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**L&M Profile**



**L&M "We Show Up!"**

L&M Financial representatives have been providing benefit programs and financial services to individuals, families, and small businesses since 1972, and through their affiliation with Securities America, Inc. since 2007. But we're not simply a team of financial planners managing money. We are trusted advisors, life coaches, and loyal partners. We truly care about our clients' well being. And we strive to build long-term relationships with each and every one of them. In other words, "we show up." By showing up, we help our clients make smart financial decisions – so they can enjoy life and focus on what matters most.

Through our offices in Buffalo, Rochester, and Binghamton, our nearly 100 employees and representatives, and the latest in technology, we offer our clients guidance that is consistent with their goals for the future. For more information, contact us at 716-839-1234 or 800-326-8410, or visit us online at [www.lmfs.net](http://www.lmfs.net).

**Six Key Changes You Need to Know to Prepare for the 2018 Tax Year**

The tax reform bill – formally known as the "Tax Cuts and Jobs Act" – brought with it the most significant overhaul of the tax code seen in the U.S. in more than 30 years. To help ensure you're not faced with any surprises as a result of it, here's a look at some of the biggest changes:

**#1: Standard deductions**

Gone are the days of the personal exemption, which was \$4,050 per person in a household for the 2017 tax year. Now the standard deduction applies, which means:

- Those couples who are married and file their income taxes jointly now have a \$24,000 standard deduction, up from \$13,000.
- Those who are single or married filing separately have a standard deduction of \$12,000. That's an increase from the \$6,500 deduction under the previous law.
- Heads of household also see

a sizeable increase with an \$18,000 standard deduction, almost double from the \$9,550 deduction available prior to the reform.

**#2: Tax brackets and tax rates**

While the number of brackets remains the same at seven, the thresholds and rates are different. For instance, for those married couples filing jointly, their taxable income bracket goes from \$75,900 - \$153,100 paid at a 25% rate to \$77,401 - \$165,000 paid at a 22% rate.

**#3: Child tax credit**

Under the new law, the child tax credit – which was originally designed to give an income boost to parents and guardians of dependent children – has increased to \$2,000 per qualifying child. It also increases the amount of the credit that is refundable to \$1,400. The age cut-off remains



at 17, while the beginning credit phase-out increases to \$200,000 for single individuals and \$400,000 for joint filers.

**#4: State and local taxes**

The tax reform bill limits the state and local taxes (also known as SALT), including sales, income and property taxes, to \$10,000 per return. The cap impacts many married couples who file jointly most since the \$10,000 limit is per return and not per person.

## Glossary

### Estimated Payments

An advanced tax payment based on the amount of income earned from self-employment, business earnings, interest, rent, etc.

### Phase-out

The gradual reduction of a tax credit a taxpayer is eligible for as their income approaches a certain limit.

### Tax Brackets

A range of seven different incomes, each taxed at a specific rate.

### Tax Deductions

A reduction of your taxable income, which, therefore, lowers your tax liability.

### Tax Credits

A dollar-for-dollar reduction in the taxes you owe. For instance, if you owe \$1,000 in federal taxes but are eligible for a \$600 tax credit, then you only owe \$400.

### Tax Rates

A percentage at which an individual or corporation is taxed. For 2018, those rates are 10%, 12%, 22%, 24%, 32%, 35%, and 37%.

### Roth IRA

An individual retirement account allowing a person to set aside after-tax income up to a specified amount each year.

## 5 Mid-Year Tax Planning Tips



It's summer. Chances are, your mind is on vacations and graduation parties, not taxes. But when you start preparing now, you can better take advantage of tax savings and avoid any issues with the new tax reform law come filing time next April. To help you with this process, here are a few tips for mid-year tax planning:

### Adjust withholdings

Getting a huge tax refund isn't something to brag about. You're basically giving the government an interest-free loan when you do. So if you received a sizeable refund and you haven't yet adjusted your 2018 withholdings with your employer, now's the time to do it. Typically, all you have to do is file a new W-4 with your company. Therefore, it's an easy move to make and will put more money in your paycheck.

### Assess estimated payments

If you pay estimated taxes and got hit by a huge bill this year – and are on track for the same next April – then assess your income for the first half of 2018 and adjust your payments if needed.

If you don't, you may not only wind up with another big tax bill, but could also get hit with a tax penalty. Just make sure you do this before September when your next quarterly payment is due.

### Bump up retirement savings

Contributing to a qualified retirement plan is one of the best ways to lower your taxable income for the current year. And the sooner you increase your contributions, the more tax savings you can accumulate. In 2018, the annual contribution limit for a 401(k) is increased to \$18,500 from \$18,000. This increase also applies to 403(b) plans and 457 plans, as well as the federal government's Thrift Savings Plan.

### Keep taxes in mind if you're planning to retire soon

If you're planning to retire this year, the retirement accounts you begin pulling funds from first and the amount you withdraw can have a major impact on your taxes, as well as how long your savings will last. To make sure you don't face any surprises, perform a checkup now and create a tax-smart income plan with your financial advisor.

### Get organized

It's tough to get organized in April when you're in the midst of paying your taxes. The laid-back summer months offer a better time. For instance, set up an easy record keeping system for the receipts and statements you need to retain. Also, make sure your old returns and supporting documents are stored in a secure place. You typically need to keep them for at least three years.

## Summer 2018 Quiz

Answer all questions correctly and you'll be entered to win a certified kosher, cinnamon walnut *My Grandma's of New England* coffee cake delivered right to your door. Email your answers to [quiz@lmfs.net](mailto:quiz@lmfs.net) or print them on the enclosed reply card and submit by August 31<sup>st</sup> to be eligible.

1. Abraham Lincoln imposed the first federal income tax to fund the Civil War. What was its tax rate and tax bracket?
2. How many pages long was the federal tax code when it was enacted in 1913?
3. In 1691, England taxed the number of what items on a house?

### Spring Quiz Answers:

1. \$10 billion;
2. Joe Califano;
3. January 2, 1998



## The Financial funnies

"The IRS suggests filing early to reduce the chance that someone will steal your identity and file before you. Honestly, if somebody wants my identity so badly they'll file my tax return for me, go crazy.

You can mow my lawn while you're at it, too."

– Jimmy Kimmel

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"Worried about an IRS audit? Avoid what's called a 'red flag.' That's something the IRS always looks for. For example, say you have some money left in your bank account after paying taxes.

That's a red flag."

– Jay Leno

## Recipe for Success

### Sweet Teriyaki Beef Skewers



#### Ingredients

1-1/2 cups light brown sugar  
1 cup soy sauce  
1/2 cup pineapple juice (optional)  
1/2 cup water  
1/4 cup vegetable oil  
3 large garlic cloves, chopped  
4 pounds boneless round steak, cut into 1/4-inch slices  
Bamboo skewers, soaked in water

#### Directions

Whisk brown sugar, soy sauce, pineapple juice, water, vegetable oil, and garlic together in a large bowl; drop beef slices into the mixture and stir to coat. Cover bowl with plastic wrap. Marinate beef in refrigerator for 24 hours.

Remove beef from the marinade, shaking to remove any excess liquid. Discard the marinade.

Thread beef slices in a zig-zag onto the skewers.

Preheat grill to medium heat and lightly oil the grate. Cook skewers on your grill until the beef is cooked through, about 3 minutes per side.

## Tax Benefits of a Roth Conversion

A Roth conversion simply means taking the funds from a traditional IRA and putting them in a Roth IRA. Thanks to the lowered tax rates under the Tax Cuts and Jobs Act, making this move might be worth it, especially when you consider these potential tax benefits of a Roth IRA.

#### Allows you to pay today's lower tax rate

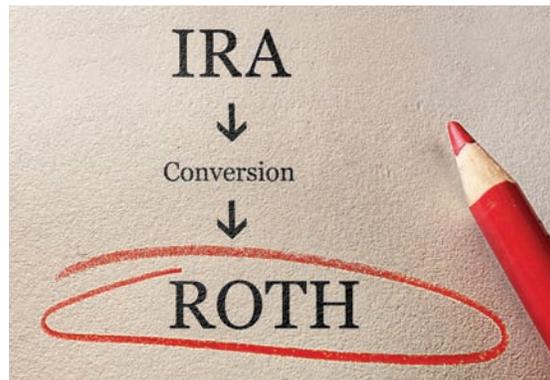
The new tax reform bill lowered the top individual income tax rate, as well as many of the other rates. However, in the future, it's likely that income tax rates will rise rather than fall. That means if you pay taxes on the money you invest now, it will probably be at a lower rate than what you'd pay during your retirement once you're ready to start withdrawing.

#### Gives your money a longer time to grow tax-free

With a traditional IRA, you must take a minimum distribution every year after you reach age 70½, even if you don't really need the money. You therefore lose potential tax-free growth. With a Roth IRA, however, there aren't any of these requirements; you simply withdraw the money when you need it. (You must be over 59½ to avoid penalties.)

#### Maximizes estate planning

A Roth IRA can be passed on to an heir without any required minimum distributions, as with other types of retirement accounts. Your heirs can either roll an inherited Roth into their own Roth IRA or cash it out without penalty regardless of their age. Likewise, a Roth IRA does not have to go through probate,



which can speed up the process of disbursing funds.

While there are many advantages to converting to a Roth IRA, it's not for everyone. Also, under the new tax reform law, these conversions are now permanent, meaning the money cannot be reverted back into a traditional IRA.

In addition, if you do convert, the taxable portion of your traditional IRA (i.e. deductible contributions and earnings) is subject to federal income tax in the year of conversion. So if you're considering it, it's important first to talk with your L&M financial advisor and your accountant so you understand your potential tax bill at the outset.

## “Notable Quotables”

“Wealth is the ability to fully experience life”

– Henry David Thoreau

# 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 Financial 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(a) Deferred Compensation
- Individual Retirement Accounts
- Third party administration/ payroll deduction services

L&M representatives offer workshops, seminars and, of course, individual meetings in an effort to educate you about effective ways to help establish a secure financial future.

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## Resources to Help You

Check out our website's Weekly Market Commentary section, located at [www.lmfs.net/news/weekly-market-commentary/](http://www.lmfs.net/news/weekly-market-commentary/), for an article titled "Financial Planning Under the New Tax Law." It offers more details on the impact of tax reform, covering topics including:

- Charitable giving
- Retirement investments
- Divorce
- Estate planning

### L&M Financial News is a free service of L&M Financial.

Editor: Mitch Flynn

- 3820 Sheridan Drive  
Amherst, NY 14226  
800-326-8410 or  
716-839-1234
- 1708 Vestal Parkway East  
Vestal, NY 13850  
866-442-8666 or  
607-748-1803
- 1840 Winton Rd. South  
Building A  
Rochester, NY 14618  
Phone 585-244-9630  
Fax 585-244-9063

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## L&M Gives Back to the Community



*Top photo: L&M Financial supported Goodwill Industries in May with a donation of more than 2,800 lbs. of household items. Bottom photo: Over several mornings last spring, the L&M team helped Amberst Meals on Wheels by preparing food for delivery to their clients – a rewarding and fun experience for everyone!*



*Team L&M raised more than \$11,000 for cancer research at the 23<sup>rd</sup> Ride For Roswell in June. Riders included (clockwise from top left) Joseph and a sleepy Vaeda Lipsitz; Ruth Lipsitz; Joseph and Vaeda with Max and Blair Lipsitz and their baby, Liv; and Matthew Burwick (r.) and friend Dominick Lanuti.*

## Six Key Changes to Know for the 2018 Tax Year

Continued from Cover

These deductions were previously unlimited.

### #5: Mortgage interest

The home mortgage interest deduction has also been modified. You can still deduct interest, but going forward, married couples filing jointly can only deduct it on up to \$750,000 in mortgage debt. That number is \$375,000 for married taxpayers filing separately.

### #6: Estate tax

The new law doubles the amount of money that's automatically exempt from the federal estate tax

to approximately \$11 million of an estate for an individual who was unmarried, or \$22 million if they were married. The old exemptions were \$5.5 million per person and \$11 million if married. The new provision remains in effect through the end of 2025, unless Congress acts to extend it.

### Other important changes to note in the new tax bill

- A 529 college savings plan can now be used at all levels of education. For example, you can pay for your child's private high school or tutoring needs with the money in a 529 account.

- For charitable contributions, you can now deduct donations of as much as 60% of your income, up from the previous 50% cap.

- The threshold for medical expense deductions has been reduced from 10% of adjusted gross income (AGI) to 7.5% of AGI.

That's a lot of change in one year! If you have any questions about how the new tax law may affect your retirement planning, please call your L&M advisor today.

Visit the L&M website at:

[www.lmfs.net](http://www.lmfs.net)