MILESTONE
Financial Planning, LLC

www.MilestoneFinancialPlanning.com **Spring 2018**

Seven Steps To Protect Yourself After Data Breach

On September 7, 2017, one of the "big three" credit reporting agencies in the country dropped a bombshell. Equifax had been hacked, and almost 150 million Americans may have had their credit histories exposed. It was one of the largest cyber-breaches in history, and while it's difficult to get a handle on exact numbers, suffice to say that it's quite likely your information was compromised.

And it isn't just U.S. citizens who are at risk. The hackers also grabbed confidential data on residents of Canada and the United Kingdom. The other two major credit reporting agencies—Experian and TransUnion—weren't affected.

It took some time for Equifax to get the word out. According to media sources, unauthorized access to data occurred during a three-month stretch between May and July of 2017. The breach was reportedly discovered on July 29, 2017.

What were the hackers after? Again, details are spotty and Equifax has promised to follow up with additional information, but at the very least it's likely that names, addresses, dates of birth, Social Security numbers and in some cases, drivers' license numbers were exposed.

Equifax has claimed that there was no evidence of unauthorized activity on its core consumer or commercial credit reporting databases. But do you feel comfortable knowing that your personal information is in the hands of people who could do you considerable financial harm?

What's more, it's easy to be lulled into a false sense of security as time passes and you don't experience any problems related to the hack. But it could be many months or even years before criminals try to use your information, and it pays not to assume that you're immune.

Whether you believe your information was exposed or not, there are several steps you can take in the aftermath of the breach to protect your financial affairs. The Federal Trade Commission (FTC) has recommended the following actions:

1. Visit a special Equifax link at www.equifaxsecurity2017.com that the company set up to help consumers. (This link isn't monitored or controlled by the FTC.) To find out whether your information has been compromised, click on the "Potential Impact" tab and enter your last name and the last six digits of your Social Security number. Your Social Security number is sensitive information, so make sure you're on a secure computer and an encrypted network connection before you enter it. The site will tell you whether you're a victim of the breach.

(Continued on page 4)

Good Riddance To The Alternative Minimum Tax

Perhaps the most despised federal levy is the alternative minimum tax, which Congress passed in 1969 to prevent the loophole-savvy ultra-wealthy from shortchanging Uncle Sam.

Over the years, AMT's reach expanded to include households with more than $200,000 in AGI (adjusted gross income) annually and two-earner couples with children in high-tax states.

Under the new tax law, starting in 2018, the AMT's damage radius is reduced considerably. This alternative tax calculation still requires some individuals to calculate their tax bill twice — under regular rules and then the AMT's, and pay the higher sum. In 2018, though, a fraction of tax-filers will fall into the clutches of the dreaded AMT.

With the tax code rewritten, only about 200,000 tax filers are expected to be required to pay the AMT in 2018, way down from the 5.25 million, according to the Tax Policy Center.

Congress increased income exempt from the AMT calculation. This expands to $109,400 for joint filers, up from $84,500, and to $70,300 for individuals, up from $54,300.

The happy outcome is that the changes permit many more households making more than $200,000 to bid the AMT a not-so-fond farewell.

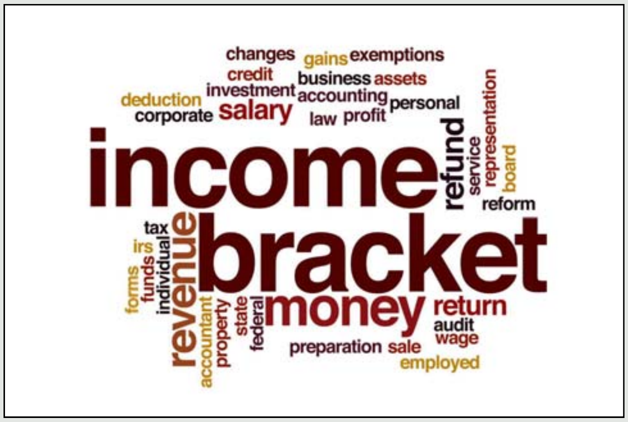
New Deduction Rules For Business Owners

If you are a small business owner, Washington, D.C. has changed tax rules to lower your burden but the new rules are fairly complex. Many small businesses, and some that aren't so small, are "pass-through companies," tax-jargon that means the entity's net income isn't taxed at the corporate level but flows straight to their owners' personal returns. That income is taxed at personal income tax rates, as opposed to corporate rates that are generally lower.

The new tax law, though, has a valuable deduction that evens things out for pass-throughs, although the accounting gymnastics make this anything other than simple. "The size of the deduction varies, depending on the nature of the business activity and the total income of its owner," says Howard Gleckman, a senior fellow at the Tax Policy Center. "It may also depend on how much the business pays its employees and how much property it owns."

Under the new tax law, the top personal rate drops to 37% from 39.6%, with similar reductions in brackets below the highest level. Yet most U.S. businesses are classified as C corporations, which means these companies are taxed separately from their owners. The new tax law lowers the federal tax for C corps to 21% from 35%.

To balance out the difference, Congress allowed pass-throughs — limited liability companies (LLCs), S corps, partnerships and the like — a 20% deduction on their net income. The effect, for those in the top tax bracket, is to lower an owner's rate to 29.6% from 37%. True, 29.6% is higher than 21%, but owners of C corps, meaning shareholders, pay a tax on dividends they receive, usually 15%. So that comes closer to parity with the pass-throughs.



To prevent those part-time jobs into pass-through entities, lawmakers limited the new rules. So, you can't suddenly claim you are a consultant and create a sole proprietorship with the intent of grabbing a tax break.

Owners of service businesses — doctors, lawyers, and consultants — are limited in what they can deduct. Service businesses, according to the tax law, may count as their principal asset the "reputation or skill" of the owners and employees, while manufacturers may not.

In addition, Congress inserted income limits on the deductions that affect all pass-throughs, whether or not they're a service business. The 20% deduction is confined to income of $157,500 for single-filers and $315,000 for married couples. For service businesses, the deduction is phased out progressively in excess of those levels and eliminated entirely when total taxable income is $207,500 for singles or $415,000 for couples filing jointly.

For other types of businesses, the deductions over those thresholds are limited to the greater of 50% of paid wages or 25% of wages plus 2.5% of the business' tangible depreciable property.

The pass-through rules are a big boon for real estate operators, whose properties usually each are LLCs. Further, if every property in a real estate owner's portfolio, say an office building or a shopping mall, is worth a large amount, the deductions can be sizable. For example, on a shopping mall worth $5 million, 2.5% of its value is $125,000. That's quite a deduction. ●

Bitcoin, Chasing Your Tail, And Investing

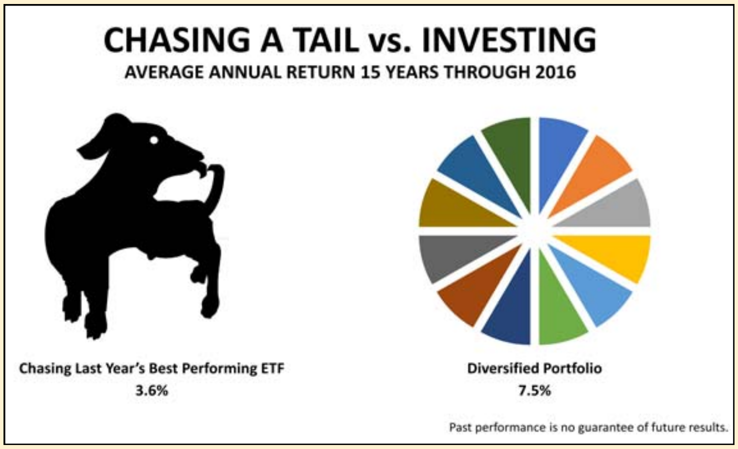
Thinking about Bitcoin? Could be a good time to hop on, right? Wrong! Usually, by the time the average investor jumps on a gaudy, freewheeling bandwagon, it's too late. The price spike has already occurred. If the investment is a fad, a sickening plummet may well await you.

Bitcoin blasted to a record high at rocket speed, hitting $19,783 on December 17, 2017, before plunging 25% in the next 10 days. The crypto-currency may yet be destined for greatness over the long-term, but its supersonic ascent and subsequent nosedive look much like other notorious investment fads.

In 1637, Dutch investors lost their bloomers on tulip bulbs. During tulip-mania, prices for bulbs reportedly rose from November 1636 to February 1637 by 2000%, according to academic research published on Wikipedia.

These objects of desire were flowers. It made no sense. The crash of the bulbs shattered lives and has ever since served as a beacon in financial history, warning investors of the risk in chasing performance.

Investing in Bitcoin makes little sense considering that it is one of many



A Guide To The New Rules On Tax Deductions In 2018

Uncle Sam giveth, and Uncle Sam taketh away. The new federal tax code, which went into effect in 2018 and affects the return you'll file in spring 2019, lowers taxes by expanding some deductions, but restricts or outright eliminates others.

Deductions lower your taxable income so you pay less tax. Here's how deducting items from your income were expanded, restricted, or eliminated.

EXPANDED DEDUCTIONS

Standard deduction. The standard deduction is the amount you can subtract from your taxable income if you don't itemize — that is, individually deduct items like mortgage interest, charitable donations, and car loans. Nearly doubling the standard deduction to $24,000 for joint filers and $12,000 for singles pushes it up from $12,700 and $6,350, respectively. Fewer than half of taxpayers who itemized their 2017 return are expected to itemize their 2018 return. If you file using the standard deduction, preparing your return will be much simpler. If the standard deduction is less than the total of your itemized deductions, you'll still want to file by itemizing, subject to the rules below.

Medical expenses. If you itemize deductions, medical expense deductions will be more generous. For tax years 2017 and 2018, medical outlays in excess of 7.5% of your adjusted gross income are deductible. Starting in 2019, the threshold rises to the previous level of 10%. Congress is widely expected to consider extending the 7.5% threshold or making it permanent.

Alternative minimum tax. This very unpopular parallel tax system has been reined in and will zap fewer Americans in 2018. The AMT started in 1982 as an effort to reduce loopholes open to ultra-high-income earners, but its net gradually spread when it was indexed for inflation starting in in 2013. Under the AMT, the standard deduction and itemized deductions, including state income taxes, are lost. With the new law, your exemption — the amount you can subtract from your AMT liability — is much larger. Previously, $54,300 was exempt for a single-filer and $84,500 for a married couple filing jointly. Respectively, the exemptions increased by almost a third, to $70,300 and $109,400.

Child tax credit. This actually is not a deduction against your income. It's a credit on your tax bill. A credit reduces your tax bill dollar for dollar. The credit for children under age 17 was raised to $2,000 from $1,000.

RESTRICTED DEDUCTIONS

State and local taxes. Lawmakers placed a $10,000 cap per return on deductions for state and local taxes (SALT). Till now, the amount you could deduct for SALT levies was unlimited. If you live in a place with high state and local taxes and home prices, you're hit hard. If you earn more than $100,000 in adjusted gross income and live in California, Connecticut, Maryland, New Jersey, New York or Oregon, you're very likely to see a material hike in your annual federal tax liability for at least the next decade.

Mortgage interest. You can continue to deduct this interest for first and second homes. The change: For mortgages dated after Dec. 14, 2017, only the interest on the first $750,000 of debt is deductible. Before that date, the $1 million ceiling still applies. In places where home prices and, thus, mortgages, are low, that is not as much of a concern. In high-price locales, it is.

Home equity interest. You no longer can deduct interest paid on home equity loans, unless it is used to improve the dwelling. Many people use such loans, which are secured by their homes, to pay for college tuition or new cars. If a home equity loans and the mortgage totals more than $750,000, the amount over that limit can't be deducted.

ELIMINATED DEDUCTIONS

Personal exemption. Exemptions, which lowered your income by $4,050 per person — usually family members — is gone. For some families with children over 17, who can't take advantage of the expanded tax credit, the elimination of the personal exemption will be a net loss.

Alimony. For divorce and separation agreements made after 2018, alimony payments will no longer be deductible. The deduction is helpful to a paying ex-spouse who is short on funds.

Casualty and theft losses. If your house burned down or a crook took your wallet, you could deduct the loss not covered by insurance to the extent it exceeded 10% of your income. Under the new law, only casualty losses suffered in a natural disaster declared by the president are deductible.

Job expenses. Continuing education, medical tests and licensing fees previously were write-offs. Not anymore.

Moving expenses. Before, you could deduct these if you moved to start a new job and it was a good distance (that varies by circumstances, but typically meant 50 miles away) from your old home. Now, that is gone, unless you are in the military.

Tax prep. Depending on the complexity of the return, these fees can amount to more than $500. Uncle Sam no longer will let you deduct them, though. ●

crypto-currencies being mined on the Internet. The value of a crypto currency is set by supply and demand and supply is set by a software program that's not tied to a sovereign state. Transactions are easily hidden from tax authorities. Ultimately, crypto-currencies compete with sovereign nations, which is why some governments are starting to move to regulate them. In the time this was written, not only had the price of Bitcoin plunged 25%, but South Korea became the first nation to ban all anonymous crypto currencies and regulate the rest.

Bitcoin's ascent was easy to spot as a mania, but the modern-day danger inherent in chasing hot performing investments is often far less apparent. For example, say you bought the No. 1 performing Exchange Traded Fund annually for 15 years through 2016. Sound like it could be a strategy for success? Think again, according to Dr. Craig Israeslen, Ph.D., who teaches portfolio design techniques to financial professionals. Your average annual return was 3.6% — less than half the annual return of a broadly diversified portfolio invested across 12 different types of assets equally and rebalanced systematically every year over the same 15-year period through 2016.

Human nature makes people susceptible to investment manias, shiny bright objects like Bitcoin, and chasing last-year's winners. It's why people will always need investment professionals to stay focused on economic fundamentals, quantitative analysis, controlling fear and greed. ●

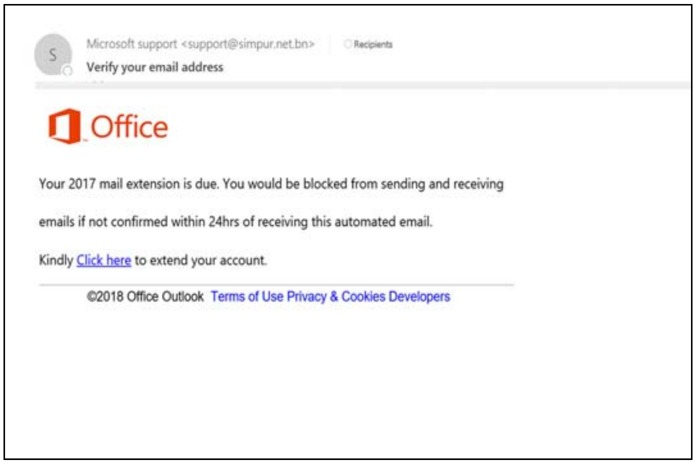
Six Tips To Avoid Phishing Scams

"Fake news" has exacted a high cost to American culture and political discourse, but the internet fakery that costs you time and money is phishing, emails diabolically aimed to trick you into opening your personal data to crooks and miscreants.

Phishing is the practice of emailing people purporting to be a reputable company to fool people into revealing passwords, credit card numbers, contacts, emails, internet accounts, and your most personal digital data. It's rampant. Whether you're using a smartphone, tablet, or computer, here are some tips for protecting yourself:

Mistakes. Phishing emails often are generated by teens or crooks with weak skills in English punctuation, grammar, and spelling. The phishing email from Office use an improper style in "24hrs" and the capitalization of the phrase, "Kindly Click here" should arouse suspicion. When you look at this email's bottom line, the copyright is "Office Outlook." The logo is off. The product name is Office 365 and there is no mention of Microsoft in the copyright notice. Does the sentence Terms of Use Privacy & Cookies Developers make sense? It's a hint that this is a fake.

Reply email address. In this phishing email, the reply address at the top left says "Microsoft support," but if you look closer, the reply email address is "support@simpur.net.bn" and that is not a Microsoft address. The "bn" suffix is the internet country code for Brunei, and that's another telltale sign of fraud. Clever phishing emails often fake reply addresses in other ways. The easiest way to verify a reply email address is to double click on it and look at its properties. If the email purports to be from Microsoft or Google, will hitting reply send an email to a Microsoft or Google email account? If not, it's fake.



Links. Don't click on links in a suspicious email without being deliberate. The link could be a malicious website. Right click on the link and check its properties and see if the link goes to the company.

Slow down. The grammar, misspelling, bad links, and other telltale signs are easily overlooked when you're in a rush, and that's perhaps the reason why people become ensnared by phishing emails.

Verify before you trust. Trust but verify works for some things but not with internet security. First verify and then you can trust.

Secure Software. Microsoft and Apple release updates to computer operating systems continually and those are essential to staying secure. Anti-virus and anti-malware programs are also essential and they need to be kept updated with the latest fixes. ●

Steps To Protect Yourself

(Continued from page 1)

2. Regardless of whether your information has been exposed or not, if you're a U.S. citizen you can get one year of free credit monitoring and other services. When you're ready to enroll, return to the site and click "Enroll." Currently, you have until January 31, 2018, to take advantage of this offer, but the deadline may be extended.

3. Check your credit reports from the big three credit reporting agencies by visiting annualcreditreport.com. Accounts or activity that you don't recognize may indicate identity theft. Another link provided at IdentityTheft.gov tells you what to do if you think there's a problem.

4. Consider a "freeze" on your credit files. With a freeze, it's hard for a criminal to open a new account in your name. However, a credit freeze won't prevent someone from making charges to your existing accounts.

5. Continue to monitor credit card and bank accounts closely for charges you don't recognize. Remember that it may take a while for such activity to occur.

6. If you decide against a credit freeze, you might instead place a "fraud alert" on your files. A fraud alert essentially warns creditors that you may be an identity theft victim and that they should verify that anyone seeking credit in your name really is you.

7. File your tax return early. If you're at risk, it helps to get your return into the IRS before a scammer has a chance to. Tax ID theft occurs when someone uses your Social Security number to seek a tax refund or a job. Also, be sure to respond immediately to any letters from the IRS.

Finally, visit Identitytheft.gov/data breach to learn more about protecting yourself after a data breach. In addition, your trusted financial advisors can provide you with more guidance. ●

Milestone Financial Planning, LLC
2 Commerce Drive • Bedford, NH 03110 • (603) 589-8010