

Winter
2020
Edition



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Request your Tax Organizer today!

Whether you're a returning L&M Tax client or plan on becoming one, request your 2019 Tax Organizer now! Call Brad Bach today at (716) 839-1234, x 287, or email him at BBach@lmfstax.net.

L&M Profile



L&M "We Show Up!"

L&M specializes in financial planning and investment advice. L&M is a "do-the-right-thing" kind of place, and we always put our clients first. Since our founding in 1972, we have stayed true to our vision: delivering the highest quality advice and service so we will be the last financial advisors our clients will ever need.

From our offices in Amherst, Rochester, and Binghamton, we serve thousands of clients nationwide and oversee \$2 billion on our clients' behalf. We're proud to count thousands of clients and dozens of employees who have been with L&M for decades. Please contact us at 716-839-1234 or visit us online at www.lmfs.net for more information.

Washington has changed retirement accounts as we've known them. Here's what you need to know.

New legislation called the "SECURE" Act has four provisions that could affect you.

In the final days of 2019, our trusty representatives in Washington passed a generally useless piece of legislation, which made a number of changes to retirement accounts as we've known them. Perhaps because of its clever acronym (SECURE stands for Setting Every Community Up for Retirement Enhancement), the act passed both houses of Congress with broad bipartisan support.

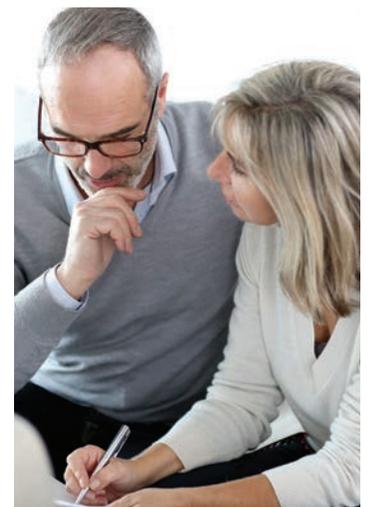
Below are four key provisions of the Act, starting with those that will impact the highest percentage of L&M's clients. As always, you should speak with your tax advisor (or L&M's tax expert, Brad Bach) about your personal situation.

1. End of the Stretch IRA

Beneficiaries who inherited IRAs and other retirement accounts prior to 2021 could "stretch" the IRA, taking

out a small required percentage of the balance over their life expectancy. The advantage of the stretch was the ability to spread taxes out over decades, leaving most of the account invested. Prior to the SECURE Act, a 40 year-old who inherited an IRA (from a non-spouse) would only have to withdraw about 2% of the inherited balance in the year following the inheritance. A 50 year-old would have to withdraw about 3%, and about 4% for a 60 year-old.

Under the new rules, this is no longer allowed for most non-spouse beneficiaries. Now, by the end of the 10th year following the original account owner's death, the beneficiary must liquidate the entire account. The beneficiary can withdraw any amount – or no amount at all – each year, as long as the entire account has been liquidated by the end of the 10th year following the original owner's death. The law provides 4 categories of "eligible designated beneficiaries" who retain the ability to use the



stretch: a) surviving spouses, b) anyone within 10 years of the original owner's age, c) chronically ill or disabled individuals, d) children who have not yet reached the age of majority.

Importantly, beneficiaries who have established stretch IRAs prior to 2020 are eligible to continue under the old rules.

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Glossary

529 Plan

A tax-advantaged savings plan designed to encourage saving for future education costs. 529 plans, known as “qualified tuition plans,” are sponsored by states, state agencies, or educational institutions.

Individual Retirement Account (IRA)

A tax-advantaged investing tool that individuals use to save funds for retirement. There are several types of IRAs as of 2020: Traditional IRAs, Roth IRAs, SEP IRAs, and SIMPLE IRAs.

Itemized Deduction

An expenditure on eligible products, services, or contributions that can be subtracted from adjusted gross income to reduce your tax bill.

Required Minimum Distribution (RMD)

The minimum amount of money you must withdraw from a tax-deferred retirement plan and pay ordinary income taxes on after you reach age 72.

Scam Alert!

A number of our clients have been contacted by scammers, pretending to be from the IRS, Social Security, Microsoft, their banks, or law enforcement. Two quick rules can help you avoid being a victim:

- 1 Assume any call, letter, or email you receive from anyone you don't know is an attempted scam.
- 2 Do not give any personal information to anyone who calls or writes to you.

Tax Insights from L&M Taxation Services



Bradley Bach, CPA

Did this year get away from you? You may still be able to make contributions to your retirement account.

If you delayed contributions to your retirement account, you may not be out of luck if you act fast! Certain retirement account contribution deadlines for 2019 deductions coincide with your 2019 tax filing deadline. If you qualify for a tax deduction for the following types of retirement accounts, see the indicated contribution deadline.

- SEP-IRA contributions are due by April 15, 2020 for 2019 contributions, unless you extend your tax return, in which case you have until October 15, 2020.
- Traditional and Roth IRA contributions are due no later than April 15, 2020 for 2019 contributions.

Looking ahead – IRA contribution limits for 2020

The IRS has announced the dollar limits of contributions to retirement plans and IRAs for 2020. Assuming you qualify for the type of account(s) noted, below are the contribution limits for 2019 and 2020.

Are you retiring in 2020?

If you retire in 2020 and have earnings for the year, you'll be able to maximize your social security benefits with some careful planning. The good news is that no matter your earnings up to the point you retire, there will not be a negative impact on your benefits in the year you claim social security as long as you are deemed “retired” by Social Security for the remaining months of the year. However, as you might expect, there are some exceptions, so let us know when we do your tax planning for 2020.

Are your withholdings accurate and appropriate?

Many taxpayers were shocked to find out that the tax refund they were accustomed to receiving every year was either significantly smaller or non-existent in the aftermath of the Tax Cuts and Jobs Act.

In December, the IRS released its final version of the 2020 Form W-4, with the intention of making taxpayer federal income tax withholdings more accurate moving forward. To make sure your withholdings are adequate, complete one of these new W-4 forms at your earliest convenience and turn it into your employer. It also goes without saying that you can work with your CPA on tax projections. Being proactive will negate interest and penalties that you may otherwise incur by underwithholding.

ANNUAL IRA CONTRIBUTION LIMITS COMPARED

	2020	2019
IRA	\$ 6,000	\$ 6,000
IRA (catch-up)	\$ 1,000	\$ 1,000
SEP-IRA	\$ 57,000	\$ 56,000
SIMPLE IRA	\$ 13,500	\$ 13,000
SIMPLE IRA (catch-up)	\$ 30,000	\$ 30,000
401(k), 403(b), etc.	\$ 19,500	\$ 19,000
401(k), 403(b), etc. (catch-up)	\$ 6,500	\$ 6,000
457(b)	\$ 19,500	\$ 19,000
457(b) (catch-up)	Plan-Specific	
Health Savings Account (Single)	\$ 3,550	\$ 3,500
Health Savings Account (Family)	\$ 7,100	\$ 7,000
Health Savings Account (catch-up)	\$ 1,000	\$ 1,000

Get your information in to L&M Tax Services before meeting in person!

Our CPA prefers to get your tax information and complete your return before meeting with you in person. Why? When we do meet, we can perform a detailed, line by line review of your return so that you understand exactly what is going on and if there is anything you can do to limit or decrease your tax obligations moving forward.

All you need to do is request and complete your tax organizer and gather your 2019 tax documents and drop off or mail them to our Amherst office to the attention of Bradley Bach, CPA.

Rochester and Binghamton

Our CPA will also be available in our Rochester and Binghamton offices. We have scheduled as follows:

In Rochester

Friday, March 6
Friday, March 27

In Binghamton

Wednesday, March 18
Thursday, March 19

Update on our broker-dealer

Securities America is our affiliate for certain back-office support/technology/compliance functions. Their parent company,

Ladenburg Thalmann, has recently agreed to be acquired by a company called Advisor Group.

This consolidation is quite common in our industry, and it will change nothing for you, for us, or for our relationship. You may get a letter in the mail informing you of this. Please don't hesitate to contact your advisor with any questions.

Recipe for Success

Baked Teriyaki Chicken



Ingredients

- 1 tablespoon cornstarch
- 1 tablespoon cold water
- ½ cup white sugar
- ½ cup soy sauce
- ¼ cup cider vinegar
- 1 clove garlic, minced
- ½ tsp ground ginger
- ¼ tsp ground black pepper
- 12 skinless chicken thighs

Directions

1. In a small saucepan over low heat, combine the cornstarch, cold water, sugar, soy sauce, vinegar, garlic, ginger and ground black pepper. Let simmer, stirring frequently, until sauce thickens and bubbles.

2. Preheat oven to 425° F. Place chicken pieces in a lightly greased 9" x 13" baking dish. Brush chicken with the sauce. Turn pieces over and brush again.

3. Bake in the preheated oven for 30 minutes. Turn pieces over and bake for another 30 minutes, until no longer pink and juices run clear. Brush with sauce every 10 minutes during cooking.

It's 2020: Here are 6 Simple Tax Tips For The New Year

The New Year is here and that means 2019 is in the books in terms of taxes, right? In reality, there are still some moves you can make to avoid penalties, minimize payments and make your tax filing season a little easier.

Tip #1: Get organized.

Gather all 1099s and W2s, mortgage interest statements, property taxes, charitable donations, receipts, and any other documentation you'll need to complete your taxes. Then organize them into corresponding folders so you have all the information you need at your fingertips. The process will go faster with less room for error.

Tip #2: Maximize retirement contributions.

L&M Taxation's Brad Bach covers this in his article on the facing page, but, as a reminder, maximizing your retirement accounts not only helps you on your taxes, but also augments your retirement nest egg!

Tip #3: Itemize if it makes sense.

For most people, taking the standard deduction is simpler and more advantageous. However, if you have high property taxes, medical expenses that exceed 7.5% of your adjusted gross income, or make large charitable donations, then itemizing may make sense. Itemize if your qualified expenses for 2019 exceed \$12,200 for individuals or \$24,400 if filing jointly.

Tip #4: Take the home office deduction.

If you work from home and it's your sole place of business, don't avoid taking this deduction because you're afraid of an audit. The eligibility rules have been loosened over the years and this deduction can offer you a big tax break if you're self-employed.

Tip #5: Make sure dependent information is correct.

If you have dependents, make sure you include their Social Security Numbers on your tax return, so you're not denied the Child Tax Credit. However, it's important to be careful with this credit if you're divorced, since only one parent can claim a child. Also, if you're a new parent, make sure you get your child's Social Security Number as soon as possible. If you can't, it's better to file for an extension than send in a return with missing information.

Tip #6: File and pay on time, electronically.

To avoid a penalty, make sure your taxes are filed by April 15, 2020. If you need an extension, file a Form 4868 before then. Otherwise, you could wind up with a late-filing penalty. When you file, do so electronically since these returns are filed faster and you'll get a refund quicker; up to three to six weeks earlier than filing by paper.

The best way to save on taxes and ensure yours are accurate is to work with an expert. If you're interested in learning more, call L&M Taxation Services today.



L&M by any other name...

Many companies offer insurance, financial planning, or advice on investing in the stock market. But representatives of L&M are experienced not only in these three areas, but in many more as well. L&M Wealth Management representatives have been providing a broad range of financial planning and benefits programs to many people across New York State since 1972.

Available products and services are:

- Financial and estate planning
- Long-term care planning
- Pre- and post-retirement counseling
- Tax-favored investments
- Mutual funds
- Equities
- Life insurance
- Disability insurance
- Group insurance
- Funding for education
- 401(k)
- 403(b) Tax Sheltered Annuities
- 457 Deferred Compensation
- Individual Retirement Accounts

L&M representatives offer individual meetings to help you establish a secure financial future.

For more information about L&M's services or to schedule an annual review, just fill out the enclosed, prepaid reply card.

Resources to Help You

When it comes to doing your taxes, it can be a stressful experience for everyone. To help you navigate the process with as little hassle as possible, here are a few resources to keep in mind:

- Answers to Common Tax Questions: <https://www.irs.gov/help/ita>
- Tax Preparation Checklist: <https://www.irs.gov/individuals/checklist-for-free-tax-return-preparation>
- Calculate Your Income Taxes: <https://smartasset.com/taxes/income-taxes>

L&M News is a free service of L&M Wealth Management.

- 3820 Sheridan Drive
Amherst, NY 14226
800-326-8410 or
716-839-1234
- 1708 Vestal Parkway East
Vestal, NY 13850
607-748-1803
- 1840 Winton Rd. South
Building A
Rochester, NY 14618
585-244-9630

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Retirement account changes, cont.

2. New RMD Age

This change affects individuals born July 1, 1949 or after: the age at which you must begin withdrawals from your IRA has changed from 70.5 to 72. In concert with this provision, individuals beyond age 70.5 are now permitted to make IRA contributions (if they meet the general requirements).

3. 529 Distribution for Student Loans

While New York state has not yet made accommodations to make this work here, the SECURE Act allows up to \$10,000 from a 529 Plan, per student, to be used to pay off student loans. Check with your accountant before considering this.

4. Changes to Employer Retirement Plans

While not yet a done deal, I suspect the motivation for this legislation was to pave the way for annuities to be held within 401(k) and other employer plans. As with all legislation, the implementation here will be critical. If implemented intelligently and with retirement savers' best interests put first, this could be a game-changer by allowing American workers to accumulate a sort of pension income benefit right inside their employer retirement plans.

While this law strikes us as a solution in search of a problem, please know we're here to answer any questions and make sure you're in compliance with these new provisions.

Winter '20 Quiz

Answer correctly and be entered to win a delicious coffee cake – delivery included. Email your answers to quiz@lmfs.net or mail back the enclosed reply card by March 15th to be eligible.

1. How many U.S. states have an individual income tax?
2. Which state has the highest average combined state and local sales tax rate?
3. When was the estate tax first enacted in the U.S.?

Fall Quiz Winner:

Client: Joe Suriani

Financial Advisor:

Bob Gentner

L&M in the Community

In November, L&M employees helped North Presbyterian Church and Temple Shir Shalom feed over 500 families for Thanksgiving. L&M volunteers helped pack donation bags/boxes and loaded those and turkeys onto trucks for distributing agencies. In December, L&M chose *Make a Case for Kids* as our 2019 holiday charity, filling close to 20 pillow cases with amazing toys, books, games, pajamas and more for sick children at Oishei Children's Hospital, as well as kids in need throughout our community.



For *Make A Case For Kids* in December, L&M volunteers took their toys, games, and pajama-filled pillow cases to the drop-off location at Spot Coffee. L to R: Leah Palumbo, Jennifer Klein, and Richard Kohl.



Hard at work at North Presbyterian were, L to R, Jacob Cosmas, Richard Kohl, Debbie Meyer, and an unidentified volunteer.



L to R: Richard Kohl, Sara Burwick, Ivy Burwick, Leo Burwick, Matt Burwick, and Leah Palumbo.



Turkeys in the parking lot on their way to 500 hungry WNY families.



Among the L&Mers helping spread Thanksgiving bounty were, L to R, Richard Kohl, Jennifer Klein, Debbie Meyer, Shannon Lipsitz, Joseph Lipsitz, and Jacob Cosmas.