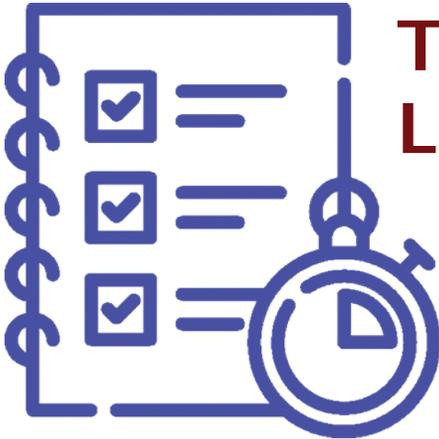


# THE \$TRATEGIST



## Tax Planning in Light of the New Law

By Kirk Hackbarth CFP®, CPA/PFS, MS

The Tax Cuts and Jobs Act (TCJA) of 2017 is the most significant tax overhaul since the Reagan administration. It will have a big impact on the economy and does change the tax planning environment for 2018 and beyond. Here are some of the key changes and planning tips.

**1. Standard deduction increase** is one of the biggest changes that will affect taxpayers. You can either itemize or use the standard deduction – whichever amount is larger. The new law will roughly double the standard deduction to the following (2017 amounts are in parenthesis):

- \$24,000 Married Filing Jointly – (\$12,700)
- \$12,000 Single or Married Filing Separately – (\$6,350)
- \$18,000 Head of Household – (\$9,350)

What the tax law gives you in one area it effectively takes it away in another.

The standard deduction increases, but itemized deductions are reduced or in some cases eliminated altogether.

**2. The SALT deduction** (stands for state and local taxes) is the biggest change. Starting in 2018 under the new plan, taxpayers who itemize will be able to deduct their state individual income, sales and property taxes up to a limit of \$10,000 in total (currently unlimited). To be clear, the \$10,000 includes state income taxes and real estate taxes (not \$10,000 for each one).

**Planning Tip:** This limitation does increase the number of taxpayers who might benefit from doubling up every other year. Example: Pushing property taxes and donations into one year to equal more than the standard deduction and taking the standard deduction the next year.

**3. Lower marginal rates** within the slightly adjusted existing 7 brackets. The new tax brackets will be 10%, 12%, 22%, 24%, 32% 35%, and a top bracket of 37%.

**Planning Tip:** This reduction makes the Roth IRA conversion strategy more appealing. You could pay a lower tax rate on the conversion amount, convert a larger amount and still stay in the

same (lower) marginal bracket. Plus the Roth is insulated from future tax increases. The new bill does eliminate your ability to undo that Roth conversion if the value decreases.

**4. HELOC interest deduction** eliminated if the home equity funds were for purposes other than acquisition or home improvements. If your existing HELOC was used for indebtedness and acquisition or home improvements, then you will have to classify the various amounts going forward.

**Planning Tip:** Elimination of the interest deduction along with rising interest rates provides an incentive to pay down loans faster.

This article briefly touches on a few key provisions of the new tax law bill. Obviously, there are a lot of other changes that could impact your particular situation.

An expanded version of this article is available on the Liberty website or upon request. If you have any questions concerning your personal circumstances, please don't hesitate to contact us.



# Client Alerts

By Shannon Nook, RP®

**2018 Office Hours:** Monday through Friday from 8:30AM-6 PM, others by appointment only. CLOSED: Good Friday (3/30), Memorial Day (5/28), Independence Day (7/4), Labor Day (9/3), Thanksgiving & Friday after (11/22 & 11/23), Christmas Eve & Day (12/24 & 12/25)

## Tax Deadline is April 17!

April 15, 2017, falls on a Sunday, and Monday, April 16, is the date of observance for a Washington, D.C., holiday known as Emancipation Day. So the tax deadline is the next day after that – April 17.

## Don't Forget to Maximize Your IRA

The 2017 contributions for IRAs, including Roth IRAs, must be in by 4/17/18. Maximum is \$5,500 per individual or earned income whichever is more. Those over age 50 may add an additional \$1,000 catch-up. We hope to contact you by late February to see if you want to maximize this contribution for your retirement!

## Liberty Financial Tax appointments

can be scheduled in conjunction with your review meeting if you wish. Or you can drop off or mail your data to us. The LFG tax team includes Richard, who is back from California for tax season, Jim Wargin and Kirk. Your final return will be filed electronically and your copy mailed to you when completed. Tax Organizers containing your numbers from last year will be sent to help you get ready. Remember to make appointments with your tax preparer ASAP to beat the rush.

Remember: **New tax law** takes effect on January 1, 2018 so you will file your 2017 under the old rules!

# Planning Notes

By June Ann Schroeder, R.N. CFP®

**Over 50?** More companies, especially big ones, are recruiting older workers according to AARP. Reason: the strong communication and organizational skills of the pre-technology generation can help younger workers with human interactions they have not faced before!

**Family Loans:** A survey by Lending Tree showed that only about 57% of the amount loaned to relatives is repaid. Yet almost 75% of the lenders said they would do it again!

**Traveling?** Certain countries require that passports be valid for up to six months after your trip, i.e. Austria. Check it out at <https://travel.state.gov>.

**Avoid Public WiFi:** Identity Theft Resource Center recommends that you don't use public WiFi, even when there is a password required. Safer: access internet through your cell-phone service.

**ATM fees** now average over \$4.50 for out-of-network ATMs, and other bank fees are going up too according to [www.Bankrate.com](http://www.Bankrate.com).



# Liberty Gives Back 2017

As part of our community involvement this year we worked on a Habitat For Humanity build, entered a Whoville Grinch gingerbread house in their fundraiser and volunteered time at the Restore. See pictures on our website in Liberty Gives Back. In addition, we gave monetary support to the following:

- American Institute for Economic Research
- Community Advocates-Milwaukee
- Hunger Task Force

- St. Edna's Church (Food pantry, Arlington Heights)
- Rhinelander Area Food Pantry
- Mendota Area Christian Pantry
- Food Pantry of Waukesha
- Heifer International
- Milwaukee Homeless Vets
- Oneida County Humane Society
- West Bend Children's Theater sponsor
- Choices Coaching Women's Retreat sponsor



# Featured Artist: Christine Capriolo

Lifelong artist and art educator in the Elmbrook school district, Christine Capriolo, has explored many art forms. The paintings displayed at our office are from her "Day in the Life Series," capturing and recreating snapshots from her day. She teaches her students how to capture the many values between light and dark to create depth.

Her latest series of miniature oil paintings looks at candid everyday moments, ala Edward B. Gordon's "painting-a-day" art movement. She is also working on a series of mixed media pieces investigating color, collage and the female form. Stop in, view her work at our office, or email her at [christinecapriolo@sbcglobal.net](mailto:christinecapriolo@sbcglobal.net)



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