$415,051 and above	$466,951 and above	39.6

Taxable income: Single filers	Taxable income: Married filing jointly	Trump proposal: Marginal rate
$0 – 37,500	$0 – 75,000	12%
$37,500 – 112,500	$75,000 – 225,000	25
$112,500 and above	$225,000 and above	33

Note: Taxable income under the Trump plan differs from current law due to variations in deductions and exemptions.
Source: Tax Policy Center
THE WALL STREET JOURNAL.

Both plans call for an increase to the standard deduction, an elimination or reduction of personal deductions (including the charitable deduction), repeal of the alternative minimum tax, elimination of the 3.8% surtax on net investment income, and repeal of the estate and gift taxes. But there are differences with regard to capital gains treatment and the existing step-up in cost basis at death, among other things, as well as the issue of how to address the significant reduction in federal revenue that would result from these changes ($2-3+ Trillion dollars over 10 years).

Consider Accelerating 2017 Charitable Gifts to the Current Year

Given the proposed changes, we recommend accelerating at least a portion of your planned 2017 charitable gifts into the current year to ensure the full deduction is available. One option would be to gift directly to a charity using appreciated securities if you intend the funds to be available to the charity now. Alternatively, securities could be directed to a donor-advised fund, which would allow you to take a charitable deduction now, but distribute the funds to charities of your choosing over time.

Given the proposed changes . . . increasing current charitable gifts for 2016, delaying self-employment income, and waiting to make taxable gifts until 2017 could be beneficial in the event that changes are enacted next year.

In addition, delaying self-employment income, and waiting to make taxable gifts until 2017 could be beneficial in the event that changes are enacted next year.

Changes for the 2016 Tax Year

The Protecting Americans from Tax Hikes Act of 2015 (or PATH) was signed into law in December 2015, which made permanent the extension of tax-free distributions to charitable organizations from IRAs of individuals over age 70½. This allows individuals to make charitable donations of up to $100,000 directly from their IRAs which satisfies the annual required minimum distribution, yet does not reflect as taxable income on either Federal or state tax returns. PATH also contained various extensions related to state and local sales tax deductions, education credits, depreciation, small business expenses, and research and development tax credits.

There were only a few tax changes this year (highlighted in bold):

	2016	2017
• Maximum elective deferral to 401(k), 403(b), 457 plans	$18,000	$18,000
• 401(k), 403(b), and 457 plans Catch-up contributions (age 50+)	$6,000	$6,000
• Maximum deferrals to SEP IRA & Defined Contribution plans	$53,000	**$54,000**
• Health Savings Account Contribution limits (Single)	$3,350	**$3,400**
• Health Savings Account Contribution limits (Family)	$6,750	$6,750
• Traditional & Roth IRA Contribution limits	$5,500	$5,500
• Traditional & Roth IRA Contribution Catch-up contributions (age 50+)	$1,000	$1,000
• Employer-sponsored Flexible Spending Account contributions	$2,550	**$2,600**
• Annual gift tax exclusion per donee	$14,000	$14,000
• Social Security Contribution and Benefit Base	$118,500	**$127,200**

- Maximum Long-Term Care insurance premium eligible for deduction:

Age	40 or under	41-50	51-60	61-70	Over 70
2016 Deductible Amount	$390	$730	$1,460	$3,900	$4,870
2017 Deductible Amount	**$410**	**$770**	**$1,530**	**$4,090**	**$5,110**

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Year-End Tax Planning Opportunities

Consider the following tax planning suggestions for 2016:

- Contribute the maximum to your IRA (deductible or non-deductible, depending on income)
- Accelerate tax-deductible expenses, such as state and local taxes, into 2016 and defer self-employment income into 2017
- Make additional charitable gifts by December 31st (preferably highly appreciated securities rather than cash)
- Harvest unrealized losses to offset realized capital gains in 2016 or beyond
- Make tax-free gifts up to the annual gift tax exclusion amount ($14k for individuals, $28k if married and electing to split gifts)
- Consider a Roth IRA Conversion for those currently in a lower tax bracket than they anticipate being in the future
- Make January estimated tax payments in December

Charitable Gifting Deadlines

As you consider year-end gifting, please contact us by early to mid-December to ensure your gifts of securities or cash are processed by year-end.

Closing Thoughts

Tax planning remains complicated, but is not without opportunities to minimize tax liability in 2016 and future years. You should consult with your tax advisor for the development of a tax projection or advice specific to your situation.

We are currently reviewing client accounts for tax-loss harvesting opportunities before year-end. Year-to-date portfolio dividend, interest, capital gain/loss, and management fees are available on your TFC portal and custodian website login (Schwab/Fidelity). Your TFC advisor can provide estimates of year-end income distributions for portfolio mutual funds, which may help further refine year-end estimated tax payments and tax planning.

Please contact your TFC Financial Advisor if you would like to discuss how current and future tax changes may affect your personal financial planning. As always we welcome your suggestions and feedback.

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Have a wonderful Thanksgiving holiday.

Sincerely,

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